

ITASCA*project*

Regional Transit System: Return on Investment Assessment

September 2012



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:

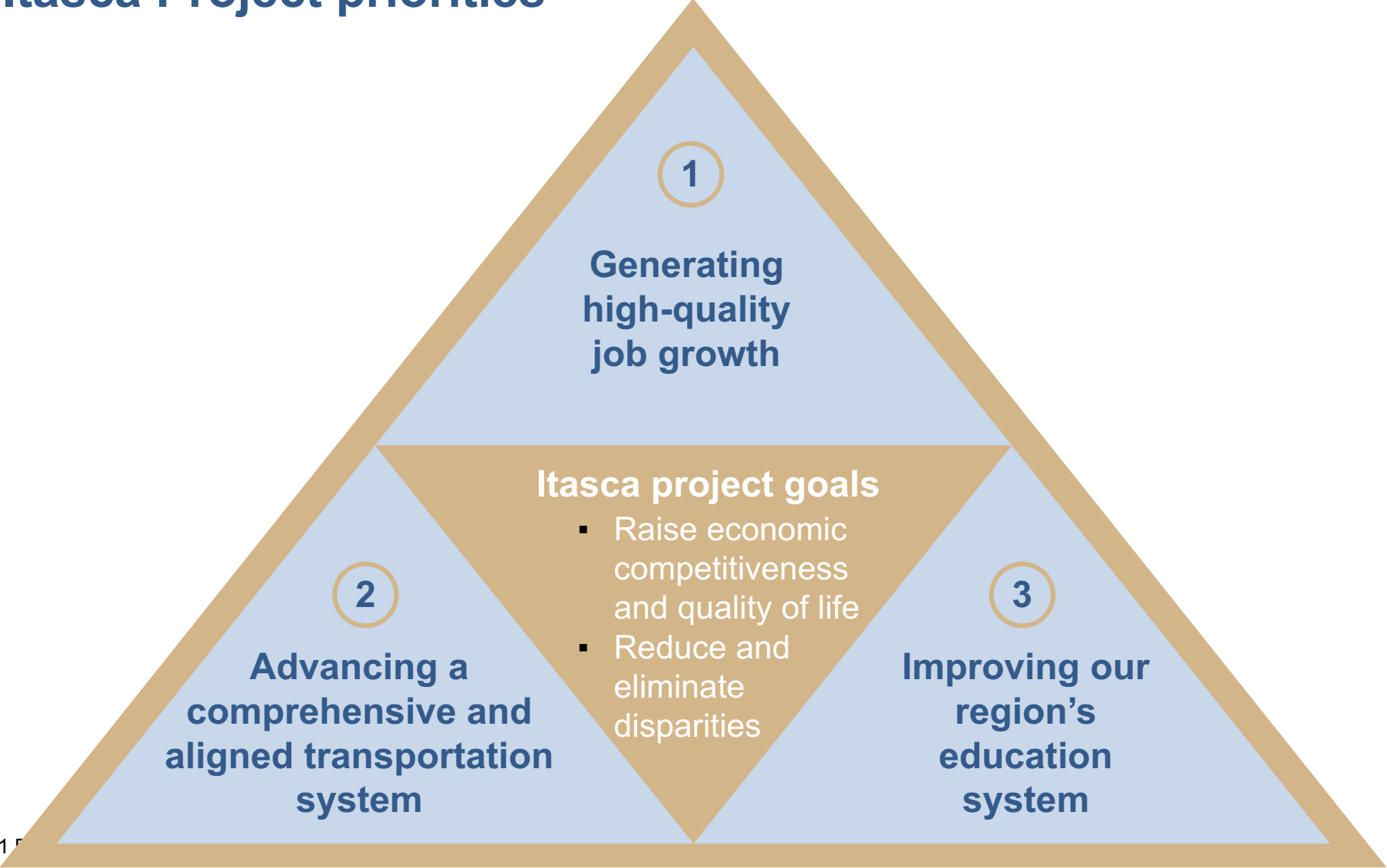
- Building a thriving economy and quality of life in the Minneapolis-Saint Paul Metropolitan region
- Reducing and eliminating socioeconomic disparities

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



Itasca's vision



An aligned, integrated,
and comprehensive transportation system to drive
economic competitiveness and quality of life

1 Footnote
SOURCE: Source

Why transportation matters

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

- Allows **efficient movement** of goods
- **Connects employers** to workforce and enables employees to **access employment** and other destinations
- Ability to access destinations through multiple modes of transportation **influence where people choose to live**
- Long-term infrastructure planning **shapes investment patterns**

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 are interested in focusing more growth near transit stations. *Would such actions, regionally, 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)

1

2030 regional plan

- Assumes Metropolitan Council 2030 plan is executed, including three new LRT lines, four completed BRT corridors, and nine arterial BRTs

2

Accelerated regional plan

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

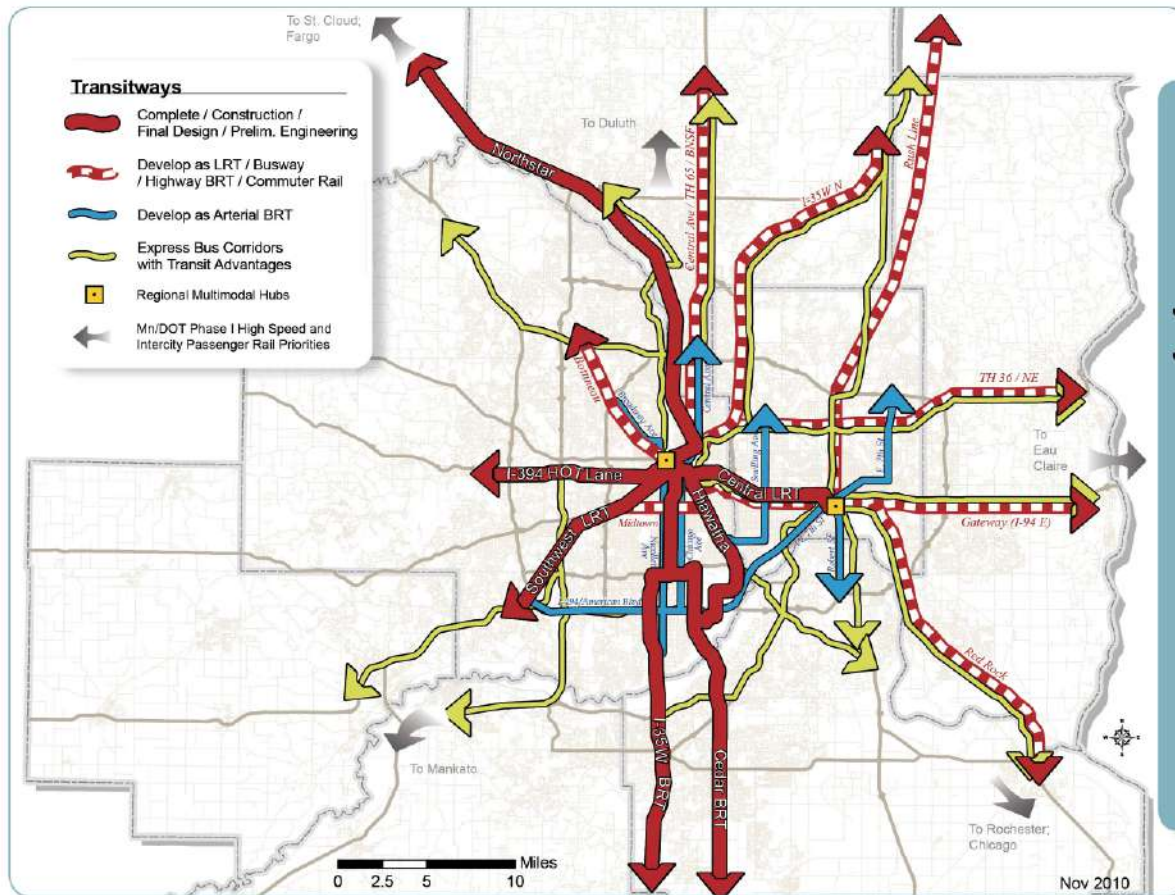
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2030 plan with growth near stations

- 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)

1 Footnote

The Regional Transit System



Regional 2030 TRANSPORTATION Policy Plan - Final November 2010

A regional transit system in the Minneapolis – St. Paul Metro area includes:

- Total of five LRT lines
- Four BRT lines
- Addition of nine arterial BRTs

Mode and alignment for each corridor are still being determined

1 Footnote

SOURCE: Source

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 Benefits – Results

		Compared to base case scenario 2010 \$ Millions			
		Total direct impacts			
Scenario	Investment	Low	High	IRR*	
1 2030 Regional Plan	\$4,361	\$6,571	\$10,083	7.8 – 14.8%	
2 Accelerated Regional Plan	\$5,289	\$10,762	\$16,516	11.2 – 18.0%	
3 2030 Plan with growth near stations	\$4,361	\$9,082	\$13,927	13.0 – 20.9%	

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

SOURCE: Source

Direct benefits by category

1. Travel time savings and reliability \$4.6 - \$11.4 billion
2. Vehicle operating cost savings \$1.5 - \$4.7 billion
3. Shipper and logistics cost savings \$185 - \$271 million
4. Reduction in emissions \$185 - \$395 million
5. Safety benefits \$53 - \$88 million
6. Pavement maintenance savings \$26 - \$54 million

1 Footnote

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

In addition to the direct impacts, we calculated three kinds of wider economic impacts

Considered select number of wider economic benefits that research suggests will accrue as result of transit investments:

- 1. Access to labor shed** - number of working-age residents accessible to employers within 30-minute commute
- 2. Economic development induced by transit investment** – TREDIS model
- 3. Construction jobs** – number of FTE jobs tied to buildout of transit system

Additional benefits assessed

	2030 Regional plan	2030 plan with focused growth near stations
Increased access to labor shed (additional working-age population accessible within 30-minute commute)	500,000	520,000
Economic impacts (TREDIS model, 2010 \$ Millions)	557	1,329
Construction impacts (number of FTE job-years tied to buildout of transit system)	30,000	30,000

1 Footnote

SOURCE: Source
 Note: Benefits are calculated for 15-year period 2030-2045, reported in 2010 dollars

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."

1 Footnote

Source: Focus groups with HR and facilities leaders from leading companies in Minneapolis-St. Paul Metro area.
SOURCE: SOURCE
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.”

1 Footnote

Source: Focus groups with HR and facilities leaders from leading companies in Minneapolis-St. Paul Metro area.
SOURCE: SOURCE
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
 - Over \$500 million in induced economic development
 - 30,000 construction jobs
 - Increased access to employers (an additional 500,000 within 30-minute commute)

- Interviewed employers reinforced the benefits of a regional transit system
 - A comprehensive transit system is critical to attract and retain employees

Appendix

1 Footnote

SOURCE: Source

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
- 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 Nevonon	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

1 Footnote

SOURCE: Source

Thank you to Technical Advisory Committee

Mary Richardson	CTIB
Mary Kay Baily	Corridors of Opportunity
Katie Walker	Hennepin County
David Lawless	Hennepin County
Lee Sheehy	McKnight Foundation
Eric Muschler	McKnight Foundation
Arlene McCarthy	Metropolitan Council
Guy Peterson	Metropolitan Council
Mark Filipi	Metropolitan Council
John Kari	Metropolitan Council
Will Schroeer	Minneapolis Regional Chamber of Commerce and Saint Paul Area Chamber of Commerce
Jim Erkel	Minnesota Center for Environmental Advocacy
Kate Johansen	Minnesota Chamber of Commerce
David Levinson	University of Minnesota
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1 Footnote Ted Schnoenecker	Washington County
