




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.

<u>Key Findings</u>	<u>Evaluation</u>
<ul style="list-style-type: none"> • 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 	
<ul style="list-style-type: none"> • 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 	
<ul style="list-style-type: none"> • 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 recently⁸⁷, 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 commerce⁹³ 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.

Strategies to Increase Spatial Efficiency

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.

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