Mark VanderSchaaf, director of regional planning, Metropolitan Council

Economic competitiveness is new emphasis for Metropolitan Council

A Civic Caucus Focus on Competitiveness Interview

September 13, 2013

Present

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Background

Mark VanderSchaaf has served as the Director of Regional Planning for the Metropolitan Council of the Minneapolis-Saint Paul Area since 2004. He oversees a staff of 30 planners responsible for key elements of the region's planning cycle: trend analysis and land-use forecasting, staff assistance for regional policy making, reviews of local comprehensive plans, and funding for the region's park and recreational trail system.

Before coming to the Metropolitan Council, VanderSchaaf earned an M.S. in urban and regional planning from the University of Wisconsin-Madison and worked for 17 years as an economic planner with the Saint Paul Department of Planning and Economic Development. In that capacity, he was instrumental in crafting Saint Paul's riverfront revitalization strategy and linking it to riverfront projects elsewhere in the Upper Mississippi River Valley.

Summary

VanderSchaaf says the Twin Cities region is highly competitive economically within the nation, with a very diverse economy, good availability of an occupationally diverse workforce, good productivity and notable business cost advantages. He says the region can expect to continue with economic strength. He notes, though, that other metro areas have had more aggressive economic competitiveness strategies than the Twin Cities region. He says the Metro Council is doing something about that through its *Thrive MSP 2040* project , which will set out plans and goals for the region's economic and

other growth over the next 30 years.He notes that economic competitiveness is a new emphasis for the Metro Council and that the Council is exploring whether it could play a role in promoting economic competitiveness in local comprehensive planning.

VanderSchaaf reports that the Metropolitan Council's new preliminary forecast at the regional and local level for 2010 to 2040 shows the seven-county metro area's population growing by 31 percent, the number of households growing by 41 percent and the number of jobs growing by 37 percent.

He says the Council sees a recent trend toward recentralization of people and jobs, and greater value placed on accessibility and quality of place. Its 2040 forecast for the central cities and the metro suburban/rural area projects this trend into the future. Between 2010 and 2040, the forecast predicts that the population of Minneapolis and St. Paul together will grow by 24 percent, while jobs in the two central cities will grow at the much higher rate of 47 percent. But in the region's suburban and rural areas, population (33 percent) and jobs (35 percent) will grow at nearly the same rate.

A. Discussion:

VanderSchaaf noted that on Sept. 11, 2013, the Council released its preliminary forecast of population, households and employment at the city level for 2040. "This is work that's been going on for five years," he said. "We have a pretty sophisticated forecasting model now, which is much better than 10 years ago. We have a much better understanding of the region's economy and demographic trends and how that's likely to affect locational patterns."

The Council released its preliminary regional forecast in April 2012. For links to both the local and regional forecasts, click here .

He clarified that, by law, the Metro Council's jurisdiction covers seven counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington. He said those seven counties contain 87 percent of the population and 90 percent of the jobs in the Census's 13-county metropolitan statistical area "The seven counties are still the economic and population center of the region," he said.

The Council's preliminary 30-year regional forecast predicts the following:

- **Population:** The seven-county metro population will grow by 893,000, or 31 percent, between 2010 and 2040, from 2,850,000 to 3,743,000. Natural population growth, or births outpacing deaths, will account for two-thirds of the population growth, with the other one-third resulting from migration, chiefly international immigration. The population of people of color will more than double over the next 30 years, growing from 24 percent of residents in 2010 to 43 percent in 2040.
- **Households:** The number of households in the metro area will grow by 458,000, or 41 percent, between 2010 and 2040, from 1,118,000 to 1,576,000.The size of the average household will decline from 2.50 people in 2010 to 2.32 in 2040.
- **Employment:** The number of jobs in the metro area will grow by 570,000, or 37 percent, between 2010 and 2040, from 1,548,000 to 2,118,000.

