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# Minnesota Policy Blueprint: Task Force on Metropolitan Governance

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When Minnesotans first hear that a conservative group convened a task force to make recommendations on metropolitan governance, they may assume that the need for regional planning was summarily dismissed. That is not our sentiment. We believe one of the original premises of the Metropolitan Council—planning regionally for major infrastructure investments—has saved the region financially and is still valid today.

The Metropolitan Council has been a far from perfect experiment, though. Through both the legislature's willingness to assign the council new functions and the council's failure to properly carry out its core mission, a number of problems have arisen.

We believe that the regional governance structure is not working as well

as it could. As the Twin Cities region continues to grow and develop, we cannot afford to ignore the controversy and complications associated with the current Metropolitan Council. While we believe change is needed, we have not abandoned many of the premises upon which the Metropolitan Council was founded. Our recommendations are grounded in free-market principles and a belief that it is wise to plan regionally for major infrastructure investment and to coordinate local community plans with the regional systems plans.

That being said, what exactly are we recommending? Here are a few highlights:

First and foremost, a new model for regional development where local communities are given the authority to

determine the character of their communities, but are held accountable for the financial consequences of their decisions in a far more direct manner than ever before.

Secondly, we recommend a state agency—the Department of Regional Planning—administer this new model. A state agency with a clear legislative mandate and broad legislative oversight would be an improvement over the controversial, unaccountable, often misunderstood Metropolitan Council.

Finally, we have provided several recommendations as to what this state agency should do to efficiently accommodate the nearly 1 million additional people expected in the region in the next thirty years.

The Metropolitan Council, when conceived, was expected to make the Twin Cities a national leader in civic innovation. The future growth and development of our region can become one more example of Minnesota leading the nation if the legislature applies needed innovations to create a twenty-first century regional governance structure.

## ***History of the Metropolitan Council***

The Legislature created the Metropolitan Council in 1967. Failing septic systems in outlying areas were a major factor in prompting the council's creation. Over 300,000 people on the edge of the metropolitan area were pumping water out of wells and pouring waste into cesspools.<sup>1</sup> The desire for a more efficient, region-wide sewage treatment system and the potential to save money

through a coordinated planning process pushed many legislators and local leaders to favor the creation of the Metropolitan Council.

The Legislature created the council to “coordinate the planning and development” of the metropolitan area. The council was to prepare a comprehensive guide and perform various studies on the growth and development of the metropolitan area. The original Metropolitan Council legislation placed the following seven counties within the council's jurisdiction: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. The council was to be governed by a fourteen-member board appointed by the governor.<sup>2</sup> The Metropolitan Transit Commission was also created in 1967<sup>3</sup> to plan for and oversee the transit operations of the seven-county area—a function it performed until 1994.

In 1969, the council received more functions from the Legislature. The legislature directed the council to conduct planning for a metropolitan sewer system to be operated by a newly created Metropolitan Sewer Service Board.<sup>4</sup> This legislation also removed the need for local sanitary sewer districts, which were subsequently abolished.

In 1974, acting on recommendations made by the Metropolitan Council, the Legislature expanded the council's control over the metropolitan area's special purpose agencies—the Metropolitan Transit Commission (MTC), the Metropolitan Waste Control Commission (MWCC), and the Metropolitan Airports Commission (MAC). The Legislature also expanded

the council's membership to seventeen during the 1974 session.<sup>5</sup>

In 1976, the Legislature enacted a major change to the regional governance structure. Through the 1976 Metropolitan Land Planning Act, the legislature created a coordinated planning process for the metropolitan area based on local comprehensive planning and "land use controls."<sup>6</sup> The act established the Metropolitan Council as the agency responsible for designing system plans for four regional systems—aviation, parks and open space, transportation, and wastewater treatment. One of the cornerstones of the regional systems was the Metropolitan Urban Services Area (MUSA), a geographic area designed to indicate where urban services would be available and, therefore, where most of expected growth would occur.

Under the Land Planning Act, each of the local governments in the metro area was required to prepare its own local comprehensive plans and submit them to the Metropolitan Council to "determine their compatibility with each other and conformity with metropolitan system plans." The council was also given the authority to require a local governmental unit to change its comprehensive plan if the local plan would have a "substantial impact on or would represent a substantial departure from" metropolitan system plans.<sup>7</sup>

The Metropolitan Council did not change significantly again until the passage of the 1994 Metropolitan Reorganization Act, which transferred the operation of the metropolitan transit and wastewater treatment systems to the

Metropolitan Council.<sup>8</sup> This legislation also abolished the agencies that previously operated these regional systems.

