

**Regional Council of Mayors/ULI Minnesota Advisory Board
Joint Meeting**

August 12, 2013

PRESENTATIONS

MnDOT Corridors of Commerce

The first week he was on the job as commissioner of the Minnesota Department of Transportation, Charlie Zelle said, he “tweaked” the department’s long-term vision: Instead of aiming for a world-class transportation system, he said, the department should aim for a world-class state. [PowerPoint Presentation.](#)

“There is an actual business case for investment in transportation,” Zelle said. Transportation supports the health of the people, environment and the economy; helps Minnesota businesses access labor, move products and prosper; and helps the state compete for jobs and talent, and contributes to economic growth.

MnDOT’s Minnesota GO <http://www.dot.state.mn.us/minnesotago/> is a two-year process to create a 50-year vision. Minnesota’s economy is growing, and relatively quickly, Zelle said. Population of the metro area is estimated to increase by 900,000 by 2040 and trucks and rail are estimated to carry 30 percent more goods in, around and across the state by 2030. “That 30 percent increase is huge,” Zelle said.

Over the next 20 years, MnDOT forecasts it will have \$18 billion of capital revenue, but inflation will reduce the buying power of that funding to less than half of what it would be today. That \$18 billion cannot accomplish a vision for transportation in Minnesota; it would barely cover simply maintaining and replacing current transportation infrastructure. The real capital need is \$30 billion, Zelle said.

The Minnesota State Highway Investment Plan (MnSHIP) <http://www.dot.state.mn.us/planning/mnship/> is the 20-year capital investment plan that guides MnDOT’s capital investment decisions for the state highway system. MnSHIP is required by both federal and state law to be fiscally restrained. But MnSHIP “is not the vision” for the state’s transportation system, Zelle said.

Despite the financial constraints, Zelle said, MnDOT is working to help the public understand the vision for transportation and finding ways to make the vision happen. Currently, MnDOT is starting a statewide education and outreach campaign, which will kick off with the State Fair.

“People don’t know where we get our money,” Zelle said. They also don’t know how—and where—it is spent. The program will answer questions like:

- Where did the gas and sales tax increases for transportation go?
- What are we doing to have integrity with the funds MnDOT receives?
- What could the state do in terms of transportation, given the funding? What would the return on investment be?

The Corridors of Commerce program is a targeted program for state highway construction, reconstruction and improvement for projects that will improve commerce in the state. Without adding new funds, MnDOT has been able to allocate \$300 million for the Corridors of Commerce in 2014, with \$51 million of it available for program delivery. Eligible projects will be identified in September, the first projects will be selected during the winter and “selected projects should be off and running by next summer,” Zelle said.

In Greater Minnesota, potential projects must be located on an interregional corridor to be eligible. In the Metro area, projects will be selected through separate criteria. Projects being considered for the Metro are the completion of Highway 610, expansion of the MnPASS system and new interchanges. Evaluation of projects will include a return on investment analysis and what measurable impact the project would have on commerce and economic competitiveness.

There will not be a formal application process for the Corridors of Commerce, but local officials, stakeholders and the surrounding community will be actively involved in assessing any proposed project.

[A to B Video.](#)

MSP: Economic Driver and Environmental Challenges

The Minneapolis-St. Paul Airport (MSP) has an impact of \$10.1 billion on the Minnesota economy each year, through direct and indirect jobs, tourism, commerce and more. “There’s no other piece of real estate between Chicago and Seattle that generates that much to the economy,” said Jeff Hamiel, executive director of the Metropolitan Airports Commission (MAC)—and the longest-serving director of an airport in the country.

The challenges the airport faces in the near future include:

- Consolidation of airlines.
- Increase in the number of enplanements (passenger trips).
- Environmental concerns.

Hamiel said the airline industry is in a hiatus, but that continuing consolidation will occur—which could mean higher fares for passengers. He also said the growth of the industry now is slow and stable, which is best. He said MAC is always looking for more competitors to use MSP and currently has an incentives program to try to lure more international carriers to the airport. Currently, Jet Blue is the only large domestic carrier that does not serve the Twin Cities.

The number of passenger trips is expected to increase from 33.5 million a year to a little over 50 million a year, Hamiel said, which is simply the average growth rate over the last 50 years. This kind of growth, with a growth in commerce as well, will require an additional 18,000 parking spaces and will mean an increase in gates. He said there likely will be an increase of three gates at Terminal 2 (Humphrey) in the next two to three years.

