



Regional Council of Mayors

March 12, 2012

The Recession Is Over—It Just Doesn't Feel Like It

In the terms economists use, the recent recession actually ended in June 2009, according to William C. Melton, former Federal Reserve economist.

But “the recovery has been so sluggish that output and employment have been far below potential,” he said. “The gap between what we could be producing and what we are producing is the largest since the 1930s.” In fact, he said, the U.S. economy is operating at about 92 percent of what it should be producing.

The recession started in January 2008, Melton said, and deserved the name “The Great Recession.” The federal stimulus program of early 2009 was well-timed, “but not large enough to stem a rapid recovery.”

Recovery begins when the downward trend in the economy stops—this was June 2009, Melton said. “Recovery” ends when the economy is back where it started.

But, Melton said, “It’s a long, hard slog.” Previous recessions have had fairly short recovery periods; full recovery will take a long time after this recession. “It’s hard to identify a catalyst that would propel us to rapid recovery.”

Employment has improved, but the unemployment rate is still high and Melton predicts that it will be years before the previous peak in jobs is regained. “Forget the jobless recovery,” he said, “this is the jobless expansion.”

He said the national employment performance is the worst since the 1930s, and the high unemployment hasn’t ended. Minnesota is doing somewhat better than the nation as a whole.

One thing that would propel faster economic growth and employment would be a sharp uptick in housing construction, Melton said. “We are building houses at a substantially lower rate than needed to house new families. This is not normal. One thing that would really cheer me up would be a sharp uptick in housing construction; that’s the way we’ve gotten out of recessions in the past.”

Melton said the federal deficit is not an issue right now, although it will be a real problem in five to 10 years—largely driven by health care costs. Today’s low interest rates make it a good time to do public projects. “Financing costs are almost at zero; if there is a project that has merit, this is a great time to finance that,” he said.

In fact, he said, the worst thing local governments can do is to institute austerity programs at a time when they should be spending money on projects that will provide employment and stimulate the economy.

Greater MSP Coordinating Outreach to Local Companies

There are a number of business retention and expansion visits going on by a variety of different people and organizations, but not much coordination, according to Ted Mondale, vice president of strategy & research at Greater MSP.

“None of us know who’s talking to whom,” Mondale said. Greater MSP is working to coordinate the way that public officials talk with the key decision-makers at local companies. There are 104,571 different business entities in the 11-county Metro area today.

A comprehensive outreach program is being developed this year and during 2013, with training on a basic program starting this summer. A standard survey instrument also will be developed.

Mondale asked the Regional Council of Mayors and individual mayors to provide leadership to the program.

Mondale said the “biggest bang for our buck” is working with companies that are already in Minnesota, to make sure they understand the advantages of staying in the region when they are looking at expansion. In terms of drawing new companies to the region, he said, “We are extremely competitive for data centers, with a lot of natural advantages.”

Make Minnesota Competitive for Movie Production

Minnesota was the first state in the nation to offer an incentive to movie companies for making films here. Today, it’s one of only six states that don’t offer some kind of incentive for movie production.

According to representatives of the Motion Picture Association of Minnesota, that means that millions of dollars that could have gone into the state have gone elsewhere over the past dozen years.

Walsh Carvalho said that Clint Eastwood wanted to produce *Gran Torino* in St. Paul, where the movie is set. But because there were no tax incentives for the production, it was shot instead in Detroit. “They took a \$33 million movie to Detroit and spent \$22 million there,” Carvalho said. “The rebate from the state was \$4 million—so \$18 million stayed in Michigan.”

“We have pushed away about \$300 million of activity in just the last three years,” said Anne Healy. “This is money from outside the state that we’d to bring here. Oklahoma is kicking our butts. Connecticut has stolen most of our work.”

The Minnesota Motion Picture Association's mission is to bring movie projects with budgets over \$5 million to Minnesota, which will bring revenue to the state that now is going elsewhere, as well as creating jobs for people in the film production industry in Minnesota.

The group asked for support from mayors for creation of an incentive program by the Minnesota Legislature. Incentives can include:

- Refundable tax credits.
- Transferable tax credits.
- Rebates.
- Up-front/back-end production funding.

The Minnesota Motion Picture Association is recommending that the state offer a partially refundable, transferable tax credit with a five-year carry-forward from the year incurred. This would be based on 25 percent of local spending—including salaries, with a minimum “spend” of \$50,000. At least half of the production expenses would have to be in Minnesota and half of the principal photography days would have to be in Minnesota.

Most states do tax credits, said Healy, and usually get a return of 6:1 on the credits.

“We’re asking you folks to support us in our drive to educate legislators about the value of drawing movie production to Minnesota,” Healy said. “We want to represent your towns in Hollywood.”

METRO WATCH

Southwest LRT Is In Early Starts Stage

The Twin Cities is behind other communities in light rail transit—including Dallas, which has the largest light-rail system in operation today.

“Other regions are ahead and building faster,” said Will Schroeer, representing the Minneapolis and St. Paul regional Chambers of Commerce. “One of the top comments we get from companies thinking about moving here is: ‘Show us your light rail.’”

The region needs multiple transportation options, Schroeer said, including roads, light rail, buses and more. The transit options are crucial to keeping both major downtowns growing, he said, because there simply isn’t room for more roads or for 50,000 additional parking spaces.