The Council's preliminary 30-year local forecast predicts the following for the metro area's central cities and suburban/rural areas:

- **Minneapolis:** The city's population will grow by 105,000, or 27 percent, between 2010 and 2040, from 382,700 to 487,700. That accounts for 12 percent of the region's population growth during that period. In contrast, the job growth in the city will be 137,000, or 49 percent, between 2010 and 2040, from 282,000 to 419,000. That accounts for 24 percent of the region's job growth during that period.
- **St. Paul:** The city's population will grow by 54,000, or 19 percent, between 2010 and 2040, from 284,900 to 338,900. That accounts for nine percent of the region's population growth during that period. In contrast, the job growth in the city during that time period will be 77,000, or 44 percent, from 176,400 to 253,400. That accounts for 13 percent of the region's job growth over the 30 years.
- **The central cities together:** The joint population growth of Minneapolis and St. Paul between 2010 and 2040 will be 159,000, or 24 percent, from 667,600 to 826,600. That represents 18 percent of the region's projected population growth during that time. In contrast, the joint job growth of the two cities from 2010 to 2040 will be 215,000, or 47 percent, from 457,500 in 2010 to 672,500 in 2040. That represents 38 percent of the region's job growth during that time.
- **Outside of Minneapolis and St. Paul:** The region's suburban and rural population will grow by 727,000, or 33 percent, between 2010 and 2040, from 2,182,200 to 2,909,200. That represents 81 percent of the region's projected population growth during that time. Jobs located in the suburban and rural areas will grow by 376,000, or 35 percent, from 1,084,000 to 1,460,000. That represents 66 percent of the region's projected job growth over that time period.

Thus, although the central cities' population will grow at a slower pace (24 percent) than the suburban /rural population (33 percent) from 2010 to 2040, the central cities' job growth will be at a faster pace (47 percent) than in the suburbs and rural areas (35 percent).

Asked to state the problem the growth forecasts reveal, VanderSchaaf said they show first, bad news; second, good news; third, bad news; and fourth, good news.

First, the bad news: From 2000 to 2010 the Twin Cities region showed stagnation in jobs for the first time since World War II. "In every decade since WWII," he said, "we had at least 150,000 net new jobs, until 2000 to 2010. We had really bad news at the end of the last decade, but not much job growth in the beginning of the decade, either."

"The severity of the Great Recession took everyone by surprise," VanderSchaaf continued. In the forecast 10 years ago, the Council was expecting 210,000 net new jobs from 2000 to 2010. Instead, net metro area jobs declined by more than 62,000.

Second, the good news: Other regions experienced the same economic challenges. "We weren't alone in this experience in the country," he said. "The whole decade was a lost decade for the economy. People weren't seeing this at beginning of the decade. We understood it better in retrospect."

The economic fundamentals are still strong in the Twin Cities area. VanderSchaaf said Todd Graham, the Council's principal forecaster, working with a national forecasting firm, finds that the region is highly competitive within the nation, with good availability of an occupationally diverse workforce, good productivity, and notable business cost advantages. "We have a really diverse economy, not overly reliant on any one sector," VanderSchaaf said. "We can expect to continue with economic strength. But none of these things happens automatically. They are a result of a myriad of decisions at the public, private and nonprofit levels. Assuming we do the right things, we've got the fundamentals to continue to be strong well into the foreseeable future."

The region's share of national Gross Domestic Product (GDP) will increase by 2040. VanderSchaaf said the region's economy now contributes 1.35 percent of GDP, although we have less than one percent of the U.S. population. That's expected to grow to 1.5 percent of GDP by 2040. "I'm even more optimistic for the Twin Cities," he said, "because other forecasters haven't factored in natural resource constraints in metro areas around the country. Forecasts for robust growth in places like Austin, Texas, don't really take into account that Austin is just about out of water. Our region has some great resources that we're working to preserve and protect."

Third, more bad news: Other metro areas have had more aggressive economic competitiveness strategies than the Twin Cities region.

VanderSchaaf noted that the National Association of Regional Councils (NARC) was retained by the McKnight Foundation to do a study of what regions are doing to enhance their economic competitiveness. NARC did a survey of all major metro areas around the country, with a more in-depth study of three regions: Kansas City, Denver and Seattle.

One key finding of the NARC report is that the Metro Council has the largest operating budget (close to $800 million) of the 14 metropolitan region organizations responding to the survey. VanderSchaaf said the size of the budget reflects the Council's unique role as regional planner and metropolitan planning organization, but also as a provider of transit and wastewater treatment service, and funding partner for housing, brownfield cleanup and transit-oriented development projects. But, he said, it was the only organization surveyed without a regional economic strategy.

Fourth, more good news: The Council is doing something about it.

