Today’s agenda

- Itasca Project introduction
- Transit ROI objectives
- Results of analysis
- Comments from business leaders
- Conclusion
Itasca Project introduction

What is Itasca?

An employer-led civic alliance focused on:

▪ Building a thriving economy and quality of life in the Minneapolis-Saint Paul Metropolitan region
▪ Reducing and eliminating socioeconomic disparities

Who is Itasca?

50-plus cross-sector community leaders from Minneapolis-Saint Paul:
▪ Private sector CEOs
▪ Public sector leaders: the Governor, the Mayors of Minneapolis and St. Paul, Chair of the Metropolitan Council, the leaders of the University of Minnesota and MnSCU
▪ Leaders of major foundations and United Way
Itasca Project priorities

1. Generating high-quality job growth
   - Raise economic competitiveness and quality of life
   - Reduce and eliminate disparities

2. Advancing a comprehensive and aligned transportation system

3. Improving our region’s education system
The transportation system impacts the economic health and vitality of a region...

A comprehensive, integrated, and efficient transportation system is an important driver of economic development and, therefore, job growth because it...

- **Connects employers** to their workforce and enables employees to access employment; connects **businesses to customers**; maintains **timely movement** of goods

- **Attracts and retains residents** by providing greater diversity of travel options, including more free-flowing roads and affordable transit options

- **Enables strategic, efficient investment** in long-term infrastructure, e.g., energy grid, water system, housing, commercial and industrial buildings

When **employers examine where to locate**, strong transportation infrastructure is one of the top 3 considerations, along with workforce quality.
...Transit is increasingly critical to sustaining the economic vitality of our region

§ In Minnesota, transit plays a vital role in connecting jobs and employees today...
  − 40% of downtown Minneapolis and St. Paul commuters use transit
  − According to MetCouncil, transit riders are more than 1/3 of peak hour users of major freeways

§ ...and will become more important in the future
  − Building out full transit system would give **regional employers access to an additional half a million people** within half an hour commute
  − Increasingly, talented **millennial generation employees are seeking cities with good transit**

§ **Transit can be a cost-efficient way to add capacity in corridors**, improving travel times across the system especially during peak congestion periods

§ **Competitor regions are investing heavily in transit**; these regions include Denver, Salt Lake City and Dallas, all rapidly growing, dynamic regions
Transit ROI study

Objective: Evaluate potential transit impacts to the region using data-driven and transparent approach

- Commissioned by Itasca
- Conducted by Cambridge Systematics, experts in transportation and economic analysis
- Guided by local Technical Advisory Committee
Itasca 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?*
We compared four scenarios

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

- **2030 regional plan**
  - Assumes Metropolitan Council 2030 plan is executed, including expansion of bus service at 1% annually, nine arterial BRTs, four completed BRT corridors, and three new LRT lines

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

- **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)
Current Regional Transit System Commitments

Existing Bus System

TRANSPORT NETWORK
Current Commitments

- Blue Line (Hiawatha LRT)
- Green Line (Central/SWLRT)
- Red Line (Cedar BRT)*
- Managed Lane / MnPASS
- Northstar Commuter Rail
- Existing Bus System

*50% of initial 3-year operating subsidy funded by CMAQ grant and unidentified beyond that.
A regional transit system in the Minneapolis – St. Paul Metro area includes:

- 1% per year bus service expansion
- Addition of nine arterial BRTs
- Four BRT lines
- Total of five LRT lines

Mode and alignment for each corridor are still being determined.

Source: The Twin Cities Metropolitan Council's 2030 Transitway Plan featuring commuter rail, light rail, bus rapid transit and improved bus corridors.
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 & maintenance
Direct Impacts – Results

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Total direct impacts</th>
<th>Investment</th>
<th>Low</th>
<th>High</th>
<th>IRR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2030 Regional Plan</td>
<td></td>
<td>$4,361</td>
<td>$6,571</td>
<td>$10,083</td>
<td>7.8 – 14.8%</td>
</tr>
<tr>
<td>Accelerated Regional Plan</td>
<td></td>
<td>$5,289</td>
<td>$10,762</td>
<td>$16,516</td>
<td>11.2 – 18.0%</td>
</tr>
<tr>
<td>2030 Plan with growth near stations</td>
<td></td>
<td>$4,361</td>
<td>$9,082</td>
<td>$13,927</td>
<td>13.0 – 20.9%</td>
</tr>
</tbody>
</table>