Some supporters favored the reorganization in the name of a streamlined regional governance structure; others believed a strong regional government was necessary to check urban sprawl and address income disparities between rich and poor. Regardless of an individual legislator's reasons for favoring the bill, by adding the operation of regional systems to the Metropolitan Council's purview, the Legislature transformed what was an advisory planning agency into a much larger regional government agency. The change also removed a system of checks and balances in the metropolitan governance structure. The agency formerly responsible for only the planning of regional systems would now operate those same systems.

In 1995, the Livable Communities Act was adopted by the Legislature, adding to the scope of the Metropolitan Council. The act allowed the council to distribute grants in the metropolitan area to subsidize affordable housing and transit-oriented developments. These grants, funded by metropolitan area property taxes, could also be used to clean up polluted sites to allow for future redevelopment.<sup>9</sup> Since 1996, the council has distributed over \$100 million in Livable Communities Grants.<sup>10</sup>

Jesse Ventura, former mayor of Brooklyn Park, brought the Metropolitan Council to the forefront in the 1998 gubernatorial campaign when he vowed to abolish the council. The

council saw changes during Governor Ventura's administration; however, those changes were mostly steady increases in the council's yearly budgets and a more prominent place in newspaper headlines, thanks to the leadership's aggressive promotion of so-called "smart growth" ideas. The implementation of "smart growth" policies led to the development of the region's first light rail line and a first of its kind court case between the council and the City of Lake Elmo over the city's proposed comprehensive plan. The council's willingness to be active and assertive in the Ventura years contributed to a more controversial, higher profile Metropolitan Council.

Ventura's successor, Tim Pawlenty, also campaigned on a platform to scale down the Metropolitan Council. In the first year of the Pawlenty administration the "smart growth" philosophy of the council has been toned down as the new members of the council created their own comprehensive planning and development guide. The council still functions as it has since 1994—planning for the four regional systems, reviewing the local comprehensive plans of hundreds of local governments, and operating transit and wastewater treatment systems for the metropolitan area. The council (through 3,800 employees) will perform this assortment of activities at a cost of \$395 million in 2003.<sup>11</sup>

The controversy and political debate over the Metropolitan Council remains in the Legislature today. The council has its supporters and its detractors, lobbying for a more power-

ful council, no Metropolitan Council at all, and everything in between. With this in mind, it seems highly appropriate to make an objective evaluation of the Metropolitan Council's activities in the last thirty years.

### ***Evaluation of Twin Cities Regional Governance***

No evaluation of the Metropolitan Council would be complete without taking a close look at the council's landmark legislation. The 1976 Metropolitan Land Planning Act established the council as the agency responsible for preparing plans for four regional systems. The original Land Planning Act was guided by an ambitious projection that 4 million people would live in the seven-county area by 2000. Although this projection would prove to be considerably higher than the actual population total in 2000, this planning "mistake" greatly benefited the Twin Cities region. Because such a high population total was projected, an abundant supply of land was initially included in the Metropolitan Urban Services Area (MUSA). In the first round of local comprehensive plans, nearly all communities adopted plans that called for urban densities. The result was, for the most part, orderly urban development in the cities that planned for growth.

The Metropolitan Council has shown that it failed to learn an important lesson from the original process—a generous land supply is a benefit to the region. Because population projections are much more of an art than an

exact science (see 1976 projection), more than the bare minimum of necessary land must be supplied. Furthermore, a generous land supply gives consumers, businesses, and developers more flexibility and choice. It is simply unreasonable to assume that Metropolitan Council planners can control a complex process filled with dynamic market forces and many other government units to immediately produce land as soon as someone needs it.

In recent years, however, the Metropolitan Council has attempted to control the land use of the region in this manner. Rather than accommodating growth by planning infrastructure for a generous land supply, the council, ignoring market preferences, assumed a tight land supply would encourage infill redevelopment.

The tight land supply has already produced several negative consequences. By deliberately constraining the supply of the most important resource in housing and commercial construction—land—the Metropolitan Council has contributed to inflated housing and commercial land costs in the metro area. The last parcels of available land within the MUSA are highly sought after and, as a result, are very expensive.