VanderSchaaf said the Council's goal is to update its long-range, 30-year plan, called *Thrive MSP 2040* . He explained it as "a policy strategy leading to detailed plans for regional systems: transportation, wastewater and the parks and trails system." According to state law, *Thrive MSP 2040* shall guide "the orderly and economical development, public and private, of the metropolitan area" and "recognize and encompass physical, social or economic needs of the metropolitan area."

This fall, he said, there will be outreach and engagement around the basic policy themes articulated by the Council. This first part of *Thrive MSP 2040* will be finalized by April 2014.

Some of the themes emerging in *Thrive MSP 2040* are the following:

1. Stewardship: Continuing to take care of our finite resources in an efficient and effective way.

2. Prosperity: Planning for ongoing economic prosperity.

3. Equity : Promoting both racial and income equity, and geographical balance.

4. Livability . Maintaining our region's high quality of life.

5. Sustainability: Ensuring that our region remains strong and vibrant for generations to come.

A strategic and tactical goal of the Council is to create a robust partnership for economic competitiveness. VanderSchaaf said all the various actors in the region that have a bearing on the economy need to align around a shared economic strategy. This strategy will need to involve partners in three interrelated arenas: economic development (transactions to strengthen employers in core sectors of regional economic strength), community development (infrastructure and amenities), and workforce development. "The goal for the Metro Council is to be an important participant and a leader to bring about this robust strategy for our region," he said.

Economic competitiveness is a new emphasis for the Metro Council. But, he said, the Council's long-range planning and infrastructure investments already advance regional economic prosperity by

· Planning for the efficient movement of people and freight globally, nationally and regionally;

· Providing cost-effective and efficient wastewater treatment;

· Contributing to a quality of life and cost structure that attract and retain a talented workforce;

· Working with local jurisdictions to provide access and infrastructure to employment locations;

· Creating a consistent framework for land-use planning.

The Council's specific contributions to regional economic competitiveness lie in the arena of community development: supporting the infrastructure, amenities and quality of life that are essential to attracting and retaining businesses and workers.

The Council is exploring whether it could play a role in providing advisory leadership in promoting economic competitiveness in local comprehensive planning.

An interviewer asked whether that would cause more competition for businesses among municipalities in the region. "That's always an issue," VanderSchaaf responded. "But there's a paradigm shift. An awareness is starting to creep through the U.S. and the world that metropolitan areas are the engines of growth or brokenness in our country. We didn't create a political and governance system that was attentive to metropolitan areas. They didn't exist at the time."

"There are cities and there are states," he said. "The city used to be the metropolitan area. Now we have suburbs that are their own center. It's dysfunctional to think of Minneapolis vs. St. Paul or St. Louis Park vs. Hopkins. It's better to think of our metro area vs. others in the country and the rest of the world." (He recommended the book *The Metropolitan Revolution* by Bruce Katz and Jennifer Bradley.)

The business community is now starting to think about industry clusters. That's the name given to similar types of businesses locating in the same area by Harvard Professor Michael Porter .

VanderSchaaf said this is an organizing principle for the Greater MSP group. "They don't call it clusters, they call it areas of strength," he said. "There are certain key types of businesses that we do really well in our region. The industry cluster notion looks at interrelationships among various sectors that support our key areas of strength. Are you overrepresented in employment compared to rest of country? If so, that's an area of strength."

He offered the example of Rochester's Mayo Clinic being concerned about other metropolitan areas competing in health care around country. Rochester received a large investment from the 2013 Legislature to enable the Mayo Clinic to continue to expand in that city. To be competitive, he said, a metropolitan region must have a high quality of life, good technology infrastructure and a high quality airport or port facilities or freight transportation.

An interviewer commented that Minnesota's economic development needs improvement. He said people working on economic development don't recognize the importance of supplier networks, because there are no people with industrial experience working in economic development. He said 1.5 million manufacturing jobs were lost in metropolitan areas in the 1990s, while those jobs grew in nonmetropolitan areas.

The Metro Council is not directly involved in workforce development.

The Council sees a recent trend toward recentralization of people and jobs, and greater value placed on accessibility and quality of place. An interviewer commented that most of our transit system is focused on the downtowns. It doesn't connect people in the suburbs with their jobs and doesn't connect people in the cities with real jobs in the suburbs. Part of the transit system must be realigned, he said, but we're investing in major spokes going into and out of downtowns. "There's a big disconnect between what we're doing and what exists."