Compared to base case scenario
2010 $ Millions

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.
## Direct impacts by category

<table>
<thead>
<tr>
<th>Category</th>
<th>Compared to base case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel time savings and reliability</td>
<td>$4,643 - $11,429</td>
</tr>
<tr>
<td>Vehicle operating cost savings</td>
<td>$1,479 - $4,717</td>
</tr>
<tr>
<td>Shipper and logistics cost savings</td>
<td>$185 - $271</td>
</tr>
<tr>
<td>Reduction in emissions</td>
<td>$185 - $395</td>
</tr>
<tr>
<td>Safety benefits</td>
<td>$53 - $88</td>
</tr>
<tr>
<td>Pavement maintenance savings</td>
<td>$26 - $54</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$6,571 - $16,516</strong></td>
</tr>
</tbody>
</table>

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.
A regional transit system enables employers to access more potential employees

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

* With build-out of the 2030 regional plan
Additional impact not considered in the ROI study results:

**Short-term economic impacts:**
- **$4.3 billion in construction impacts** – Economic activity created over the construction period
- **30,000 construction jobs** – FTE job-years tied to build-out of the transit system

*If Federal dollars are leveraged* for investments, then the ROI of state/local dollars would be even higher.

*Experience with Hiawatha and Central Corridor suggests Scenario 3, with the highest benefits, is a real possibility*
- **2 million square feet of office space** was constructed within half a mile of Hiawatha from 2004-2010
- Development of **new housing exceeded 2020 projections** by nearly 50% within first year of operation
- **$1.6B of construction** has been approved along Central Corridor, set to open in 2014

SOURCE: MetCouncil, U of MN Transitways Impact Research Program
In addition to the quantitative analysis, we interviewed regional businesses about how they view transit

*Transit is important to employers’ ability to attract employees*

- “Improved transit provides greater efficiency to attract employees, enables them to connect with labor groups.”
- “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 comes up in every HR conversation with new employees.”
- “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.”
- “We worry about future commuting costs, as gas could be significantly more expensive.”

Source: Focus groups with HR and facilities leaders from leading companies in Minneapolis-St. Paul Metro area. Interviewed companies include: Target, UnitedHealth, US Bancorp, Xcel Energy, and Plymouth/Center National Bank.
What business leaders say (cont)...

Transit enables higher density development and greater customer access

“Improved transit would allow higher densities and greater customer access.”

“Higher densities encourage entrepreneurial activities.”

Transit must be connected to and aligned with destinations and other modes of transit

“Pedestrian access is important to support transit, complete last mile connections.”

“Want to see more suburb-to-suburb connections.”

“I appreciate the LRT connection to the airport but there are limited door-to-door mass transit options.”

“Must be reliable.”

Source: Focus groups with HR and facilities leaders from leading companies in Minneapolis-St. Paul Metro area. Interviewed companies include: Target, UnitedHealth, US Bancorp, Xcel Energy, and Plymouth/Center National Bank.
Summary

- Based on direct impacts alone, the benefits of implementing a regional transit system far outweigh the costs
  - Building the 2030 regional plan would result in $6.6 – 10.1 billion in direct benefits, on a $4.4 billion investment (between 2030 – 2045)
  - Accelerating the system buildout to 2023 would result in increased direct benefits: $10.7 – 16.5 billion on a $5.3 billion investment
  - More community growth near transit stations would also increase the return on investment by an additional $2 - $4 billion

- In addition to the quantified direct benefits, the region would benefit from many wider economic benefits
  - Increased access to employers (an additional 500,000 within 30-minute commute)
  - 30,000 construction jobs and $4.3 billion in economic impacts

- Interviewed employers reinforced the benefits of a regional transit system
  - A comprehensive transit system is critical to attract and retain employees
Appendix
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 Itasca Project Transportation Task Force