Ironically, the tight land supply has also contributed to the type of leapfrog, sprawling development the Metropolitan Council sought to prevent. Counties just outside the seven-county boundaries of the Metropolitan Council are experiencing rapid growth. While land is artificially scarce and price inflated inside the MUSA, there

is an abundance of less-expensive developable land just outside the seven-county area.

The proliferation of unsewered large lots is another negative result of the tight-land supply policy. The failure to plan to accommodate the orderly expansion of urban development has resulted in the random development of large-acre lots on the suburban fringe, many of which are built on septic systems. While a legitimate housing option, these large-acre lots are a barrier to further urbanization because the cost to retrofit a public sewer and water system is enormous, making further development impossible in some cases. By failing to plan for the orderly expansion of urban development, the Metropolitan Council has squandered much of the regional equity found in the existing centralized wastewater treatment system.

While the council has not been totally successful in executing its core mission of planning infrastructure to accommodate growth, it has, in recent years, been very willing to take on additional social planning functions. Recent planning documents are filled with information on the provision of affordable housing and the wisdom of transit-oriented developments. In addition to including affordable housing in planning documents, the council has shown a willingness to actually provide subsidies for affordable housing. The council administers a Metro Housing and Redevelopment Authority and a Family Affordable Housing Program in addition to the Livable Communities Program. Moreover, it could be argued

that the planning for the Hiawatha Light Rail line had more to do with providing social benefits to the corridor than providing cost-effective transit for the region. Directing growth through social planning has distracted the organization from its legitimate mission of accommodating growth through regional infrastructure planning.

Arthur Naftalin and John Brandl wrote this about the Metropolitan Council in 1980: “The single most important factor in the (regional) strategy’s success is its sustained mutually responsive relationship with the Minnesota Legislature.”<sup>12</sup> In recent years, the relationship between the council and the Legislature has grown less and less “mutually responsive.” The problems surrounding the organization have led members of both parties in the Legislature to increasingly question the activities of the council. In 2001, then Representative Dan McElroy was successful in passing legislation that created a Legislative Commission on Metropolitan Government to oversee the budget and activities of the council.<sup>13</sup> In legislative sessions since, senators and representatives have been eager to support bills calling for greater oversight.

While we believe that there is considerable wisdom in crafting regional plans to address regional issues, we believe that the Metropolitan Council’s failure to plan for an adequate land supply, failure to focus on and execute its core mission, and failure to sustain an amicable relationship with the Legislature demonstrate that the regional governance structure is not working

properly. Change is needed. Therefore, we have provided recommendations that we believe would improve the current arrangement. The following principles guided us as we developed our recommendations.

### ***Guiding Principles***

- The Twin Cities region continues to lead the Upper Midwest in population growth. The record-setting growth trend established during the past decade shows no sign of abatement. While we believe that future population growth is a good thing for our region, decisions must be made in favor of significant regional infrastructure investment and market-based planning if future growth is to be accommodated efficiently.
- We strongly support continued growth in our vibrant and prosperous region. While we support the right of local governments to make decisions aligned with the desires of their constituents, citizens and local elected officials should be made aware of the financial implications of planning decisions.
- As the government closest to the people and most responsive to the needs and wants of its residents, local units of government, with well-informed leadership, should have the power to determine where, how dense, and how fast they want their communities to grow.
- Local units of government should fully assume the long-term costs of their decisions—whether they

choose to accommodate growth as it occurs or eschew growth in favor of preserving the rural character of a community.

- The core mission of a regional planning agency should be to plan for orderly growth rather than to limit it. It should accommodate the imminent growth by planning infrastructure investments in regional systems—aviation, parks and open space, transportation, and wastewater services. Infrastructure investments should be made in communities that wish to grow and have the market potential to do so.

### ***New Model for Regional Development***

#### **Recommendation: The legislature should amend the 1976 Metropolitan Land Planning Act.**

The state legislature should amend the 1976 Metropolitan Land Planning Act to create a new paradigm for regional development. The new paradigm should function in the following manner:

- Regional system master plans based on local comprehensive plans and a legislature-approved regional development framework should be prepared and adopted.
- The area of regional systems service should be expanded to serve the true geographic region.
- Communities that adopt limited growth policies that result in increased infrastructure costs for the rest of the region should be

assessed the incremental cost of the inefficiency.

- The regional plan should err on the side of provision, planning the infrastructure for 6 million people to live in its service area by 2030.
- The legislature should adequately fund the regional plan's infrastructure investments as capital improvements with set time periods to ensure their completion.
- The entity responsible for the regional plan should have regional system planning and local government planning assistance as its only core functions.
- The organization responsible for the regional planning system should have no taxing authority.