“If we don’t want people to live here, the best thing we can do is to stop building transit—and they’ll go to Seattle instead.”

Chris Weyer, project director for the proposed Southwest light rail transit line, said that line could quickly become the busiest in the Metro, with 30,000 rides per weekday, or more than 10 million rides per year, by 2030.

The Southwest LRT project is one of only 10 in the United States to receive New Starts designation from the federal government to do preliminary engineering. But to keep the project on track, the Minnesota Legislature and the governor must authorize \$25 million in state bonding funds this year for preliminary engineering. Failure to do so will mean that Minnesota risks losing its “place in line” for New Starts funds, higher construction costs in the future and a delay in construction of the line.

The \$1.25 billion Southwest LRT project will span 15 miles, with 17 stations going through five communities and adjacent to a sixth (Edina). It will create 150 professional positions immediately, then 3,500 construction jobs. There are expected to be 175 permanent positions for the ongoing operations of the line.

The state share of the project will be \$125 million, or 10 percent. The rest will come from the Federal Transit Administration (50 percent), the Counties Transit Improvement Board (30 percent) and the Hennepin County Regional Rail Authority (10 percent).

Mayor Nancy Tyra-Lukens of Eden Prairie said the Southwest LRT isn’t just for the cities it goes through, but for the benefit of the region. “Cities all along the line support it, business supports it, but our legislators won’t,” she said. She said LRT is part of a system, not the sole answer for transit.

Mayor Ken Willcox of Wayzata said he is concerned that LRT is not as flexible as a bus rapid transit system would be. “With a bus system, you can flex as the population moves or plants move.” Schroeder said that in the Southwest corridor, there are a couple of constraints, including the inability to widen roads much more and a high demand for transportation. LRT would go where residents want to go with “absolute certainty of travel time and location.”

Mayor Terry Schneider of Minnetonka said that once an LRT system is in place, bus routes can be revised so that they are serving non-LRT areas better.

Support for MnPASS on 35E

Mayors in the northeast quadrant of the Metro region who support the idea of creating a MnPASS lane in the expansion of 35E should contact Brad Larsen at brad.larsen@state.mn.us. (For a discussion of the MnPASS concept for 35E, see the February RCM notes.)

INITIATIVE UPDATES

Jobs and Work Force Initiative

A CEO to CEO convening session will be held May 14, said Mayor Elizabeth Kautz of Burnsville. She also encouraged mayors to hold regular meetings with groups of CEOs in their communities. She said she holds a quarterly meeting in Burnsville. “They learn a lot and I learn a lot.”

Environment Initiative

Rick Carter of LHB said the energy audit program has gotten a positive response from the Department of Commerce. RCM is still looking for 20 more cities that are interested in having a complete energy audit, at a cost of \$2,500 each. Cities that sign up for the audit will make a grant to subsidize the program more likely.

Connecting Transportation and Land-Use Initiative

A draft of the *Reinvesting in the Region (Re)Development Ready Guide* has been distributed to mayors and community development managers, whose feedback is needed, said Mayor Terry Schneider of Minnetonka.

COMING UP

The next RCM meeting will be held on Monday, April 9, 2012 from 11:30 am to 1:30 pm. RCM meetings are held on the second Monday of every month at Dorsey & Whitney.

Mayors are encouraged to email Caren Dewar with their suggestions for topics to add to the agenda.

ATTENDEES

The following individuals were in attendance on March 12, 2012:

Mayors

Doug Anderson	City of Dayton
Joe Emerson	City of White Bear Lake
Jerry Faust	City of St. Anthony
Mary Giuliani Stephens	City of Woodbury
Kathi Hemken	City of New Hope
Jim Hovland	City of Edina
Tim Hultmann	City of Long Lake
Elizabeth Kautz	City of Burnsville
Alan Lindquist	City of Osseo
Jeffrey Lunde	City of Brooklyn Park
Gene Maxwell	City of Hopkins
Lili McMillan	City of Orono
Terry Schneider	City of Minnetonka

John Sweeney	City of Maple Plain
Nancy Tyra-Lukens	City of Eden Prairie
Ken Willcox	City of Wayzata

Guests

Jason Aarsvold, City of Brooklyn Park; Cecile Bedor, City of St. Paul; John Breitingner, ULI Minnesota; Rick Carter, LHB; Walsh Carvalho, Minnesota Motion Picture Association; Matt Fulton, City of Coon Rapids; Hector Garcia, Chicano Latino Affairs Council; David Griggs, Greater MSP; Tom Harmening, City of St. Louis Park; Anne Healy, The Minnesota Motion Picture Association; Michael Huber, Blue Cross/Blue Shield Minnesota; Curt Johnson, Citistates Group; Jay Lindgren, Dorsey & Whitney; Riki McManus, Upper Minnesota Film Office; Mike Mornson, City of Hopkins; Lee Munnich, Humphrey School; Burke Murphy, Regional Cluster Initiative; Carolyn Olson, Greater Minnesota Housing Corporation; Will Schroeer, Minneapolis and St. Paul Chambers of Commerce; Gary C. Surber, Upper Minnesota Film Office; Sally Wakefield, Envision Minnesota; Luke Weisberg, Lukeworks, U.C.; Chris Weyer, Metro Transit.

Staff

Katie Anderson, Caren Dewar, Linda Picone