VanderSchaaf responded that a big part of the disconnect gets to density and potential ridership. Council and Metro Transit staff completed a 2013 analysis finding that the greatest ridership response to transit is in localities that have a combination of population density, destination density, compact, walkable urban form and connectedness. "When we're prioritizing investment and operations, it often will come down to how can we move the most people most efficiently" he said. "If the jobs and the population are thinly dispersed, it's very hard to do that."

The same interviewer posited that the two downtowns account for 15 percent of jobs in the metro area and that 85 percent are outside of the downtowns and, for the most part, outside the central cities. "When is the Council going to come to grips with that reality in transit?"

VanderSchaaf responded that 31 percent of metro area jobs are sited in the central cities. "Part of the trend we've started to see in the last five years, and we believe it will continue, is recentralization of jobs and people in the region. Part of it is a result of fewer resources for highways. Growth that's occurring on the fringes of the area is happening without significantly increased levels of infrastructure investment. Congestion remains a challenge and that's part of what's driving investment more and more into areas that already have infrastructure."

"In the last five years," he continued, "the aging population, the new millenials and new Minnesotans are more likely to want places that are more compact and more walkable. Five years ago, conferences on industry and commercial space never talked about transit. Now transit is a key issue, even in the industrial spaces." He noted that a speaker at one conference commented, "Out in the exurbs you can build stuff overnight, but it takes three years to fill; in the central city, it will take three years to build, but it will fill up immediately."

The Metro Council does not lobby the Legislature for additional powers. An interviewer commented, "It's disappointing that we were the first region with legislative enactment of a metropolitan council, but I don't have the sense that the Council is at the Legislature lobbying"

"We lobby for regional investment, but we don't lobby for additional powers," VanderSchaaf said. "We leave it to others to lobby for us. We need to be fulfilling the demand of the community, rather than trying to steer the community. That's served us well. 2013 was the first year in my memory that no legislation was introduced to disband the Council."

He said that this approach has been effective in the area of water supply, where the Council runs the wastewater system. He noted that drinking water supply has been a matter of local control. The Council now knows more about groundwater than 10 years ago and has a pretty good idea why White Bear Lake is shrinking. "We know what the solutions might be," he said. "There's starting to be groundswell that someone has to do something about this and isn't the Metro Council the right one to help this happen? We're ready to step in with a variety of forms of assistance to help the region solve this problem."

The Council does not do forecasts for all 13 counties included in the Census definition of the Twin Cities metropolitan area. VanderSchaaf said the Council has jurisdiction in the seven counties only and the state demographer does demographic (but not economic) forecasts for each county in the state.

The current Metro Council is more eager to play a broader leadership role than it was in recent years. In response to a question, VanderSchaaf said the governor and legislative leadership have a hand in setting the tone and expectations for the Council's level of activism.

Regional property tax-base sharing is not under the jurisdiction of the Council An interviewer commented that we as a state decided in 1971, through what's often called the Fiscal Disparities Law, to share the tax base of 40 percent of new commercial-industrial development throughout the seven-county area. He noted that the law was under attack this last session and asked where the Metro Council is on that.

VanderSchaaf responded that the Council sees regional tax-base sharing as beneficial to the region as a whole. "But it's not under our jurisdiction, even though it's something the Council cares about," he said.

The controversy over locating the Southwest light-rail transit (LRT) corridor will be resolved more amicably than it appears now. "I see a decision coming that people can live with," he said. "I'm seeing something emerging." He commented that the Southwest LRT line, which will run between Eden Prairie and downtown Minneapolis, is generally not as controversial as was the Central Corridor line, which has been built between downtown Minneapolis and downtown St. Paul. "Today residents aren't asking 'if' they will get LRT in their communities, but 'when,'" he said.

Minnesota Department of Transportation Commissioner Charlie Zelle is the point person on the larger transportation solution for the region. An interviewer asked about the Metro Council's role in determining how to

finance the construction and operating deficit of the region's transit system. VanderSchaaf said the Council works closely with Zelle.

"Our transportation policy plan is fiscally constrained, so everything we do has to be fundable," VanderSchaaf said. "The governor wants a complete solution for the whole state that includes highways and transit."