#### **Recommendation: Design a concise, user-friendly Regional Development and Investment Framework, which focuses on the core mission of regional system planning. The Framework should be subject to legislative approval.**

Under state law, the Metropolitan Council is responsible for designing a comprehensive development guide for the seven-county region. This comprehensive document<sup>14</sup> is designed to serve local cities and counties in the seven-county region as they develop their comprehensive plans, which are then reviewed by the Metropolitan Council for conformity to the regional design. This process is repeated every ten years after completion of the federal census.<sup>15</sup>

Against the wishes of the incoming administration, the outgoing Metropolitan Council adopted the current guide, *Blueprint 2030*<sup>16</sup> on December 18, 2002. The council's new members, appointed in February of 2003 by newly elected Gov. Tim Pawlenty, spent much of 2003 reviewing *Blueprint 2030* before deciding to start over on a new document. *Blueprint 2030* was over 100 pages long and was accompanied by an even longer appendix. Some new members of the council believed that the *Blueprint* strayed from its legitimate function as a comprehensive development guide, devoting undue space to social planning, affordable housing, and the promotion of specific growth strategies.

The original mission of the Metropolitan Council was developing long-range plans for regional systems. We advocate designing a new Metropolitan Development Guide that focuses on that original function. A Regional Development and Investment Framework should be designed outlining where and how regional infrastructure investments will be made over the next thirty years. The framework for regional investment should be limited to statutorily mandated systems—aviation, parks and open space, transportation, and wastewater treatment. Local officials would use this document as a guide when designing their own comprehensive plans to ensure that no conflict exists between the regional system plans and local plans.

This document should also provide easy-to-understand guidelines and cost estimates that would assist local units of

government in designing their comprehensive plans and capital improvement programs. Guidelines should provide communities with several diverse development options rather than promoting certain types of development. Because of the widespread implications of the plan, the Legislature should be charged with the approval of the framework. The Legislature should approve or reject the framework on a treaty-style, up or down vote.

**Recommendation: Based on submitted local comprehensive plans, the planning agency should develop master plans for the four regional systems.**

We envision local communities designing their comprehensive plans with the assistance of the simplified Regional Development and Investment Framework. The framework would communicate where regional system investments would be made in the future. Once the regional criteria were delineated, communities would be free to plan for development within those parameters. In response to market demand, local community members should build a consensus as to where, how much, how dense and how fast they want to grow in the next thirty years.

These local plans would be submitted to inform the contents of the regional master plans. The regional master plans would call for the extension of sewer pipe and other regional systems into the communities that planned for growth. We recommend that the Legislature authorize timely,

appropriate, and responsible funding to build the infrastructure called for in the plans.

**Recommendation: Hold local units of government accountable for the consequences of limited growth decisions that affect the region's infrastructure costs.**

Minnesota has a longstanding tradition of adhering to and respecting the importance of local control in public policy. While we respect the importance of communities determining their own destinies, we believe it is also important for those communities to accept the financial responsibilities that accompany local control. Specifically, the limited-growth policies of some cities have the potential to be costly for the rest of the region.

For example, one city may not want to hook up to available sewer pipe in order to maintain or achieve a certain character for its community. That community's growth policy results in increased costs for the entire region because sewer pipe must be extended farther to accommodate growth and development in surrounding communities. We believe that while some degree of local control must be in place, local units of government that force higher costs on the entire region should be held financially accountable for their decisions.

Local units of government should have the freedom to choose not to utilize available infrastructure in order to achieve or maintain a certain character for their community. If a community chooses that option, however, it should

be assessed the full incremental cost of the rejected infrastructure including but not limited to the cost of the sewer pipe. These potential consequences should be clearly communicated to cities as they develop their comprehensive plans.

It should be acknowledged that current Metropolitan Council policy does not function in this manner and attempts should not be made to change the system retroactively. Our recommendation is only applicable to future growth and development for the growing region, which would be clearly delineated in statute by the Legislature. Furthermore, communities in the region must be given a chance to consider the financial implications of their proposed plans before any assessments are made.

***Abolish the Metropolitan Council and create a state agency to manage the new regional development model***

**Recommendation: The Legislature should create a state Department of Regional Planning.**

We believe that the regional growth and development model we have outlined would function best if administered by a new state-level department. The Legislature should create the department and abolish the Metropolitan Council. The Legislature should clearly outline in statute the responsibilities and limitations of the new agency and its commissioner.