Jay Cowles, Chair  Unity Ave
Mike Erlandson  SUPERVALU
David Freed  Xcel Energy
Restor Johnson  UnitedHealth
Richard Murphy  Murphy Warehouse
Judi Nevonen  US Bancorp
Duane Ring  Century Link
Lee Sheehy  McKnight Foundation
David Sparby  Xcel Energy
John Stanoch
Richard Varda  Target
Charlie Zelle, Chair  Jefferson Lines

Itasca Project leadership

Mary Brainerd, Chair  HealthPartners
Richard Davis, Vice-Chair  US Bancorp
Thank you to Technical Advisory Committee

<table>
<thead>
<tr>
<th>Name</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mary Richardson</td>
<td>CTIB</td>
</tr>
<tr>
<td>Mary Kay Baily</td>
<td>Corridors of Opportunity</td>
</tr>
<tr>
<td>Katie Walker</td>
<td>Hennepin County</td>
</tr>
<tr>
<td>David Lawless</td>
<td>Hennepin County</td>
</tr>
<tr>
<td>Lee Sheehy</td>
<td>McKnight Foundation</td>
</tr>
<tr>
<td>Eric Muschler</td>
<td>McKnight Foundation</td>
</tr>
<tr>
<td>Arlene McCarthy</td>
<td>Metropolitan Council</td>
</tr>
<tr>
<td>Guy Peterson</td>
<td>Metropolitan Council</td>
</tr>
<tr>
<td>Mark Filipi</td>
<td>Metropolitan Council</td>
</tr>
<tr>
<td>John Kari</td>
<td>Metropolitan Council</td>
</tr>
<tr>
<td>Will Schroer</td>
<td>Minneapolis Regional Chamber of Commerce and Saint Paul Area Chamber of Commerce</td>
</tr>
<tr>
<td>Jim Erkel</td>
<td>Minnesota Center for Environmental Advocacy</td>
</tr>
<tr>
<td>Kate Johansen</td>
<td>Minnesota Chamber of Commerce</td>
</tr>
<tr>
<td>David Levinson</td>
<td>University of Minnesota</td>
</tr>
<tr>
<td>Laurie McGinnis</td>
<td>University of Minnesota</td>
</tr>
<tr>
<td>Caren Dewar</td>
<td>ULI MN and Regional Council of Mayors</td>
</tr>
<tr>
<td>Ted Schnoenecker</td>
<td>Washington County</td>
</tr>
</tbody>
</table>
Overview of regional transit networks

Maps to same scale
Source: Bill Rankin, McKinsey team analysis
Competitive regions have made investments in transit ways

Miles of transit ways, existing or under construction

- Salt lake city
- Denver
- Dallas
- Twin cities

- Bus rapid transit
- Commuter Rail
- Light rail transit
Regional sales tax dedicated to transit

Source: Met Council
Credentials of Cambridge Systematics

The Itasca Project working team, in consultation with its Technical Advisory Committee, selected Cambridge Systematics (CS) via a competitive bidding process. CS was selected based on the breadth and depth of its experience in transit and economic analyses. Details on services provided and relevant experience of CS is available on the CS website: http://www.camsys.com/

Key Qualifications

Cambridge Systematics has deep experience with Federal, state, and local government
- Relationships with 9 Federal agencies, including on-call contracts with FHWA and FTA
- Served 44 state governments and over 60 MPOs and other local government bodies

Experience with multiple modes of transit (e.g., LRT, local and intercity bus, alternative transportation services)

Highlighted projects

TCRP H-9: Economic Impact Analysis of Transit Investments: Evaluation of methods used to conduct economic impact analysis for proposed transit investments

APTA Economic Analysis: Economic impacts of national transit investments

Envision Utah Economic Impacts of Public Transportation System Expansion: Direct effects of public transit investments on travel efficiency, user benefits, and the regional economy.

LAMTA Economic Impact Benefits Study: Long-range economic impacts of alternative transportation development and financing plans

NYMTA Benefits: Long-term economic consequences of investments in public transportation facilities and services

California High-Speed Rail: Induced Growth Summary and Secondary Impacts Analysis