Environmental concerns, from noise to chemical runoff, are a challenge for the airport now and will continue to be, as airport operations grow. Noise from planes has decreased, Hamiel said, and is 99.1 percent below what was forecast in 2007. “The noisiest airplane today was the quietest airplane at MSP in 2007.” MAC receives 45,000 to 60,000 complaints each year about airplane noise.

Whether or not MSP facilities expand, Hamiel said, “air traffic—and presumably noise—will increase over time.” A new navigation system directs planes more precisely between locations, which saves fuel and emissions, but that also means that planes might fly over exactly the same house, over and over again. Although the FAA has authority to simply implement this system, Hamiel said it is working with the local community to support it.

Erica Prosser of Minneapolis Mayor R.T. Rybak’s office said the city and MAC have a disagreement about how much noise impact has been reduced. Hamiel said he is very aware of the issue of peak noise versus averaging noise over time (which is worse: a louder noise at certain intervals or a lesser noise that is more frequent?).

In other ways, Hamiel said, MSP is trying to reduce its carbon footprint. The airport is beginning to use electric vehicles in a small way and is using electric cables from the terminal to provide power to planes that are at the gate, so they can shut off the engines and save fuel and emissions.

Revenue for MSP comes from a combination of airline rates and charges, concessions, rentals/fees and utilities and other revenues. The capital budget of \$100 to \$500 million annually comes from net revenue, Passenger Facilities Charges (PFC), the Federal Airport Improvement Program, the State Airports Fund and bonds or a revolving line of credit. MAC also has the authority to levy a small (1 mil) tax, but has not done so since the 1960s. The PFC, which is federally regulated, currently has a cap of \$4.50 per ticket. Hamiel said the two major airport trade organizations would like to increase the PFC, with some wanting a \$10 cap and some wanting no cap. The airlines are opposed to any increase. Hamiel said he is not opposed to an increase (“I would have been okay with a \$6.50 cap) but “I will not participate in a discussion where there is no upper limit and no controls.”

A few key facts about MSP:

- It has the 17th busiest terminal facilities in North America.
- It is the 13th busiest airfield.

- It was named the Best Airport in American by Travel & Leisure magazine in 2012.
- It supports, directly or indirectly, 76,340 jobs, equaling \$3 billion in earnings.
- It supports \$1.9 billion in visitor spending.
- It provides \$611 million in government tax revenues.
- MAC has spent more than \$480 million since 1992 on noise mitigation of homes, multi-family units and schools (including \$90 million acquiring properties).

[PowerPoint Presentation.](#)

More on why MSP matters at
<https://www.youtube.com/watch?v=SMG8q3vWhoM>

COMING UP

The next RCM meeting will be Monday, September 9. RCM meetings are held on the second Monday of every month at Dorsey & Whitney.

Mayors are encouraged to email caren.dewar@uli.org with their suggestions for topics to add to the agenda.

ATTENDEES

The following individuals were in attendance on August 12, 2013:

Mayors

Chris Coleman	City of St. Paul
Jerry Faust	City of St. Anthony
Tom Furlong	City of Chanhassen
Debbie Goettel	City of Richfield
Kathi Hemken	City of New Hope
Jim Hovland	City of Edina
Tim Hultmann	City of Long Lake
Elizabeth Kautz	City of Burnsville
Sandra Krebsbach	City of Mendota Heights
Scott Lund	City of Fridley
Sandy Martin	City of Shoreview

Lili McMillan	City of Orono
Terry Schneider	City of Minnetonka
Brad Tabke	City of Shakopee
Nancy Tyra-Lukens	City of Eden Prairie
Janet Williams	City of Savage
Gene Winstead	City of Bloomington

RCM City Staff/Guests

John Adams, University of Minnesota; Rick Carter, LHB; Mark Casey, St. Anthony Village; Matt Clark, US Bank; Erin Dady, City of St. Paul; Kevin Frazell, League of Minnesota Cities; Curt Johnson, Citistates Group; David Loehr, HGA; Cathy Polasky, City of Minneapolis; Erica Prosser, City of Minneapolis; Irene Quarshie, Target; Will Schroer, Minneapolis and St. Paul Chambers of Commerce; John Shardlow, Stantec; Mark Vanderschaaf, Metropolitan Council; Peter Wagenius, City of Minneapolis; Charlie Zelle, MnDOT.

ULI Staff/Consultants

Aubrey Austin, Cathy Bennett, Caren Dewar, Linda Picone