The existing Metropolitan Council is not a state agency. Instead, according

to statute, it is a “public corporation and political subdivision of the state.”<sup>17</sup> It functions as a regional government with jurisdiction in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. While many of its functions have changed during the years, the geographic region has not.

In a chapter he wrote for the 1999 book *Minnesota Politics and Government*, Wyman Spano describes how the council has been a source of contention since its creation. “Two separate regional governance plans were debated at the Capitol in 1967. One plan featured elected Metropolitan Council representatives with considerable authority to set policy. This robust configuration actually won support in the house but lost on a tie vote in the Senate. What emerged was an appointed council ‘that would be a coordinating body with no authority to provide service or set policy.’ The issue of authority has plagued the council ever since.”<sup>18</sup>

The significance and clout of the organization has varied throughout the past three decades but one constant remains: the debate over the relevance and necessity of the existing Metropolitan Council.

We believe that the emerging Twin Cities region would be well served to have an effective state agency with a specific legislative mandate and broad legislative oversight to assist communities as they accommodate the additional 930,000 residents expected to live in the region by the year 2030.

**Recommendation: Remove the word “metropolitan” to reflect the difference between the seven-county metropolitan area established in 1967 and the region as it exists today.**

The word “metropolitan” does not belong in the title of the department as the region exists today. Nearly one hundred thousand workers commute into the region from outside the seven-county area every day, and rapid growth is taking place outside the existing region. Furthermore, many parts of the region, even portions within the seven-county area are in no way “metropolitan” in flavor. A name change is important in changing the focus from metropolitan to regional.

**Recommendation: The Legislature should narrowly limit the core mission of the Department of Regional Planning to regional system planning and local planning assistance.**

The Legislature should narrowly limit the core mission of the Department of Regional Planning. Rather than being allowed to focus on the social aspects of regional development, the Legislature should limit the activities of the department to planning for development of the four current regional systems and providing planning assistance to local communities.

**Recommendation: The governor should appoint a department commissioner with experience in regional development issues.**

Historically, there have been no requirements regarding the qualifications of Metropolitan Council members and chairpersons. The result has been an organization that is, by most accounts, dominated by a staff entrenched in certain policy agendas. It is not unexpected that board members with little to no experience are apt to defer to staff members with years of experience in the finer details of land use, transportation systems, and wastewater treatment.

As with any other state agency, we recommend that the governor appoint a department commissioner with experience in the issues at hand—in this case, regional development. The commissioner should have the opportunity to build a team of deputy commissioners and other staff as would a commissioner of any other state department. A knowledgeable commissioner and senior staff should provide some degree of insurance against the organization becoming too dominated by staff.

**Recommendation: The department should receive oversight from the Legislature, including legislative approval of the Regional Development Framework.**

A frequent complaint about the current Metropolitan Council is the lack of accountability between the

members of the council and the citizens. The 1997 Legislature passed a bill mandating metropolitan elections, which was subsequently vetoed by Gov. Arne Carlson. Direct election of council members would certainly create a process where council members are accountable to voters, but we believe this would also create a process that is too politicized and unnecessary. Under our plan, the elected and accountable state Legislature would play a greater role in the planning process.

The Legislature should oversee the Department of Regional Planning, reviewing its budgets and activities. The Legislature would also be charged with ratifying the Regional Development and Investment Framework prepared by the department, on an up or down vote. Once the plans are approved, it would be imperative that the legislature also authorize the funding, for timely implementation of the systems plans.

**Recommendation: The Legislature should abolish the seventeen-member Metropolitan Council.**

The creation of a state Department of Regional Planning would remove the need for the current seventeen-member Metropolitan Council. In addition, placing state legislators in a position of accountability for regional planning decisions negates the need for an unelected citizen board of any kind to oversee and set policy for the regional planning agency.

**Recommendation: The Department of Regional Planning should use an outside source for all population projections.**

The Metropolitan Council's plans for the infrastructure of the region are made decades in advance. Those long-range plans are based on population projections made by the Metropolitan Council staff up to thirty years in advance. We recommend that the state demographer or some other reputable, outside source make all population projections used by the state Department of Regional Planning in order to ensure highly accurate and objective population projections.

### **Regional Systems**

**Recommendation: The area served by regional systems should be expanded to economically provide regional systems service to the true geographic region.**

A disconnect exists between the ever-expanding regional area and the rigid seven-county limits in which the regional systems operate. