

Joint Meeting

Regional Council of Mayors & ULI MN Advisory Committee

January 13, 2014

PRESENTATIONS

Economic Update 2014

Minnesota has had “some really good news,” said William C. Melton in an economic update. Minnesota’s recovery from the recent recession has outpaced the United States and neighboring Wisconsin. But, he said, the factors that have given Minnesota a healthier economic outlook are not the result of actions by any one—or two—governors.

The “Great Recession” began in January 2008 and officially ended in June 2009, but it has felt much longer lasting to “anyone but an economist,” Melton said. And there’s good reason for that: U.S. employment isn’t expected to get back to its December 2007 levels until later this year, nearly seven years after the start of the recession.

Minnesota’s economy is linked to that of the nation, but the state was not hit as hard as the country as a whole, and has been recovering much faster; Minnesota regained its previous employment peak early in 2013. Some 85 percent of the state’s jobs are in the private sector, which didn’t decline as much here as in the country as a whole. Minnesota’s government employment is roughly where it was at the beginning of the recession.

“Minnesota has had a superior record for unemployment for a long time,” he said. “It’s not a new story.”

All of this is great for Minnesota, but Melton said that to maintain and extend its lead, the state needs to invest—and now is the time to do it. “If something needs doing,” he said, “lenders almost consider it a kindness if you would borrow from them.” Although financing costs aren’t as low as they were a year ago, they are still very low.

Although Minnesota and Wisconsin share many demographic and geographic qualities, Minnesota is well ahead of its neighbor economically. Wisconsin lost more jobs during the recession and is taking longer to recover.

But, despite various claims that either current Minnesota Gov. Mark Dayton is responsible for Minnesota’s better economy or that former Gov. Tim Pawlenty set the stage for it, Melton said, “Minnesota has been outperforming Wisconsin for almost 20 years.”

Wisconsin compares well to a number of other states, “but not to Minnesota when it comes to education,” he said. Investment in education and infrastructure are the most

likely public policy factors behind Minnesota's consistent lead in jobs over Wisconsin, and those investments have taken place over decades.

Most of the economic news about Minnesota since last November has been positive, with state revenues 5.4 percent stronger in November and December than expected. "Those numbers are great," Melton said, "but they have been tinkered with."

Since 2002, he said, official surplus forecasts have been biased upward because they include the effect of inflation on the revenue side—but don't include it on the expenditure side. "No private company would do anything like this; it's a bad idea."

The result of the skewed budget forecast is that it gives the governor power to cut expenses without legislative input when revenue doesn't come in as expected.

For more information about William Melton's economic analysis: [see PowerPoint](#)

Office Market and Redevelopment/Reuse

The "densification" of office space creates different kinds of demands for the office construction and rental markets.

"It used to be easy in the past to tell you how much office space we're going to need," said Jim Damiani of Welsh Colliers <http://welshco.com>. "It used to be 250 square feet per employee, but now we're seeing a lot of deals at 150 square feet with an open design."

Although hiring is increasing, the amount of square footage needed for office space is actually going down, Damiani said, including some established companies giving up square footage with new designs. [See PowerPoint.](#)

David Serrano of RSP Architects <http://www.rsparch.com> said the downward pressure on space means that his firm has been looking on a lot of adaptive reuses of existing buildings, including suburban warehouses. "A lot of these buildings have great bones," he said. "It's an open sandbox from a design standpoint." He offered several creative options for adding to and/or altering existing buildings, including wraps, weavings, juxtapositions, parasites and insertions. [See PowerPoint.](#)

Pat Mascia of Duke Realty <http://www.dukerealty.com> offered lessons he's learned in doing successful office developments:

- Have a terrific relationship with the city at both the staff and city council level. "The best developers have the right combination of heart and objectivity."
- "Do your homework; there are always surprises in redevelopment."
- "You can believe you're the smartest guy in the room, but never act like it."

A higher density of office tenants creates pressure for either transit or additional parking or both, the three panelists said. A developer in the audience said that RFPs are expecting more and more parking, despite increasing investment in transit.

“We’re starting to see it downtown,” said Mascia. “But it’s a much more difficult question in the suburbs.” He said the impact of an investment in increased public transit may not be seen five years from now, but 25 years from now. “It requires a real shift in attitudes.”

Damiani said Campbell-Mithun asked its staff what they wanted in their new offices. “The Number One thing was mass transit.”

Mascia said creating transit in the Twin Cities is complicated. “In Chicago, you see a mass transit system and the towns that grew up around it. Here, we’re trying to lay a transit system on cities that are already developed.”

The three panelists cautioned about thinking that mixed-use development is the answer to everything. “Mixed use looks cool, it looks sexy, and it’s all of that stuff,” said Mascia. “But you can’t just take mixed use and plop it down anywhere. Mixed use only works when each element of a project could exist on its own in that location.”

In other words, he said, don’t expect retail to be supported solely by the workers or residents of the project—and don’t expect people to be drawn to it solely by the office or residential space.

Asked for the best time to get public involvement in development projects, Mascia said, “Not until the developer and the city are on the same page, so that the public involvement is to make it better.”

Southwest LRT

An additional 1/4 cent regional sales tax would fund all of the projects on the regional transit plan, according to Mark Fuhrmann, deputy general manager of Metro Transit. This would cover:

- Up to 21 transitways over 20 years.
- Up to three new light rail transit lines.
- Up to 12 arterial bus rapid transit lines.
- Up to six highway bus rapid transit lines or managed lanes.
- Annual growth of 1 percent in the base bus system.
- A portion of current bus and rail operations.

Funding to support the plan, including additional sales tax, is an uphill battle.

Progress on the Southwest LRT line www.SWLRT.org has been delayed because of opposition to the way the line would be sited along the Kenilworth Trail Minneapolis or St. Louis Park. Currently, Fuhrmann said, there are three additional technical studies underway to answer questions related to freight relocation and impact on water. These supplemental reports should be completed by the end of January or early February.

Peter Wagenius, aide to Minneapolis Mayor Betsy Hodges, said there's a lack of trust that the line will be sited appropriately. "I think most of the burden is on the Met Council, Hennepin County, Minneapolis and St. Louis Park," he said. "People worry that what the planners giveth, the politicians taketh away."

For more information: [See PowerPoint.](#)

MoveMN

About 130 organizations have joined the MoveMN campaign, which will lobby for increased funding for all modes of transportation during the 2014 Minnesota Legislature. The campaign's public launch will be January 23 and its website was recently fully active <http://www.movemn.org>.

Jim Erkel of the Minnesota Center for Environmental Advocacy, one of the coalition partners, said the campaign has been successful in getting interest from editorial boards across the state. Will Schroer of the Minneapolis and St. Paul Chambers of Commerce said, "This is a genuine coalition. The breadth of support we can show will be absolutely critical."

Executive Directors Report

Caren Dewar provided an overview of the Regional Council of Mayors and its link to ULI MN. She presented the recently adopted [ULI MN Manifesto](#) and encouraged people to attend the upcoming ULI MN program: [Water: Protecting our Region's Most Valued Asset](#), on January 31st.

COMING UP

The next RCM meeting will be Monday, February 10.

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 January 13, 2014:

ULI MN Advisory Committee

Wade Anderson	Gray Plant Moody
Cecile Bedor	City of St. Paul
Steve Berg	Steveberg LLC
John Breitinger	United Properties
Rick Carter	LHB
Beth Elliott	City of Minneapolis
Michael Franta	US Bank
Nick Koch	HGA
Michael Langley	Greater MSP
Mathias Mortenson	Mortenson Construction
Diane Norman	RSP
Carolyn Olson	GMHC
Danyelle Pierquet	Landform
Kevin Ringwald	City of Chaska
John Shardlow	Stantec

Mayors

Jim Adams	City of Crystal
Ardell Brede	City of Rochester
Bill Droste	City of Rosemount
Jerry Faust	City of St. Anthony
Mary Giuliani Stephens	City of Woodbury
Debbie Goettel	City of Richfield
Kathi Hemken	City of New Hope
Jim Hovland	City of Edina
Tim Hultmann	City of Long Lake

Marvin Johnson	City of Independence
Peter Lindstrom	City of Falcon Heights
Mike Maguire	City of Eagan
Sandy Martin	City of Shoreview
Lili McMillan	City of Orono
Tim McNeil	City of Dayton
Duane Poppe	City of Osseo
Terry Schneider	City of Minnetonka
Nora Slawik	City of Maplewood
Mark Steffenson	City of Maple Grove
Elizabeth Weir	City of Medina
Ken Willcox	City of Wayzata
Janet Williams	City of Savage
Gene Winstead	City of Bloomington

Guests

Mark Casey, St. Anthony Village; Eliza Clark, Andersen Corp.; Jim Damiani, Colliers; Jim Erkel, MCEA; Kevin Frazell, League of Minnesota Cities; Jamie Long, Rep. Ellison's office; Pat Mascia, Duke Realty; William C. Melton; Josh Olson, Ramsey County RRA; Adam Schif, Sen. Klobuchar's office; Will Schroer, Minneapolis and St. Paul Chambers of Commerce; Eric Verbrugge, BP.

ULI Staff/Consultants

Caren Dewar, Aubrey Austin, Cathy Bennett, Linda Picone