MINNEAPOLIS SAINT PAUL
METROPOLITAN BUSINESS PLAN INITIATIVE
BASELINE OVERVIEW DRAFT
July 20, 2010

Request for Review and Comment
Stakeholders are invited to review and comment on the draft "baseline overview" of the Minneapolis Saint Paul metropolitan business plan. The baseline overview represents an inventory of the conditions of the Minneapolis Saint Paul metropolitan region, and is intended to be representative rather than comprehensive. More information about the plan and its development is available below.

Please submit your comments and critique by Friday, August 6 to:
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Comments and suggested changes will be incorporated into the baseline overview through consideration by the steering committee of its sponsors, outlined below.

Background
In 2009, leaders in the Minneapolis Saint Paul region engaged the Brookings Institution about participation in a pilot initiative to apply a business planning approach to regional economic development. Partners including the Itasca Project, City of Minneapolis, Minnesota Department of Employment and Economic Development (DEED), Regional Council of Mayors, City of Saint Paul, Target Corporation, Urban Land Institute Minnesota, started an initiative to undertake business planning for the metro area's regional economic development. Additional funders including the Minneapolis Foundation, Saint Paul Foundation and Wells Fargo Foundation have provided financial support to the project.

Objectives
The baseline overview has been developed around a vision for the region as a world class, international center of commerce with unsurpassed vibrant communities and natural beauty. A multitude of factors – economic, social, cultural, political – are involved in efforts to realize this vision. The end goals of the business plan, articulated both by the Brookings Institution and by the region's involved partners, are:

- First and foremost, to create a document that identifies and connects major themes at work in the region, providing the basis for stronger consensus about how our metropolitan area will thrive in the next century
- Second, to use the findings of the metropolitan business plan to inform how federal agencies partner with metro regions across the country. Participating regions in the Brookings Institution pilot project include Cleveland/Northeast Ohio and Seattle/Tacoma, in addition to the Minneapolis Saint Paul metropolitan area.

Baseline Overview Content
The focus of this attached document is to inventory the following:

- Strengths and weaknesses that have formed the region's current economic conditions
- Barriers that inhibit the region's reaching its full potential as a prosperous, vibrant place
- Opportunities that exist to use our strengths to overcome our challenges
- Strategies (currently in use or not) which represent promising steps to move the region forward in areas of significance

The analysis is organized using six "levers of prosperity," a narrative that emerged from the Blueprint for American Prosperity process undertaken by the Brookings Institution in recent years. Each lever represents a short chapter in the baseline overview, describing major themes and relevant strategies:

- Regional concentrations of firms, talent and ideas and quality of life in the region
- Human capital – our people, their education and skills – and how to maximize individuals' access to quality jobs and the productivity they bring to the workforce
- Innovation-enabling infrastructure which provides an environment where marketable ideas are valued, developed and commercialized
- Spatial efficiency, or how we design the physical layout of our future region to be a more efficient in its land use, transportation, and overall carbon footprint
- Effective public and civic culture that reinforces high levels of engagement, values transparency, and supports long-range decision making
- Information resources that provide a basis for identifying opportunities in the regional marketplace

Please provide comments and critique on any of the sections, or on the baseline overview in its entirety.

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SECTION (CLICK TO SECTION)

VISION

REGIONAL ECONOMIC FRAMEWORK

MARKET ANALYSIS AND ENVIRONMENTAL SCAN

LEVERS OF GROWTH: DISCUSSION AND STRATEGIES

- ENHANCE REGIONAL CONCENTRATIONS
- DEPLOY HUMAN CAPITAL FOR ECONOMIC GROWTH
- DEVELOP INNOVATION-ENABLING INFRASTRUCTURE
- INCREASE SPATIAL EFFICIENCY
- CREATE EFFECTIVE PUBLIC AND CIVIC CULTURE AND INSTITUTIONS
- DEVELOP AND DEPLOY INFORMATION RESOURCES

END NOTES

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VISION

The Minneapolis Saint Paul region will be a world class international center of commerce with unsurpassed vibrant communities and natural beauty.

REGIONAL ECONOMIC FRAMEWORK

A regional economy is a complex "business," interwoven among cities and suburbs, operating in a competitive regional environment and global marketplace. Therefore, developing a business plan to improve an economy's performance entails first understanding the context and components of the existing economy, and the systems which interact to productively deploy assets. With the Great Recession serving as a major "reset" for economic activity, these considerations are especially important to ensure that the fundamental assets and development strategies of metro economies are attuned to new post-recession national and international dynamics.

In this regard, leading economists and key federal leaders have projected a vision for the rebuilt American economy that is ***export-oriented, lower-carbon, and innovation-fueled, opportunity-rich and led by the nation's metropolitan areas.***[1]

This direction for the "next" economy derives from national imperatives, economic realities, and global trends:

- *Exports* measured as a share of the economy will continue to grow based on rising global demand and relatively low dollar values, and their expansion arguably presents the only solution for reducing the nation's foreign debt while also driving growth in jobs, productivity, wages, skills, and general American living standards[2]

- *Low-carbon solutions*—reflected eventually in a metro's carbon footprint—will continue to spread, driven by climate change concerns, "greener" consumer preferences, growing world energy consumption needs, and the advance of low-carbon policies and regulations.[3] The resulting future boom predicted in the global green economy would ramp-up green-oriented jobs and investment in the U.S.[4]

- *Innovation*—often captured in patenting rates and manifested by new products, services, and business models—has always been critical to economic growth and competitiveness and will likely become even more imperative.[5] Other nations now challenge long-standing U.S. leadership on key indicators like worldwide shares of domestic R&D spending, new U.S. patents, and science and engineering degree holders and publications[6]

- *Opportunity-rich economies*—evidenced by strong middle class earnings and more income equality—represent a next economy imperative. Shared prosperity could be realized by unlocking the potential of export expansion to raise wages; a low-carbon shift to deliver new, in-demand jobs; and use of the innovation economy to diffuse greater education and skill levels across the population.[7]

- *Metropolitan-led productivity*—As U.S. and global populations increasingly urbanize, more labor, knowledge, networks, and other markers of productive capacity will ultimately concentrate in the largest metropolitan areas.[8] Already, America's largest 100 metros, while sitting on only 12 percent of the country's land mass, account for roughly two-thirds of the nation's population, jobs, and research universities; at least three-fourths of graduate degree holders, knowledge economy employment, patents, and port and air cargo; and nearly all venture capital funding.[9]

Brookings' *Blueprint for American Prosperity* initiative documented how metros not only disproportionally gather the assets that matter most—innovation, human capital, infrastructure, and quality of place—but also amplify them through geographic agglomeration and multiplier effects that connect and boost outputs and inputs across these economic drivers to maximize, accelerate, and balance regional—and thus national—prosperity:[10]

- *Innovation*, spurred by robust business dynamics, high-impact entrepreneurship, and competitive regional industry concentrations, is crucial to sustain economic advantage, generate and retain high-quality jobs

- *Human capital* drives innovation and is also a prerequisite for income growth, upward mobility, and access to opportunity

- *Infrastructure* determines how efficiently and rapidly goods, people, and information move within and across markets

- *Quality places* that are distinctive and dense with housing, transportation, and employment choices are essential for attracting innovate firms, retaining talented workers, and growing in environmentally sustainable ways

- *Regional governance* structures and institutions to support quality, effectiveness, and efficiency across all these fundamental drivers of metro economies

OVERALL MARKET ANALYSIS AND ENVIRONMENTAL SCAN

Globally and nationally, signs point to a post-Great Recession economy that will be more export-oriented, lower-carbon, and more innovation-fueled; that must be more opportunity-rich; and that continues to be metropolitan-led. These are therefore the contours of the emerging next economy in the light of which the Minneapolis Saint Paul metro must understand its own economic prospects and design its future economic development strategies and initiatives. These contours inform all of the strategies in this metropolitan business plan, including the lead initiative to provide intensive

entrepreneurial assistance combined with new flows of early stage capital to accelerate innovation and new business starts in the region.
The Minneapolis Saint Paul region enters the next economy from a solid starting point, but cannot be complacent about its future economic competitiveness. With a 2008 gross metropolitan product per worker of $88,098, the region currently ranks within the top quartile of the 100 largest U.S. metros on this most basic measure of productivity, and thus regional economic performance.[11] However, between 2002 and 2008, the metro registered only moderate growth in productivity (10.0 percent), regional economic output (13.0 percent), and employment (3.6 percent). All these rates are below those for the nation at-large, and indicate a need to enhance the region's innovation and job creation systems.[12]

In this regard, the region's general orientation toward the next economy imperatives of exporting, decarbonization, and innovation reveals both strengths and weakness to build on and to exploit to boost the region's economic prospects:

- *Lagging exports* and engagement with foreign markets overall, but with opportunity in services. Compared to other large U.S. metros, the export intensity of the region's economy is a modest 12.1 percent—a rate below that for the nation as a whole. The region stands to benefit by expanding the number of exporting firms, which typically employ twice as many workers, produce twice as much, and pay wages many times greater than their non-exporting peers. A particular area of focus could be service exports, which already account for 4.1 percent of the metro economy—one of the top 20 shares nationally.[13] Professional, scientific, and technical services currently account for the second largest share of the region's employed workforce, and growing and maintaining leadership in the export of services could be a rich source of competitive advantage because it reflects strength in knowledge-intensive economic activities that are less susceptible to price competition

- *Oversize carbon footprint*—the region exhibits ample opportunity for "greening" the economy. At 7.88 metrics tons of carbon per capita, the region has one of the ten worst carbon footprints of the nation's largest 100 metros, with commercial and industrial emissions per capita among the five worst metro footprints.[14] The region's carbon intensity (emissions per dollar GMP) is also one of the 20 highest nationally.[15] Advancing low-carbon solutions in the region—for example in traditionally energy-intensive transportation- and industrial-related activities—could help enhance the competitiveness of some existing regional industry clusters in a global economy increasingly influenced by an accounting of the environmental impact of energy sources

- *Innovation*—the region sustains strong capacity for producing innovative ideas, and potential to bring them to market. The region posted a 2007 patenting rate of 10.4 patents per 10,000 employees, which is among the top 20 of the largest U.S. metros.[16] This strong performance indicates an advantage in inventing new goods, services, and processes, and generally points to potential in bringing ideas to market, both of which are crucial for advancing innovation. However, despite a rich prior history of converting knowledge to new businesses, a later discussion about the region's business dynamics reveals that current idea generation in the metro is not sufficiently translating to commercialization to spur economic growth

- *Opportunity rich*—the region's shared prosperity is directly challenged by persistent and deep racial disparities. Median household income for people of color in the region remains less than 60% the level enjoyed by white residents.[17] Among the largest U.S. metros, the region registers just moderate performance on the relative equality of its income distribution (as measured by Gini coefficients).[18] Particularly distressing is that while the region's gross metropolitan product increased between 2002 and 2008, real median hourly wages declined 3.4 percent—one of the 25 worst slides among the largest 100 U.S. metros.[19] Further, while the overall metropolitan poverty rate of 8.3 percent is one of the five lowest nationally, poverty in the region is much more concentrated in central cities (as compared to its suburbs) than the average large metro.[20] Not only are middle-class earners generally taking a hit in the region, but the population in the urban core is impacted with particular force.

In terms of assessing the sources of the region's broader regional competitiveness, a starting point remains a quick review of the region's standing on the basic drivers of prosperity identified by the Brookings Institution's *Blueprint for American Prosperity.*[21] These fundamental assets—innovation, infrastructure, human capital, and quality of place, along with governance systems—tend to concentrate in metros to drive their economic prosperity and, by extension, that of the nation. Therefore, observations of baseline performance on these basic drivers set the context for further analysis to determine their practical implications for enhancing regional competitiveness through specific economic development strategies aimed at the economy's key leverage points.

Along these lines, the Minneapolis Saint Paul region's baseline performance shows that the metro:

- Enjoys an active business environment, but is short on high-impact entrepreneurship. In 2006, the regional economy produced more new businesses than it lost through a fair degree of business churn, which is generally considered a boon for regional innovation because it implies less efficient firms failing and more capable ones starting.[22] However, the region's modest performance with regard to start-up rates of mid-size firms (those with 20 to 400 employees) indicates some difficulty in translating its strong stock of ideas and knowledge into those new enterprises mostly likely to have high and lasting impact on regional employment and economic growth[23]

- Boasts an impressively well-educated citizenry. The region ranks in the top ten of the largest 100 U.S. metros for the share of its population with a bachelors' degree (37.6 percent) and in the top 25 for the share with advanced degrees (12.1 percent).[24] At the same time, the region continues to fail to solve an achievement gap, with high school graduation rates for students of color lagging thirty percentage points behind white students.[25] If developed and deployed successfully, the region's intellectual capacity can enhance the metro's ability to innovate in new products and services, compete in the knowledge economy, and achieve greater economic growth

- Contends with funding challenges in developing and maintaining an evolving, multimodal transportation system. The Minneapolis Saint Paul region is one of the 20 most congested U.S. metros, which can be a drag on metropolitan labor mobility.[26] Yet, the metro's top-20 ranking for the share of workers (4.8 percent) currently commuting via public transit reflects the viability of alternate modes of transportation in the region and supports further expansion of transit options to ease traffic congestion, while also reducing carbon emissions.[27] Furthermore, while service exports may be well served by 122 domestic air connections (ranked within the top ten nationally) facilitating face-to-face interactions with businesses in other places, goods exports may be difficult to expand without building up the capacity of the overall port infrastructure. In 2008, compared to other large metros, the region's freight network of air-, land-, and barge terminals handled only moderate volume of $2.8 billion worth of international merchandise[28]

- Struggles with sprawling development patterns. With 76.2 percent of the metro population living in urbanized areas, the region is slightly less dense than the average large U.S. metro and, consequently, suffers a greater degree of job sprawl.[29] Only 16.7 percent of the region's jobs are within three miles of downtowns, while 40.5 percent are over 10 miles away.[30] This pattern of sprawl can detract from the metro's quality of life by requiring large amounts of land consumption, forcing auto-dependence, reducing job accessibility, and exacting long-term public liabilities in the form of overbuilt infrastructure

- In terms of governance, meanwhile, the region deals with both favorable and unfavorable circumstances for effective and cohesive governing institutions and systems. The Metropolitan Council, a governing institution for multiple, regional public functions, continues to offer the potential for metro governance. The proliferation of water authorities, transit agencies, and other special-purpose districts—which can be detrimental to the efficiency and performance of overall regional governance—is 3.4 times less acute in the region than in the nation at-large.[31] At the same time, the metro contends with more than twice as many municipalities per 10,000 residents as the average large metro—a level of fragmentation across local general purpose governments that is among the 25 highest of the nation's largest 100 metros and which can make governing regionally more difficult.[32]

A fuller review of top-line regional data points, in conjunction with finer-grained statistics, lays out a more comprehensive assessment of the region's economy across the most high-impact leverage points for influencing metropolitan economic development. The market analysis that follows focuses on six "levers of prosperity" that research and practice indicate are key potential points of intervention to stimulate regional economic growth.

REGIONAL MARKET ANALYSIS: LEVERAGE POINTS

Enhancing the region's next economy positioning while ensuring it is opportunity-rich and sustainable requires interventions that effectively influence the dynamic systems, interactions, and operations that constitute it. A sophisticated and strategic focus on regional economic development requires that attention be paid to six finer-grained "leverage points" for affecting growth. These levers form the structure of the business plan approach to economic development in the Minneapolis Saint Paul metropolitan region of the future, as outlined in the following specific sections.

Each leverage point is related to the others, which allows for each sort of intervention to have implications for the entire regional economy. The goal of the leverage points is not to shape siloed policies and programs, but integrated, multi-dimensional ones that reflect how various issues connect in a regional economy. Taken together with the meta-dimensions of the next economy and the drivers of regional (and national) prosperity, the leverage points for affecting metropolitan prosperity provide a useful framework for analyzing regional economic performance and constructing a business plan to enhance it.

Lever 1: Enhance Regional Concentrations

Concentrated economic activity benefits the production of goods and services by reducing transportation costs, enabling shared labor and other inputs, facilitating spillovers and exchange, and enhancing innovation. Reflected regionally through the size, input-output relationships and interactions of clusters of related firms, occupations, and/or functions (e.g., headquarters or back office activities), an analysis of regional concentrations can reveal which ones have the most potential for growth and whether their productivity and efficiency could be improved by pursuing particular metro-scaled strategies, such as developing specialized human capital, key infrastructure, or formal and informal networks.

Key Findings	Evaluation
• Region represents the 16th most populous and comprises the 14th largest economy in the nation, with gross domestic product of $193 billion in 2008.[33]	
• Region is economically diverse, home to headquarters of twenty-one Fortune 500 corporations, and has the second-highest concentration of Fortune 1000 and Standard and Poor's 500 companies, according to a 2007 survey.[34]	
• Initiatives are developing that will stimulate industry and occupational clusters and coordinate economic development efforts on a regional scale.	

Current State of Industry Concentrations in a Diverse Economy
Development of regional concentrations in multiple industries has supported growth that until the last decade has consistently allowed the region to outperform peers. The region's real income per capita and gross domestic product per capita exceed national and Midwest averages[35], due in part to concentrations of firms in various stages of organization as clusters.

Regional concentrations of skills and capital are present, but addressing challenges and maximizing metropolitan potential requires better information about the basis for clustering and the degree to which industries and occupations are organized. Multiple analyses have identified those concentrations offering the greatest potential, and those clusters with organizational structure in place to strengthen through collaboration.[36]

The Regional Competitiveness Project, a joint initiative among Minnesota Department of Employment and Economic Development (DEED), the University of Minnesota Humphrey School of Public Affairs and the Regional Council of Mayors, has identified clusters in the region that exhibit six characteristics of significant concentrations:

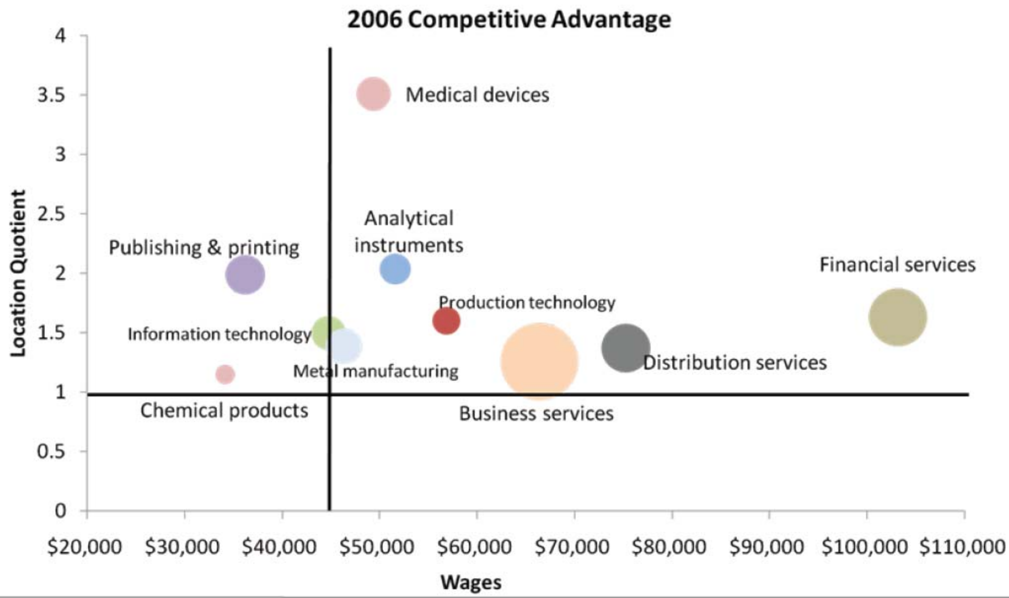
- Strength of competitive advantage (existing or emerging)
- Potential gain for industry cluster from private/public collaboration
- Degree of geographic distribution in the region
- Potential to spur innovation
- Potential to spur entrepreneurship
- International strength

DEED analysts and Humphrey School researchers evaluated 41 traded industry clusters in the region, and identified ten satisfying the above criteria. These ten are listed below with an eleventh identified by the Twin Cities Greater Metropolitan Workforce Council (health care):

- Analytical instruments
- Business services
- Chemical products
- Distribution services
- Financial services
- Health care
- Information technology
- Medical devices
- Metal manufacturing
- Production technology
- Publishing and printing.

The current conditions in each of these clusters vary, from primarily a geographic concentration of firms and workers with aligned skills to more formal research innovation and manufacturing organizations. Parallel research undertaken statewide has documented the importance of a bioscience cluster including firms involved in medical devices and biologics, animal health, food, and renewable energy and materials.

STRENGTH OF COMPETITIVE ADVANTAGE



Source: Regional Competitiveness Project. Size of circles indicates occupational concentrations

The need to clearly understand the profile and interrelationships among regional clusters, and create structures that reflect the regional nature of these economic networks, aren't new challenges in the region. However, the region is in a state of transition from old to next economy, which presents tandem opportunities and threats to regional prosperity and the extent to which prosperity is broadly distributed. To exploit these opportunities and mitigate the threats, regional leaders need to understand in detail the composition and relationships of key clusters, as well as have the tools required for an effective regional approach to their development.

Recruiting Talent and Firms to Reinforce Concentrations
Cultivating industry and occupational clusters within the region, and attraction of firms and workers from outside the region each represent the focus of multiple initiatives. Yet, efforts and structures for recruiting talent and firms from elsewhere in Minnesota, the nation and globe are unsynchronized.

A series of recent interviews indicate that the region is "not on the map" for site consultants and other experts who help companies identify and evaluate locations for business expansion.[37] Moreover, the business climate in the region and the state are perceived as unfriendly or over-regulated by some observers. These highlight the absence of an integrated recruitment and communication strategy among business and economic development leaders in the region.

In addition to more than forty organizations at least partially charged with economic development responsibilities, related efforts are underway by most metro municipalities, which number close to 200.[38] Overlap of geography and responsibility is redundant and inhibits development of strategic direction that could serve to recruit and retain firms in the region.

Regional economies that aggregate and share prosperity require concentrations of key inputs: Skilled workers, access to capital, access to marketplace. Each of these is addressed in subsequent discussion, and reinforce the importance of the following goals for enhancement of the region's concentrations.

Goals

- Use evolving understanding of key industry and occupational clusters to develop and implement region-scale cluster strategy
- Increase the effectiveness of recruitment and retention efforts by consolidating these functions on a regional level

What about Place?

Place and quality of life play a significant role in attracting and retaining residents and business leaders in the region. A regional system of accessible parks and open space, a diverse and acclaimed arts scene, engaged and active citizenry, distinct and cohesive neighborhoods, and lakes in and near the city are among the highly valued characteristics that draw talent to the region.

Benefits associated with these assets span across the leverage points of human capital deployment, spatial efficiency, effective public and civic culture, and regional concentrations. Threats to these amenities could impact the regional economy in multiple ways. Parks and open space present one example. The seven-county region contains 181,000 acres of parkland, or 10% of total land area. While the land area of core cities Minneapolis and Saint Paul includes 14-17% park space, the metro figure is only slightly above an average of comparable metro areas. Land preservation has not kept pace with growth of developed land area, threatening a key element of what makes the Minneapolis Saint Paul region desirable to individuals and the firms they operate.

Amenities such as parks and open space, arts and attractive neighborhoods are expected attributes of metro areas truly competing for talent. Preservation and maintenance of quality of life represent important roles for continued regional collaboration.

Strategies to Enhance Regional Concentrations

Regional Competitiveness Project's Cluster Boards Initiative

Based on research described above, the Regional Competitiveness Project is moving forward with implementation of an initiative to facilitate contact and resource sharing among entrepreneurs and business, education organizations, trade groups, cities, and state government by organizing a shared space for exchange. The premise of these spaces, or cluster boards, is to provide stronger links between individual clusters and funding and workforce resources on which they particularly rely. Advocacy on multiple other fronts including policy and regulatory change is also planned as part of implementation of stronger networks developed via cluster boards.

Itasca Project Business Bridge

The Itasca Project, an influential collaboration of 30 corporate leaders in the region, is moving forward with creation of a Business Bridge to stimulate direct connections between Fortune 500 firms headquartered in the region, and small and medium-sized vendors also located here. Regionally, an opportunity exists to create benefits both for buyers and sellers of products and services by enhancing their connections within the region. As buyers, corporations and other businesses in the region stand to benefit from aggressive pricing and a competitive advantage in awareness of companies suitable for potential acquisition. For sellers, contracts with larger corporate buyers strengthen predictability of cash flow, and enhance their hand in negotiations with lenders.

<u>**Lever 2: Deploy Human Capital for Economic Growth**</u>

Human capital is the single most important input to economic growth, but leveraging it to improve regional economic performance requires not just producing high levels of educational attainment, but also retaining and deploying talent through alignment with existing and expected employment opportunities. Measuring how well the region's skills and jobs pools match helps to target employer-driven education, training, and internships, worker attraction and retention efforts, and programs building career ladders and job mobility,

Job creation and growth have in the past provided a talent magnet for the region; workers have also been compelled to stay and relocate here by robust income levels and quality of life. Evidence indicates the region's comparative advantage in income is diminishing, however, in both per-capita income and economic activity.[39] Reinforcing this advantage involves a workforce strategy integrated across ages, employment sector, and between training or education and employment.

Key Findings	Evaluation
• Over the last three decades, the region has substantially outperformed the national average in employment growth, productivity and wages.[40]	
• While increasing productivity generally dampens job growth, the region reported these in tandem for decades, until diminishing in performance starting in 2002.	
• Among the region's 1.65 million workers[41], 68% have completed some college education or higher, substantially outpacing the statewide figure of 63% and national average of 55%.[42]	
• In-migration and natural population growth are projected to fall significantly from recent levels, and as elsewhere, the aging of existing workforce is marked.	
• Minnesota exhibits one of the nation's highest gaps between white and Black students as measured by test data and graduation rates,[43] with 79.5% of white students in the region graduating, versus only 47.3% among students of color.[44]	

Current State of Region's Human Capital
During much of the 1990s, the region generated 30,000-50,000 jobs annually. In the years 2002-9, however, the region has underperformed the U.S. average every year except 2003 – including in 2008 and 2009, when both the regional and the national economy posted substantial job losses.[45]

The region has succeeded in attracting and retaining talent for this skilled labor pool, as well. The region's population of U.S.-born residents grew by 4.9% during 2005-8[46], including the migration of 102,000 people born elsewhere in Minnesota, and 34,000 from other states.[47] One in four current residents in the region were born in other states, and these interstate migrants are nearly one and a half times as likely to hold a Bachelor's degree or higher, as their counterparts born in Minnesota.[48] The differential suggests the importance of continuing the attraction and retention of knowledge workers imported from elsewhere in the United States, as well as statewide.

The region's workforce is expected to grow at a diminished rate in the coming 25 years: The amount of "natural" growth in regional workforce is projected to fall from 200,000 workers in the decade ending in 2010, to a negative number in the next twenty years.[49] Even including the projected in-migration of roughly 200,000 workers between 2010-35, total workforce in the metropolitan region's eleven counties is expected to grow only by an average of 0.45% per year.[50]

Skilled workforce is accurately perceived as a current competitive advantage for the region. Per capita productivity continues to outpace the U.S. metro average by over 20% but this premium has been eroding since 2004, illustrating the case for a proactive approach in the context of growing mobility.[51]

Labor pools in the region are also aging, consistent with national demography. In the next ten years, the state's population of citizens ages 55 or more will increase by 425,000; the number of Minnesotans turning 62 years old in 2008 was 30% higher than the previous year. At the same time, the number of workers age 18-24 is expected to drop nationally by roughly 2% in the coming decade – and 3% in Minnesota.[52]

Regional population growth is expected to be modest, and workforce participation rates are not projected to increase substantially from current (comparatively high) levels[53] – presenting a fundamental challenge to regional goals for job and economic growth.

Pre-Kindergarten to Higher Education System Quality in Jeopardy
Reflective of the region's high educational attainment, the region is home to twelve state universities and technical schools, fifteen private colleges, and dozens of private vocational schools, with enrollment of over 125,000 students.[54]

Development of knowledge workers through an accessible public education system is broadly credited with playing a critical role in the region's economic success over the last several decades. Development of an entrepreneurial culture, skilled workforce, innovative ideas and an engaged citizenry is stimulated by superior quality education across the spectrum, starting from early childhood[55] through elementary and secondary school, vocational and technical schools to higher education and research. At the same time, test data for the state's students show strength in mathematics and a falling advantage in reading, when measured against other U.S. states.[56] Despite clear evidence illustrating the relationship of the region's economic success with highly skilled workforce – and concerning trend data for performance – consensus about how best to invest public resources in access and quality of education in the region has proved elusive.

Barriers to addressing challenges to top-quality public education in the region include racial and socioeconomic segregation of neighborhoods[57], conflict regarding the licensing and training of teachers and administrators, and unstable funding sources.[58] Strategies raised in recent years to improve elementary and secondary education include changes in teacher preparation, alternative licensing for teachers[59], simplifying state funding formulas and using a research-based approach to funding levels for support of education of students from early childhood to high school.[60]

Persistent segregation in housing and education also affect the long-term value of public education in the region. The percentage of Black and Hispanic students in the region enrolled in segregated schools has risen rapidly since the early 1990s. Studies indicate that segregated school environments are associated with multiple negative consequences for students including dampened education aspirations, reduced performance and test scores, and lower participation rates in postsecondary education. The use of integration aid in state funding formulas, integration districts such as East Metro Integration District (EMID) and West Metro Education Program (WMEP), and regional management of affordable housing goals are measures that should be emphasized moving forward as ways to mitigate housing and school segregation.[61]

Disparities by race or achievement are costly not only in social terms, but economic as well. Recent analysis indicates that the cohort of roughly 10,000 Minnesota high school students who drop out each year represent an aggregate cost of $10.6 billion over their lifetime.[62]

Closing a Critical Gap

The region's system of higher and vocational education schools also represents a key access point in strategic deployment of human capital. In 2008 nearly 125,000 students attended public institutions for higher and technical education in the region.[63] An additional 47,000 students attend private colleges for Bachelor's and professional degrees.[64] Access to workforce training has diminished in recent years as tuition has climbed: in constant dollars, tuition increases since 2000 include 71% for the University of Minnesota, 57% for state universities in the Minnesota State Colleges and Universities system ("MnSCU"), 48% for MnSCU two-year and technical schools, and 25% among private colleges.[65]

An estimated 62% or 1.33 million of the region's adult residents do not have an undergraduate degree.[66] These residents are the focus of a workforce investment system in transition from the lean, self-service model and "demand-based" emphasis of the previous decade to a "dual customer" approach under the current U.S. administration. Funding and program emphases under the Workforce Investment Act are flowing to initiatives that tie together existing functions more efficiently. Yet, while the state's enrollment rates in adult basic education are among the nation's highest[67], workers do not have a connected system of training opportunities available to move from enrollment to employment.

Education infrastructure is a critical element of building and retaining competitive workforce, but not the only element: Nationally, 30 million new and replacement jobs in the next ten years will require some college or more, 73 million jobs will require associate-level or technical credentialing.[68] Statewide, by 2018, 70% of jobs are expected to demand postsecondary training and credentialing.[69] As of 2000, 26.8% of residents ages 25-34 held a high school diploma or less education, while 73.2% had earned some training or education beyond high school.[70] Establishing clear, accessible avenues for credentialing and education will be essential to meeting the demand for knowledge workers, the source of a core advantage of the regional economy.

To realize the region's potential, the metropolitan area must have an effective process for retraining older workers (professional and other) and creating credentialed career pathways for non-professional citizens entering or reentering the marketplace, as well as a strategy for retaining and attracting knowledge workers. In addition to information, high school students' access to careers requires transferability of credentials they choose to pursue. Several states have established requirements for transferability of credentials from one employer to another, reflective of the concept of the National Work Readiness Credential. Minnesota is one of six states funded by the National Governors Association to address the enhancement of competitiveness through such strengthened postsecondary credentialing.

The region continues to benefit from an extended period of productivity and population growth, but a diminishing lead in workforce-related metrics presents multiple causes for alarm for future prosperity. Enhancement of PK-12 and higher education into a system that prepares more students and for more career pathways, represents an urgent regional priority.

Goals

- Connect students from enrollment to employment through a clear, effective process
- Close the achievement gap between students of color and white students
- Offer and award credentials that unlock multiple career pathways and are transferable among employers
- Attract and retain talented residents from elsewhere in Minnesota, the nation and world

<u>Strategies to Deploy Human Capital for Growth</u>

Community Investment Campus

An innovative approach to increasing opportunities for younger citizens in the region has led to the formation of a pilot Community Investment Campus in the Frogtown and Summit-University neighborhoods of Saint Paul. The campus is a joint effort by the City of Saint Paul, Saint Paul School District and Ramsey County, focusing resources on multiple ways of stabilizing neighborhoods: Quality health care, schools, housing, access to parks. Inspired by the Harlem Children's Zone and the Portland Economic Opportunity Initiative, the three public partners are exploring the potential application of such a multifaceted approach to education and youth development in an expanded engagement area. The campus is a small-scale example of addressing root inhibitors to education and workforce development, across jurisdictions and across multiple factors influencing school and work readiness. Successes in these areas have broad potential application in a fragmented region.

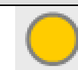
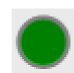
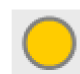
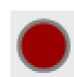
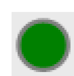
Achieve Minneapolis Connects High School Students to Career Pathways
High school students have inconsistent access to information about careers in trades and technical fields in the region, and how to pursue both appropriate credentialing and job opportunities in a given field. Achieve Minneapolis, a nonprofit joint initiative among Minneapolis Public Schools, the City of Minneapolis, the Minneapolis Regional Chamber of Commerce and others, invests private funding to staff high schools with guidance counselors able to advise students about postsecondary options that include technical and vocation training opportunities. Also in Minneapolis, vocation magnet high schools focused on industries such as manufacturing and health care provide early-track choices for students to develop expertise and identify specific postsecondary choices for credentialing.

Expand FastTRAC Model to Retrain Adult Workers in the Region
The Minnesota FastTRAC (Training, Resources and Credentialing) initiative is an integrated model connecting workers to adult basic education, community and technical education, and workforce centers to match skill sets to employment opportunities in critical occupational clusters. Focused on engaging older workers in training and retraining opportunities that lead to "stackable" credentials, FastTRAC is an initiative sponsored by Minnesota DEED and envisioned for application statewide. Objectives also include helping newly-trained or retrained, low-skill adults to match skill sets to employment opportunities in critical occupational clusters.[71]

Lever 3: Develop Innovation-Enabling Infrastructure

The ability to innovate has been a longstanding driver of productivity gains, and is a growing priority in economic development policy and practice. Tracking the stages of innovation as it translates to economic growth—from idea to product to commercialization, and from new firm creation to market expansion—may reveal the need to intervene to improve knowledge networks, university-industry partnerships, flows of investment capital for R&D and new ventures, and the general business environment and culture.

While the region remains fertile ground for research and development of new ideas emerging from the private sector and the academic environment, there are multiple areas where smaller firms stumble en route to commercialization, hampering prospects for job creation.

Key Findings	Evaluation
• In 2008, filers in Minnesota were awarded patents at the 7th highest rate nationally, and nearly double the national average.[72] Still, in recent years the state's rank in the number of patent filings fell from 8 to 13.[73]	
• The state's level of research intensity – reflecting the total research and development investment per dollar of the state's gross domestic product – ranks twelfth nationally.[74]	
• Key inhibitors to commercializing innovative ideas in the region are a shortage of funding at critical junctures in the startup life cycle and a lukewarm entrepreneurial environment.	
• In 2009, Minnesota companies raised $24.21 per capita in venture investments, compared to $110.49 in California and $158.48 in Massachusetts.[75]	
• The region's twenty-one Fortune 500 firms generate innovation and spinoff activity, and bring substantial potential to exchange mutual benefits for smaller companies in the region.	

Current State of Innovation

The development of new ideas and products has been an area of comparative strength for the region. The presence of a major research institution in the region (and another in Rochester, located eighty miles to the southeast) is an influential force in development of intellectual property. However, the region's effectiveness in developing intellectual property has not translated well to commercialization. Recent efforts identify two key barriers: Shortage of funding at critical junctures in the startup life cycle and a lukewarm entrepreneurial environment.

Interviews with entrepreneurs, angel investors and venture capitalists depict a marketplace that has shifted in recent years. Transaction costs and the risk of dilution have increasingly pushed investors toward larger investments ($5 million or more) in later-stage firms, leaving underserved firms seeking early-round capital in smaller amounts. The most acute need for funding frequently involves firms between a "family and friends" round of financing, and the $5 million level that continues to attract attention from venture capital firms and angel networks.

For several years (including prior to the recession), entrepreneurs and advocates in the region have called for improved availability of startup and small business capital as a lever to stimulate business and job growth. Indices of traditional financing channels for small business present lackluster capital availability in the region. The region lags comparable metros in the number of small business loans and in early and seed stage funding, with $261 per capita versus California ($1,230) and Colorado ($590).[76]

Venture capital investment also flows less aggressively to entrepreneurs in the region than elsewhere. The relatively modest volume of venture deals in the region increases discovery and transaction costs that investors and funds bear, reducing funder interest.[77] It also undermines the region's ability to develop a cycle of investment in startups, publicity both for successful firms and their region, which leads to increased investor attention in the region and a reduction in discovery costs that spurs investment.

The biosciences provide an example. Across multiple related clusters – medical devices, biologics and biopharma, animal health, food, renewable energy and renewable materials – startup or seed funding is virtually absent. Analysis indicates limited capital availability for early and mid-stage firms across these industries, and a fully functional access to financing only for the medical devices industry. While offering a strong record of performance both for investors and as centers of job growth, interviews indicate that venture investments in medical technology firms generally demand turnaround (or exit) time of seven to nine years, which further constricts capital for firms in other industries.[78]

In the words of one entrepreneur, the first investment of startup financing is from family and friends. The third investment is an agreement with a venture capital firm. The second, middle investment is the most undependable in the region, leading to its label as "the impossible round." And yet, without funding expansion in this critical early phase of firms' lives, there will be no third round or the job creation and economic activity associated with a mature firm in an innovative field, headquartered in the region.

Prospects for Entrepreneurial Culture

The region's twenty-one Fortune 500 corporations, while generating substantive regional benefits by headquartering in the region, are not part of an entrepreneurship cycle that would offer advantages both to corporate purchasers and the region's small businesses. Each of these major corporations follows purchasing practices to target disadvantaged businesses, but a lack of emphasis exists on working with small firms located in the region to achieve cost savings and top quality. Such relationships bolster small firms' pitch to venture capital investors and other audiences key to their expansion. Similarly, public and private pension funds based in the state do not have substantial allocations for venture capital, which is a missed opportunity to stimulate entrepreneurship in the region.

Absence of a unified economic development entity leaves an unmet need for coordination of a myriad of organizations that already provide technical assistance, advocacy for raising capital, and other support. Reducing the costs of finding and leveraging these supportive services is a method of facilitating entrepreneurship. The more quickly and efficiently entrepreneurs can become aware of and utilize available support, the more potential for employment and economic growth is brought to bear.

Entrepreneurs have noted in interviews the comparative embrace of business failure in other regions as evidence of experience and hands-on learning; in this region, business failure is viewed much less favorably. Cultural factors of risk aversion and modesty undermine both the willingness to assume entrepreneurial risk and the impulse to celebrate successful entrepreneurial efforts.

Improving the Innovation Channel from Research Institutions
The University of Minnesota-Twin Cities ranks among U.S. institutions with the highest measures of research activity, ranking in the top ten in a tally of scientific papers generated, and 9th among public institutions in aggregate dollar value of research.[79] Academic research undertaken in the region is recognized for its economic value: The University ranks in the 99th percentile for licensing income and 77th percentile for licenses executed for research generated in the institution.[80] Still, leaders within the research institutions and business community indicate room for improvement. Among the top eight universities in licensing income (University of Minnesota ranks sixth), Minnesota is ranked the lowest in terms of start-up activity.[81]

In addition to limited bricks and mortar infrastructure bridging the commercialization gap, the University has been criticized in the past for a prohibition on researchers holding more than a 5% equity position in firms bringing their intellectual property to the marketplace.

Economic development starts with existing assets, and a robust flow of innovation and idea generation provides a critical first building block in increasing regional economic health and competitiveness. The region's prospects for growth are constrained not by innovation, but its effective commercialization. Improving funding availability and the environment for entrepreneurship are key ingredients to increase the productivity of ideas generated in the region.

Goals

- Increase volume of risk capital available across early stages of firm life cycle
- Translate strong idea generation effectively to commercial enterprise and job growth
- Retain and grow concentration of Fortune 500 firm headquarters
- Coordinate economic development activities in innovation and entrepreneurship

- Promote an environment that values risk taking and entrepreneurship

Strategies to Develop Innovation-Enabling Infrastructure

Create a Regional Entrepreneurship Accelerator

A substantial inhibitor of commercialization of intellectual property in the region is lack of funding continuity across multiple early stages. The ability of entrepreneurs to access capital is most effectively expanded with financial products coupled with technical assistance, providing the type of support offered by an entrepreneurship accelerator. The need exists regionally to accelerate entrepreneurship by matching seasoned veterans of regional startups with entrepreneurs currently engaged in building companies from scratch. These veterans are matched to entrepreneurs to advocate on their behalf and accelerate their learning to land early stage capital of all types, produce business and strategic planning, evaluate viability of products and services, identify markets and leverage potential links to research institutions. The accelerator also identifies cases of effective and flexible local approaches to business development and approval, and leads an initiative to organize leaders in metropolitan cities to effect metropolitan change one municipality at a time.

JumpStart, Inc., established six years ago in Cleveland, provides a compelling model for this breed of intervention. JumpStart, funded by the U.S. Economic Development Administration, Surdna Foundation and Knight Foundation, is partnering with the region to establish a new local initiative reflective of the JumpStart model. In its implementation phase, the entrepreneurship accelerator will aggregate and invest risk capital in new firms, provide technical assistance and apply matching technology to connect investors globally with entrepreneurs in the region.

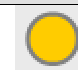
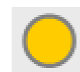
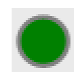
Biomedical Discovery District

University of Minnesota efforts to commercialize technology and intellectual property have significantly improved in recent years, but are making up for years of lost time. The development of the University Enterprise Labs (UEL) business incubator by the University of Minnesota and the City of Saint Paul has met mixed success. While occupancy rates have been high, UEL has not hatched start up companies spun out of University research. Currently, the University is in the middle of developing a $292 million Biomedical Discovery District which will house research facilities conducting translational research on diabetes, Alzheimer's, cancer and infectious diseases. To aid the commercialization of this and other University research, private sector developers are planning the Minnesota Science Park literally across the street from the Discovery District. The Minnesota Science Park is planned to comprise a series of buildings housing start up and established companies attracted to the proximity to the University. A $20 million private venture capital fund to finance early stage activity is a key part of the plan.

Itasca Project Initiative for Further University-Business Community Collaboration
The Itasca Project has developed recommendations to enhance commercialization of innovation emerging from research institutions. Concepts include strengthening the market focus of University research, liberalizing the ability of researchers and other faculty to participate as investors and entrepreneurs more fully with respect to ideas they cultivate, and raising the profile of business plan competitions in coordination with the University.

Lever 4: Increase Spatial Efficiency

The location of businesses, suppliers, workers, and consumers within a region—and the infrastructure connecting them—determine the transportation costs among them, and also influence the economic benefits of agglomeration, such as shared labor pools and knowledge spillovers.   Such spatial relationships can be measured in terms of density, the geographic matching between jobs and housing, and the transportation times and costs between firms, suppliers and consumers, as well as in the extent of regional segregation and concentrated poverty. Examining issues of spatial efficiency can inform strategies such as affordable housing near employment centers, transit-oriented and mixed-used development, expanded public transit, and denser, more pedestrian-friendly communities.

Key Findings	Evaluation
• Between 1986 and 2002, the amount of urbanized land in the seven-county metro area grew from 450,000 to 625,000 acres, or 38%. During the same period, population grew by 25%.[82]	
• Central cities and developed suburbs accounted for 30% of the region's net housing growth from 2001 to 2008, while growth in the developing suburbs represented 60%, and the rural centers and remaining rural area, 5% each.[83]	
• From 2004-2009, transit ridership increased in the region from 67.2 million rides to 88.8 million rides, with a high of 94.8 million rides in 2008.[84] Nearly five percent of workers utilize transit to the workplace in the region, ranking the metro 16th in the nation.[85]	

Current State of the Developed Area

The region's spatial profile traces its roots to two dominant themes: Substantial supply of land, and a tradition of local control in governance. The region has grown outward for decades at rates approaching 25 acres per day, expanding the developed area by 195 square miles between 1990 and 2005.[86] Currently, the marketplace and the policy environment point to a new investment strategy and a more compact pattern of regional development.

Until most recently[87], the region's developed area consistently expanded each year, with addition of housing occurring primarily in developing areas of the region. The recent slowdown in housing growth has led to some redistribution of net growth by location, with an increasing share of net growth in the developed area relative to the developing area, and at least a temporary halt to housing construction on the exurban fringes.[88] Still, the trend over recent decades has been one of expansive housing growth across the region, with uneven accessibility and connection to infrastructure.

As with housing, the addition of new jobs has also taken place in a dispersed fashion. Figures for 2000 to 2008 show net growth in the Metropolitan Council's seven county jurisdiction of 15,000 jobs, including 5,500 jobs lost in developed areas of the region.[89] The sprawling of housing and jobs has hampered mobility: Between 1990 and 2000, the total area reachable from key employment centers in 20 minutes of travel fell by 24%-51%.[90] Reduced mobility affects (and influences) key regional clusters to various degrees: While industry clusters such as production technology and analytical instruments are quite dispersed, those of business services and distribution services are less so.[91]

The following table illustrates the dispersed nature of the locations of the region's twenty most significant employment centers, where 700,000 jobs are collectively located:

Rank	Employment Center	City
1	Minneapolis CBD	Minneapolis
2	Edina	Edina
3	Saint Paul – Midway	Saint Paul
4	Saint Paul – Center (Capitol)	Saint Paul
5	Golden Valley / I-394	Golden Valley
6	Minneapolis – University of Minnesota	Minneapolis
7	Saint Paul CBD	Saint Paul
8	Eden Prairie – Highway 169	Eden Prairie
9	Minneapolis – Phillips/Whittier	Minneapolis
10	Roseville	Roseville
11	Eagan	Eagan
12	Plymouth / I-494	Plymouth
13	Airport/Fort Snelling	Unincorporated
14	Bloomington – Mall of America	Bloomington
15	Fridley/Coon Rapids	Fridley and Coon Rapids
16	Minneapolis – Northeast	Minneapolis
17	Bloomington – I-35W	Bloomington
18	Saint Louis Park	Saint Louis Park
19	Eden Prairie	Eden Prairie
20	Minnetonka/Hopkins	Minnetonka and Hopkins

Impediments to Housing Choices Hamper Spatial Efficiency
Providing housing options along a continuum of age and across income levels continues to present a challenge in the region. Aging residents who remain in single-family housing due to lack of alternatives limit access for younger people attracted to existing housing and moderate price levels. Rental housing stock in need of preservation and renovation is failing, diminishing an important source of modest-price housing. Limited tools and staff capacity for infill housing and mixed use development in some areas impede effective reuse in the developed area. Meanwhile, public resistance to denser development persists. Collectively, these challenges undermine efforts of public officials and employers to

attract workers to the region in locations with high degrees of access across the regional labor market and its multiple key industry clusters.[92]

Metropolitan Transit Trends and Planning
Meeting growing demand for passenger transit is impeded by challenges in financing capital and operating costs and an increasing complexity of governance over the transit system. The historical lack of dedicated and sustained funding for constructing and operating the region's transit network has meant that major new projects are built consecutively, not concurrently, so that system benefits and efficiencies are realized much more slowly. In addition, the number of entities planning and providing transit service has been increasing over the last 30 years. The Metropolitan Council currently operates the region's largest transit agency, Metro Transit. County-based regional railroad authorities are also involved in planning transit projects; this role expanded in 2008, when counties won the authority to form the Counties Transit Improvement Board ("CTIB"), a regional board investing roughly $100 million annually in sales tax proceeds in high-priority metro transportation projects.

Freight Transportation System
The region relies on rail, air, and barge modes to import and export products to and from the marketplace. Hundreds of millions of tons of goods enter the region every year, supplying goods to residents and supporting business and commerce[93] as a major freight hub for the upper Midwest.

Two components of the region's freight system of particular importance to exporters of innovative products are intermodal and air cargo facilities. Two intermodal terminals in the region service containerized freight. One terminal, operated by the Canadian Pacific Rail System and located in northeast Minneapolis, averages approximately 30% of the regional container traffic.[94] The Burlington Northern Santa Fe facility, located in Saint Paul, handles the remaining 70% of containerized traffic. Currently, each facility is physically constrained by adjacent land uses.

Air and barge cargo traffic also serve the region; although by tonnage these volumes have been declining, they remain key access points for particular markets. While air cargo represents about .2% of total goods moved by tonnage, it represents 6% in terms of value of goods. Barge Terminals in the region provide a transfer point for shippers and consignees beyond the local area extending to the central northern states and Canada. Commodities are transferred between truck and rail modes at 43 terminals in the metro area, clustered in the ports of Minneapolis, Saint Paul, Savage and Pine Bend in Dakota County. Centrally-located infrastructure for robust levels of shipping in and out of the region is in place.

Continued population and employment growth will further expand the regional and state economy, creating new demand for freight movement. Because the region is a freight hub for the state, and the region includes a substantial share of the state's economy, much of any increase in state freight movement will travel through the region.

For supply chains to function efficiently and for workers and employers to have access to large pools (of opportunities and workers, respectively), the regional economy must pursue an effective physical layout served by cost-effective transportation systems.

Goals

- Double transit ridership by 2030, by expanding service in a multimodal and connected system.
- Pursue strategies for job growth, land use and transportation service that reinforce the potential of regional corridors in developed areas of the metro area.
- Retool laws and regulations governing redevelopment, to reduce barriers to effective use of developed land area for housing and job creation.

<u>Strategies to Increase Spatial Efficiency</u>

Corridors of Opportunity Initiative
A collaboration of ULI Minnesota, the Center for Transit-Oriented Development, Hennepin County, the Twin Cities Community Land Bank, Central Corridor Funders Collaborative and multiple foundations is launching the Corridors of Opportunity effort positions the region to:

- Create new prospects for neighborhood reinvestment that will expand the tax base, generate new and preserve existing jobs, and link low-income people to educational and training opportunities, bettering their employment prospects.
- Support existing businesses through training, technical assistance and access to capital, improving their access to a larger labor pool and reducing the travel costs of their employees.
- Compete more effectively for scarce, discretionary federal funds and private capital.

An evolving multimodal, regional transit system is an effective tool for linking jobs and housing across demographics as well as geography. A shared value of including moderate-income residents in regional prosperity is undermined by an infrastructure system with insufficient accessibility. Of low-income individuals in the region, 45% live in one of the two core cities. By contrast, low-wage and entry-level jobs are spread throughout the region: Nearly three of every four low-wage jobs in the seven-county metro are outside of Minneapolis and Saint Paul.[95]

Results of the introduction of Hiawatha LRT service confirm the potential for transit to expand opportunity in the region. The number of low-wage jobs accessible by 30 minutes of transit travel in morning peak hours increased by 14,000 in LRT station areas and by 4,000 jobs in areas with direct light-rail bus connections, after adding the LRT line. In addition, the number of low-wage jobs has increased near station areas while the number of low-wage workers living near stations has also increased. An estimated 5,000 low-wage jobs have been added in areas near downtown Minneapolis and suburban Bloomington LRT stations while 907 workers have relocated to live near stations.[96] The approach of the Corridors of Opportunity Initiative is to improve spatial efficiency by stimulating job growth along transit-accessible corridors by:

- Assisting small, predominantly minority and/or immigrant-owned businesses along transit corridors to grow their customer base before, during, and after LRT construction, through better business planning, marketing, and preparation.

- Preserving transit-accessible affordable housing and making strategic investments in new opportunities using new loan products to support community ownership of commercial space for locally-owned businesses and opportunities for business owners to buy their own building.

- Taking advantage of development of a well-connected transit system to bring transit-dependent residents to employment, education, healthcare destinations throughout the region. Construction of the Hiawatha LRT line has improved access to job opportunities for professional jobs and low-wage jobs alike.

Linking established or growing job centers together with effective transit service will serve to concentrate development, reduce the costs of a sprawling development form, and expand access to jobs for residents.

Livable Communities Program

Since its inception in 1995, the Livable Communities Program has invested nearly $200 million in economic revitalization, affordable housing and other projects that link land use with transportation in the seven-county area governed by the Metropolitan Council. The tax base revitalization account funds brownfield remediation for redevelopment, and its $77.5 million in grants to date (in 36 metro municipalities) are estimated to have increased tax base by $80 million and created or retained 34,000 jobs in the region. Grants totaling over $87 million provided under the livable communities demonstration account have been invested in redevelopment projects with proximity to transit. Finally, grants under the local housing incentives program have financed 3,700 housing units across 57 municipalities in the region. The Livable Communities Program is a strategy to stimulate projects in infrastructure-rich developed areas facing barriers including soil contamination and challenging site assembly. Its success has enhanced regional connectivity of jobs and housing.

Rethinking Redevelopment Strategy

Redevelopment finance in the region provides insufficient tools to better align building in developed areas with funding. A collaborative including ULI Minnesota, Regional Council of Mayors, Family Housing Fund, the Commercial Real Estate Development Association/NAIOP and the Minnesota Chamber of Commerce is shining light on the limitations of redevelopment tools currently in place. Recent regional work examining improvements to local value capture finance mechanisms is a positive step. However, relying on local government finance tools to address regional issues (such as continuity of transit infrastructure and soil remediation) represents a mismatch that undermines the prospects for effective development and redevelopment. State statutory changes are required and called for to expand financing tools available to parties involved in redevelopment in the region.

The collaborative is also considering demonstration of a model land use policy, spanning across municipal boundaries, which serves to spur mixed-use development and a full range of housing choices. Transitioning from city-specific traditional zoning that focuses on specific land uses to form- or performance-based zoning could assist in reducing barriers to efficient development in the region.[97] ULI Minnesota has initiated a process of examining municipal zoning and regulatory differences affecting development opportunities related to the construction of the Southwest Corridor LRT line extending from Minneapolis to southwest suburban areas.

Lever 5: Create Effective Public and Civic Culture and Institutions

Government and civil society can enable and enhance private sector performance by shaping the fundamental dimensions of economic development, including market conditions, human capital development, and infrastructure provision. Examining the degree of coordination across the activities of various public, civic and business institutions, the vertical and horizontal fragmentation between different units of local government, and how government engages with and delivers services to citizens and businesses (e.g., e-government) may uncover missed economies of scale, ways to reduce duplicative services or regulations, and opportunities to create a more transparent, engaging and efficient environment for economic activity.

Key Findings	Evaluation
• Minnesota ranks 1st in voter turnout, with 77.8 % of those eligible voting, (14.2% higher than the national average) and in citizen consciousness of the presence of a "strong civic tradition," with 26.5% indicating this (in contrast to the national average of 13.2%).[98]	
• The state ranks among the top six states in the rate of donations to charitable organizations (with 60.2% donating $25 or more), in statewide volunteering (with 60.5% volunteering in the last year), and in working with others to fix a problem in the neighborhood.[99]	
• In 2007, corporate foundations in the region gave nearly $200 million to a range of initiatives.[100] In total, the region's 1,157 foundations contributed nearly $800 million to civic development.[101]	
• Continued productivity gains are key to funding growing health and human services demands, but these gains require investments in human capital and infrastructure that are politically difficult in the current environment.	
• Decentralized regional governance creates unpredictability in land use, zoning, and licensing regulations, and influences business site decisions in a haphazard way.	

Current State of Civic Culture and Engagement
The Minneapolis Saint Paul region has a deep tradition of citizen engagement, philanthropy and good government. Lack of consensus about public taxation and investment, as well as the benefits of operating regionally, presents a substantial threat to the region's future prosperity.

The series of metrics above suggests that popular emphasis on "pitching in" remains a shared value and a potentially powerful force for economic development. When citizens approach public institutions as consumer experiences, their own expertise and value is not effectively contributed to the region's benefit. Instead, when citizens are engaged in the production of civic wealth, an additional form of capital is invested in the region and its future. [102] An example of this kind of production-focused civic engagement is found in regional philanthropy and its history.

Philanthropy as a Form of Civic Engagement

Minnesota continues a history of family and corporate philanthropy that is important to strengthening the regional economy. Philanthropic priority areas central to this plan include workforce development, cultivation of attractive, transit-accessible places in the region, a regional economic and decision making agenda, and transparent dissemination of data about regional economic and social conditions. The strategic investments made on an ongoing basis by the philanthropic sector represent essential contributions to the planning and function of the regional economy.

Increasing Political Acrimony, Increasing Stakes

While philanthropy is a critical element to the region's economic and social health, it is not a substitute for public institutions able to make strategic and long-term investments in a prosperous, inclusive region. A state government respected for a tradition of transparent governance and innovative thinking, Minnesota's governor and legislature have for nearly a decade stumbled from one season of scarcity to another, plugging deficits with temporary fixes and borrowing from local governments. As elsewhere in the U.S., an increasingly coarse public debate marks the political process, attributable in part to geographic "sorting" by neighborhoods in the region.[103] Legislators and observers alike agree that institutions of state policy making have diminished in their effectiveness at implementing bold or long-term strategy for the region or state. Even initiatives such as the state's application for federal Race to the Top funding (which, in a state known for innovative policy ought to have represented an effective collaborative effort) are routinely derailed by inadequate consensus. Piecemeal politics have proved insufficient to advance a comprehensive public agenda for regional competitiveness.

A widening structural state deficit continues to ratchet up the stakes of political acrimony for the region's economy. Recent economic forecasts have predicted that the state will enter the 2012-13 biennium with a budget deficit of at least $5.8 billion.[104] According to the forecasts, trend growth won't be sufficient to address the state's budget gap, and revenues (in addition to falling significantly as a result of recession) will grow more slowly than in the past. Compounding the issue are demographic trends: From 2010 to 2020, Minnesota will see large increases of people entering their fifties and sixties—creating a new wave of retirees and those eligible for entitlement programs.[105] According to State Economist Tom Stinson and State Demographer Tom Gillaspy, this is a fiscal trap: In order to raise the revenues to fund increased health care and human services, the state needs to invest in human capital and infrastructure to spur productivity gains; but health and human services spending threatens to consume much of the money needed to make those investments.[106] Resolving a structural state deficit in this context will require a high level of consensus among leadership.

Decentralized Governance: Costly and Uncompetitive
To make strategic public investments in our people and places, to protect and expand competitive advantage, regional consensus must become institutionalized in some form. With the notable exception of the work of the Metropolitan Council, which implements wastewater treatment, passenger rail and buses, and operation of certain parks, regional governance is comprised of literally hundreds of municipalities that operate with largely arbitrary boundaries separating an economic, environmental and social landscape. The formation both of the CTIB and the Regional Council of Mayors are relatively recent responses to the costs of decentralized governance. In each case, they have been driven by leaders intent on managing competition among cities and counties for investments of regional significance.

