



The Business Case for Transit Investment

December 2012

Today's agenda



1 Why does the business community care about transit?



2 How does MSP compare to competing Metro areas?

3 Is a regional transit system a good investment?

The vision

A decorative graphic on the left side of the slide. It consists of several vertical bars of varying heights and shades of blue and teal. Within these bars are several arrows pointing both up and down, creating a sense of dynamic movement and balance.A decorative graphic at the top of the slide. It features a long, dark teal arrow pointing to the right, with a lighter teal arrow behind it, also pointing right, creating a layered effect.

An *aligned, integrated,*
and **comprehensive** transportation
system to drive economic
competitiveness and quality of life

1 Why Transit?

Transit gets people to work

- 80% of riders going to work or school
- 40% of downtown Minneapolis takes transit to work
 - US Bank: 50%
 - Ameriprise: 60%



1 Why Transit?

Transit supports job growth



Lack of transit capacity limits job growth in downtowns *and* suburbs.

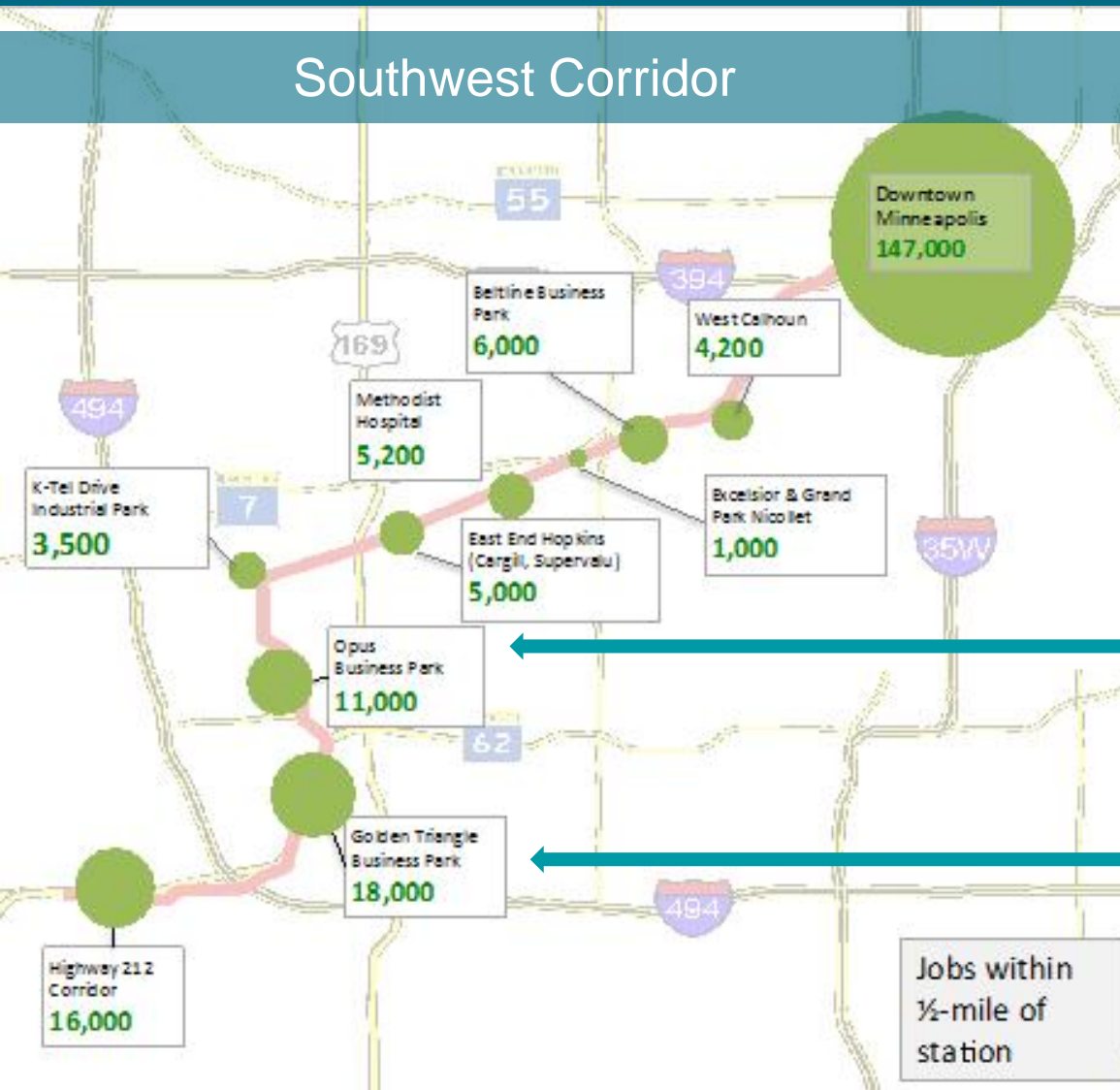
“ We need transit to add jobs.”

-Major HQs in downtowns and suburbs

1 Why Transit?

We need more transit to serve growing job centers

Southwest Corridor



Neither more roads nor more buses work in this case.

Comcast “Customer Loyalty Center”


- Could go anywhere in the country
- Workforce needs transit

United Health

- 4 new towers
- 6,600 new employees

1 Why Transit?

Transit is required to attract the human capital we need



Companies are recruiting and targeting the next generation of talented workers, the Generation Y/millennials who increasingly prefer urban lifestyles with mass transit.”

- Urban Land Institute

“Transit comes up in every HR conversation with new employees.”

“Our younger workers show a higher level of interest in transit.”

“60% of our downtown employees have a Metropass. We want to support that.”

“Transit is important to attracting workers. Without it, working downtown would be very difficult.”

“We have a company priority to be green and socially-responsible. Supporting transit is important. We find that it gets a very positive reaction within our younger employees.”

Today's agenda



1 Why does the business community care about transit?

2 How does MSP compare to competing Metro areas?



3 Is a regional transit system a good investment?

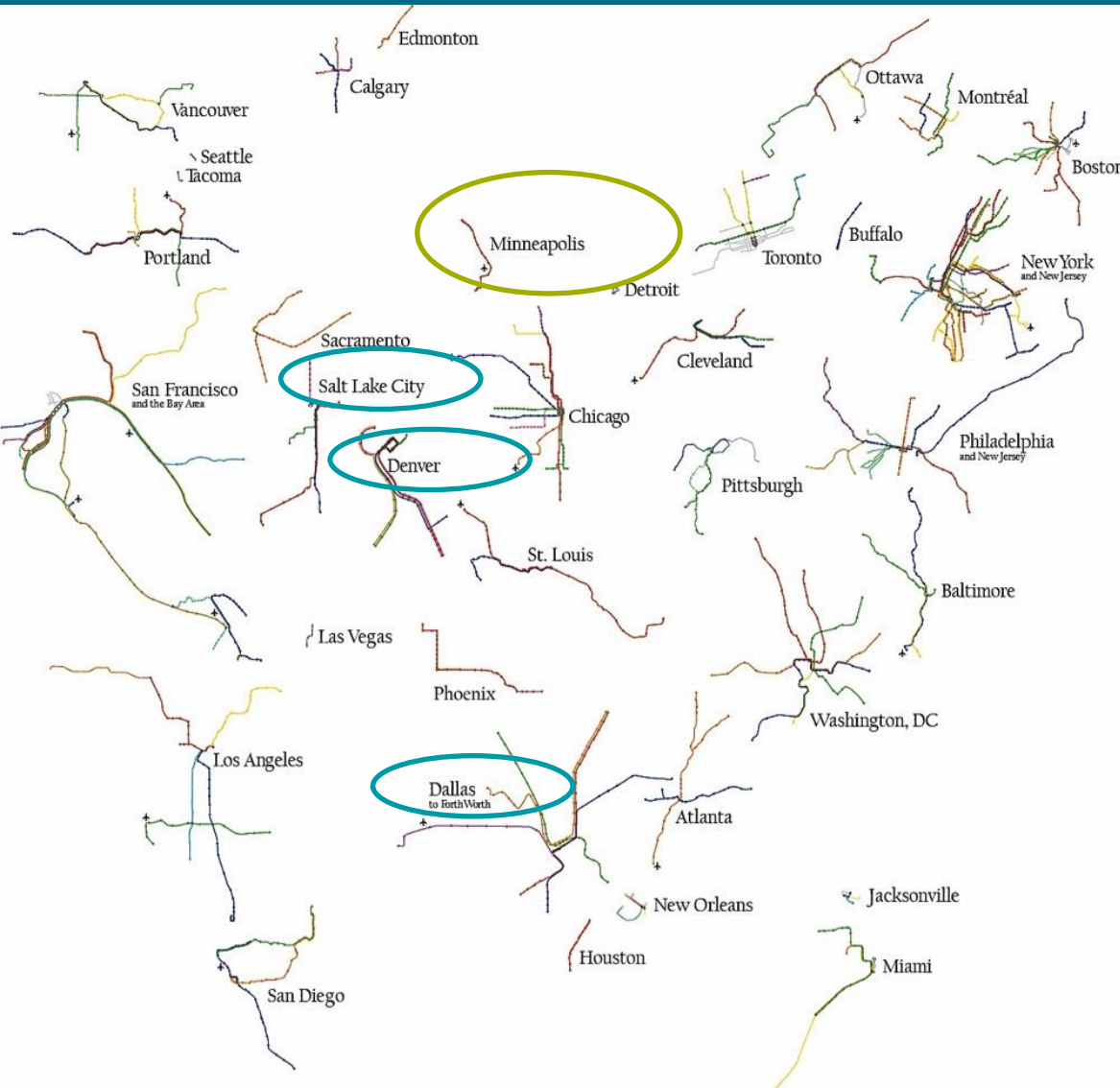
2 How does MSP compare?

Twin Cities current transit way network



2 How does MSP compare?

Our competition is ahead of Greater MSP



Minneapolis: 52 miles of LRT/
BRT/commuter rail completed,
21 miles under construction

Denver: 57 miles completed,
86 miles under construction

Salt Lake City: 88 miles
completed, 56 miles under
construction

Dallas: 111 miles completed,
17 miles under construction

Today's agenda



1 Why does the business community care about transit?

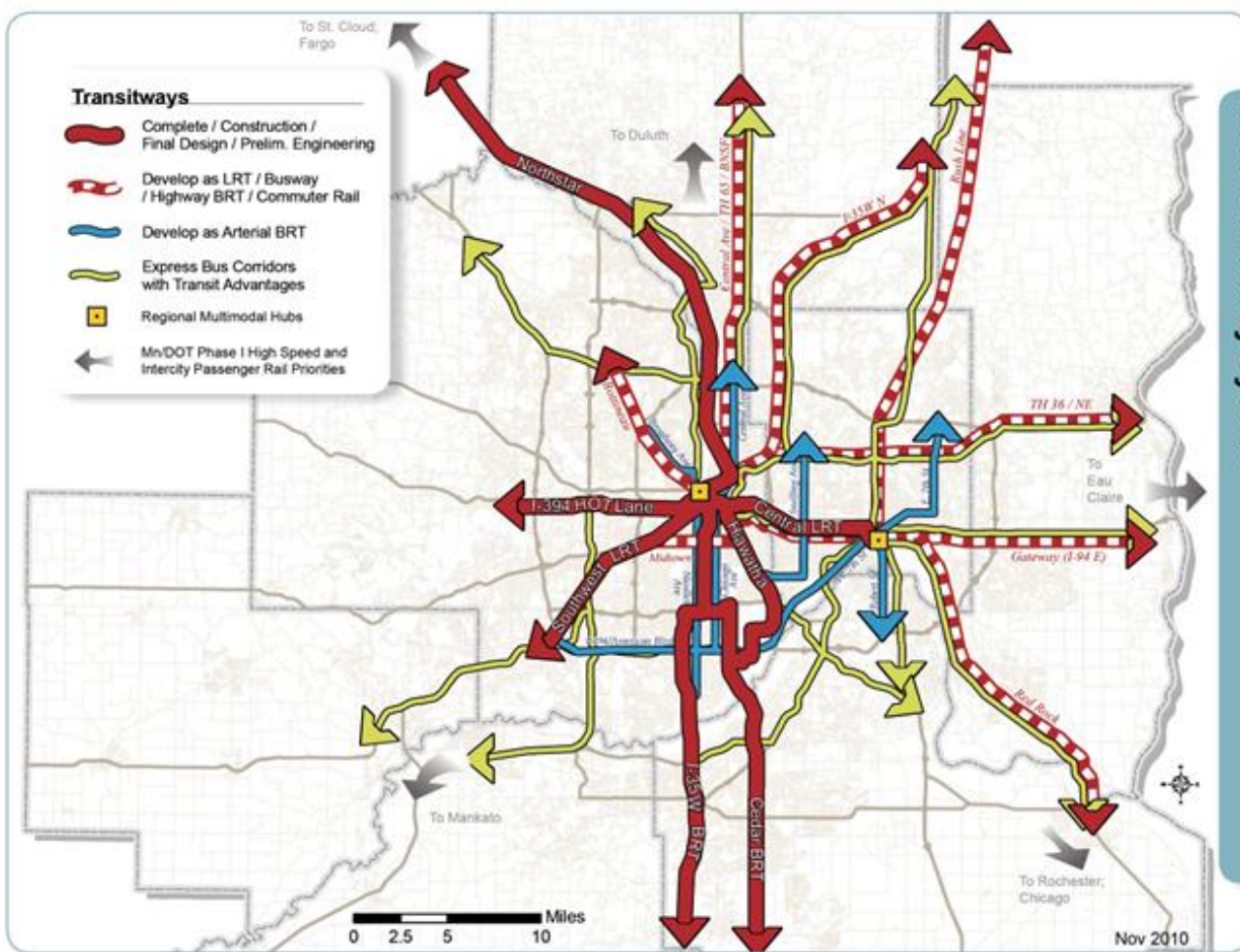
2 How does MSP compare to competing Metro areas?

3 Is a regional transit system a good investment?



3 Is regional transit a good investment?

The Regional Transitway System – Met Council 2030 Plan



Regional 2030 TRANSPORTATION Policy Plan - Final November 2010

2030 Transitway System

A regional transitway system in the Minneapolis – St. Paul Metro area includes:

Five LRT lines

Four BRT lines

Addition of nine arterial BRTs

Mode and alignment for each corridor are still being determined

3 Is regional transit a good investment?

Itasca Project asked 3 questions about regional transit investments

- 1 A built-out regional transit system would require substantial investment. *What would be the return on that investment?*
- 2 Investments can be made more or less quickly. *Would accelerating build out change the return on investment?*
- 3 Many communities with developing transit systems experience more growth near transit stations. *Would such expectations for growth change the return on investment?*

3 Is regional transit a good investment?

We calculated six kinds of direct impacts



A few well-established metrics focused on transportation, safety, and health were incorporated as direct impacts:

1. Vehicle operating costs
2. Travel times and travel reliability
3. Shippers and logistics costs
4. Emissions
5. Safety costs
6. Road pavement conditions

We worked with the Metropolitan Council to develop costs for each scenario: capital + operations and maintenance

3 Is regional transit a good investment?

Direct Impacts – Results

Compared to base case scenario
2010 \$ Millions

Scenario	Investment	Total direct impacts		IRR*
		Low	High	
1 2030 Regional Plan	\$4,361	\$6,571	\$10,083	7.8 – 14.8%
2 Accelerated Regional Plan	\$5,289	\$10,762	\$16,516	11.2 – 18.0%
3 2030 Plan with growth near stations	\$4,361	\$9,082	\$13,927	13.0 – 20.9%

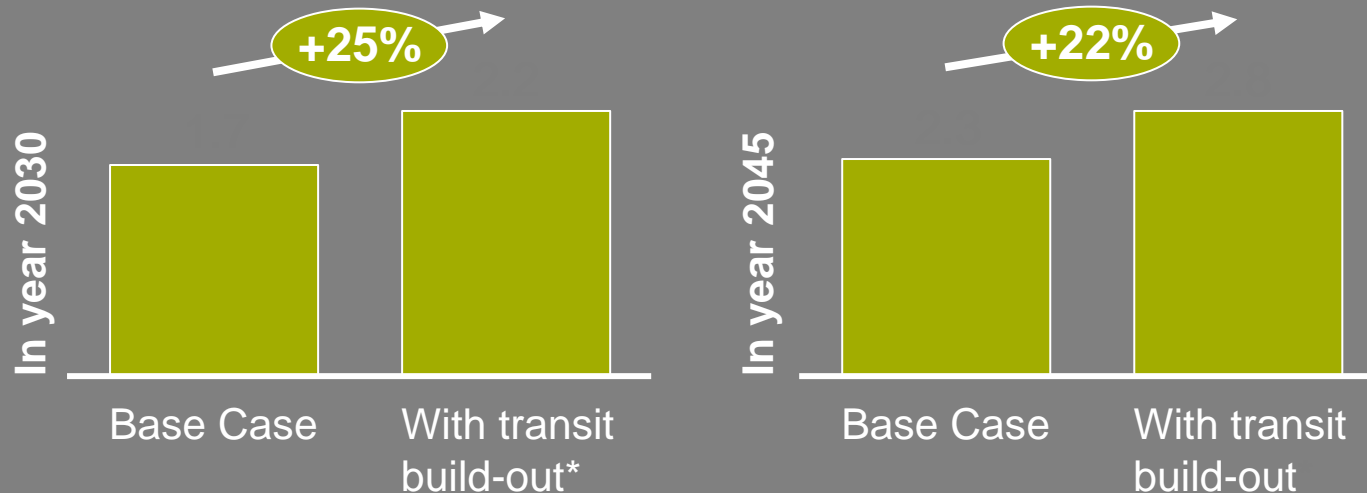
Note: Benefits and operating and maintenance costs are calculated for 15-year period 2030-2045 for regional system, 2023-2045 for accelerated system. All are reported in 2010 dollar

*IRR = Internal Rate of Return, the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero

3 Is regional transit a good investment?

Enables employers to access more potential employees

Working-age population accessible to employers within 30 minute commute
(Millions)



Building the regional transit system would enable **employers in the region to access 500,000 more employees** within a 30 minute commute, a 22 – 25% increase

3 Is regional transit a good investment?

Building a regional transit system also creates short-term economic impact



\$4.3 billion in construction impacts –

Economic activity created over the construction period

30,000 full-time equivalent jobs –

Construction job-years tied to build-out of the transit system

Closing



1 Why does the business community care about transit?

- *To enable job growth and attract and retain talent*

2 How does MSP compare to competing Metro areas?

- *MSP is behind our competitors and at risk of falling further behind*

3 Is a regional transit system a good investment?

- *Yes, the region can expect a robust return on investment from the build-out of the regional transit system*

4 How might MSP fund a regional transit build-out?

- *Most regions use a local sales tax option and that is what TFAC has recommended*

Appendix



2 How does MSP compare?

Transit Investment: Chicken or the Egg?

+ Above the nation - Below the nation

	Prioritized Transit Investment			Limited Transit Investment			MSP
	Denver	Dallas	Salt Lake City	Kansas City	Saint Louis	Milwaukee	
GRP Growth ¹	+	+	+	-	-	-	-
Population growth ¹	+	+	+	+	-	-	+
Average Wage	+	+	-	-	-	-	+
Job Growth ¹	+	+	+	-	-	-	-

3 Is regional transit a good investment?

We compared four scenarios

Base case

- Includes current transit options and assumes outstanding commitments are built out (including Central Corridor)

1 2030 regional plan

- Assumes Metropolitan Council 2030 plan is executed, including three new LRT lines, four completed BRT corridors, and nine arterial BRTs

2 Accelerated regional plan

- Accelerates the regional plan from scenario one to a 2023 completion

3 2030 plan with growth near stations

- Proposes 2030 plan is built as in scenario one, but reallocates 25% of expected community growth to station areas (i.e., assumes station areas absorb more of future growth though does not presume new growth)

3 Is regional transit a good investment?

Direct impacts by category

Compared to base case 2010
\$ Millions

Travel time savings and reliability	\$4,643 - \$11,429
Vehicle operating cost savings	\$1,479 - \$4,717
Shipper and logistics cost savings	\$185 - \$271
Reduction in emissions	\$185 - \$395
Safety benefits	\$53 - \$88
Pavement maintenance savings	\$26 - \$54
TOTAL	\$6,571 - \$16,516

Note: Benefits and operating and maintenance costs are calculated for 15-year period 2030-2045 for regional system or 2023-2045 for accelerated scenario. All are reported in 2010 dollars

Methodology and key assumptions



- The analysis estimates future benefits arising from transportation system user benefits, sustainability benefits, state-of-good repair benefits and wider economic development benefits
- Utilizes output from Metropolitan Council's regional travel demand model; population estimates based on Met Council
- Discount rate is 2.8 percent, as recommended by MnDOT
- The SW Corridor is assumed to commence operation in 2018; for regional assessment, all corridors are assumed to operational in 2030 and impacts from 2030-2045 are estimated and reported
- The price of fuel used in the travel demand and mode choice models is \$3.41 per gallon (\$2.59 in 2000\$ based on the CPI) to reflect the average cost of fuel in the region on October 26, 2011

Thank you to Technical Advisory Committee



Mary Richardson	CTIB
Mary Kay Bailly	Corridors of Opportunity
Katie Walker	Hennepin County
David Lawless	Hennepin County
Lee Sheehy	McKnight Foundation
Eric Muschler	McKnight Foundation
Arlene McCarthy	Metropolitan Council
Guy Peterson	Metropolitan Council
Mark Filipi	Metropolitan Council
John Kari	Metropolitan Council
Will Schroeer	Minneapolis Regional Chamber of Commerce and Saint Paul Area Chamber of Commerce
Jim Erkel	Minnesota Center for Environmental Advocacy
Kate Johansen	Minnesota Chamber of Commerce
David Levinson	University of Minnesota
Laurie McGinnis	University of Minnesota
Caren Dewar	ULI MN and Regional Council of Mayors
Ted Schnoenecker	Washington County

Over the past two years, regional partners have come together in new and exciting ways

NOT EXHAUSTIVE

Driving Job Growth in Minneapolis - Saint Paul Lead initiatives