Functions that directly affect business formation and siting such as zoning, transportation and licensing are handled at least in part on a municipal level and are therefore potential barriers to regional economic development strategy. In light of the quantity of cities comprising the region, the approval process varies greatly in speed, cost and complexity. The top twenty employment centers in the region, listed earlier in this plan, span across fourteen municipalities[107] – each with a distinct zoning code, licensing procedure, and other regulatory elements.

The region's decentralized political structure increases the cost of determining location and siting facilities to develop and commercialize intellectual property. The region has 1.05 local governments and 0.36 governments per 10,000 residents; the combination of these jurisdictions means the region has the 41st highest number of local government jurisdictions in the nation.[108] Local governments have responsibility for land use and regulatory powers that affect small business siting, access, employment and expansion. Navigating local review, in addition to restricting options relating to these factors, also consumes time and money, two key resources for small businesses.

In addition to multiple public entities engaged in governance, over forty economic development entities are active in the region. Chambers of commerce, state and local agencies, collaboratives and partnerships pursue largely independent agendas and approaches. The need remains for a unified economic development entity charged with recruitment and retention of business and talent on a regional scale to reflect the basis on which agglomeration is actually occurring in the region.

Continued absence of a unified approach to economic development reduces the region's ability to pinpoint factors key to growth, and articulate and advance concrete ways to organize strategy around these factors. Concerns including tax and regulatory environment, workforce development, transportation networks, and coordinated communication to external audiences have been addressed effectively by other regions through a unified economic development entity.

Goals

- Restore national reputation as center of innovative public policy and effective public-private partnership.
- Establish region-scale economic development entity to promote, recruit and retain firms and talent in the region.

Strategies to Creating Effective Public and Civic Culture and Institutions

Regional Council of Mayors Initiatives

Since inception in 2005, the Regional Council of Mayors has grown to a membership of 34 leaders representing the two central cities, suburban and exurban communities. Goals include engaging and educating mayors on issues of metro-wide significance, and to identify and pursue solutions that support collective regional action. Among the multiple initiatives underway:

The Connecting Transportation and Land Use (CTLUS) Initiative was established by ULI Minnesota and the Regional Council of Mayors to conduct build a research case and raise awareness of transportation and land use issues in the region and spur cooperation and action at the local, state, regional, and national levels. The mission is to advance implementation of solutions that reflect the connection between transportation and land use in support of mobility, livability, sustainability, and job growth.

In conjunction with the Minnesota Pollution Control Agency (MPCA) and ULI Minnesota, the Regional Council of Mayors is implementing the GreenStep Cities Demonstration Project, an action-oriented voluntary program offering a cost-effective pathway to reduce greenhouse gas emissions by best practices in land use, transportation, building/facility design, environmental management, and community and economic development.

Regional Economic Development Entity (REDE)

The Itasca Project is currently proceeding with formation of a private-sector led, regional economic development entity to be charged with recruitment and retention of the region's large and small firms. Integrating activities of over forty economic development organizations active in the region will provide a more effective model for retaining and recruiting firms to the region, representing the region via marketing channels to external audiences, and shifting the focus of economic development from municipal boundaries to a regional basis. There is no such thing as a "Minnesota economy," nor is there an economy bounded by the political lines that separate the many jurisdictions within the region. Instead, regional economies span across these lines, and efforts to build concentrations in the region demand that efforts are coordinated on the same scale.

A unified economic development entity will identify opportunities where transportation infrastructure and land use together present a compelling profile for certain firms or industry clusters. Such an entity would tap private sector leaders located here to support pitches to their peers. Through marketing, the entity could work to present the region's many favorable characteristics and mitigate the negative – be they related to our weather, our business climate, or our natural and cultural assets.

Fiscal Disparities

The Minneapolis Saint Paul region established the fiscal disparities program over forty years ago, to share regional costs and benefits across the seven-county region. Under the program, municipalities levying property tax contribute 40 percent of the growth in commercial-industrial property tax base (1971 levels represent the base) into a regional shared pool. Shared tax base is then redistributed back to jurisdictions, based on population as well as the value of all property relative to the metro average. The program has for decades reflected the interest in stakeholders across the region in shared prosperity and access to core public services.

Lever 6: Develop and Deploy Information Resources

Well-developed and deployed information tools can enhance economic performance by boosting productivity, reducing transaction costs and risks, and influencing consumer preferences—all of which can also help expand markets to underserved areas of the region. Considering particular market and government inefficiencies flowing from information imperfections, and then providing targeted, quality, accessible information resources could reduce transaction costs, enhance exchange and inclusion, and, thereby improve, the efficiency of labor and capital markets, the productivity of clusters, and the rate of innovation.

This region and others are currently witnessing an explosion of data availability, but volumes of data do not in themselves represent knowledge or answers, or promise to spur economic vitality. Translating data into knowledge about market conditions in the region – and outside the region to support export – is a significant building block for growth. Based on stakeholder feedback, the region is performing well in this area.

Informational resources offer potential to reduce startup costs and focus early stage resources, as well as facilitate efforts of prospective investors in the region. While preliminary interviews with practitioners have not identified lack of information as a critical gap, the prospects of regional growth initiatives are enhanced when coupled with accessible tools to inform investment, location, and policy decisions.

Goals

- Align public efforts to collect, share and analyze regional data.
- Reduce barriers to identification of opportunities in underutilized areas.

Strategies to Develop and Deploy Information Resources

MetroGIS Coordinates Data Sharing Across Municipal and Sector Barriers
MetroGIS is a voluntary collaboration of organizations using GIS technology to gather and analyze data. The objective of MetroGIS is to enable sharing of commonly needed geospatial data for the use of public and private parties in the region. Expertise and software are required to translate the data sets into knowledge to inform business decisions, but the centralization of geospatial data collected by dozens of parties, on hundreds of topics, represents a streamlining that reduces barriers to entry for new and existing enterprises.

Use Websites to Connect Individuals and Firms to Regional Assets
Online warehouses of content intended both to market the region and to meet informational needs for individual decision makers or policy analysts include MetroMSP.org, BIOMAP and LiveMSP.org. MetroMSP is a facility that provides a hub from which to access regional data available from twenty providers or search for available sites matching particular criteria. A compelling model for a potential next iteration of MetroMSP is found in PolicyMap – which provides an accessible tool to view

mapped data including data sets for neighborhood conditions and access, demographics, income and education, federal incentive designations, health measures and others.

The Minnesota Chamber of Commerce has developed and operates BusinessConnection, a free information service that provides specific answers to questions many business owners raise regarding financing, market intelligence, hiring and regulatory, and a range of other issues. Launched in early 2010, BusinessConnection is an outreach element of Grow Minnesota!, a statewide retention and expansion program led by private sector partners.

The BioBusiness Alliance of Minnesota has released BIOMAP, a mapping tool allowing users to search the state's geography for firms by industry, knowledge cluster, supply chains, or educational programs. For workers, entrepreneurs exploring location decisions, or investors, the tool is a valuable collection.

LiveMSP meets a need for information demanded by current and prospective residents of the region, matching individuals and families with neighborhood information, loan and incentive information, and other resources. Minnesota Compass is a joint undertaking of nine foundations, formed to collect and maintain an ongoing information resource on a broad range of regional and state metrics for health, economy and workforce, education, housing, transportation and other issues.

Integrate Skilled Workers Educated Here
Regional institutions educate thousands of students who graduate with undergraduate, graduate and professional degrees. Efforts to encourage recent graduates to invest themselves in the region include LiveMSP (an approach to marketing neighborhoods on a regional basis) and TheLineMedia.com (a broader initiative to publicize a range of regional happenings in areas such as arts and architecture, business, events, and transit). In each case, the objective is to retain and attract knowledge workers not only with employment, but a package of assets that encourage them to invest themselves in the economic and civic health of the region.

Link Workers to Education, Training, and Jobs Across Region
Two facilities link career and educational information available from the MnSCU system with job opportunities. ISeek is an online product developed and sponsored by the MnSCU system (in partnership with DEED), University of Minnesota, multiple state agencies, and the Minnesota Private College Council, and matches visitors with specific information about employment and education resources available statewide. MinnesotaWorks.net provides more specific matching capability for employers and prospective workers, as does a new online service provided by DEED (data center from the department's Labor Market Information office).

Small Business Resource Center
The region maintains multiple systems of city and county libraries, which play multiple economic development roles. Libraries provide access to educational, training and entrepreneurship-related materials for residents across the age spectrum. Specialized

libraries including the James J. Hill Business Reference Library, provide direct support to entrepreneurs gathering marketplace data or assistance preparing business plans. The Small Business Resource Center located at Rondo Community Outreach Library in Saint Paul is a joint venture with Neighborhood Development Center, providing 80-100 free workshops to prospective entrepreneurs each year. The program has partnered with 3,200 users, including 600 in business today.

CONCLUSION
In development.

End Notes

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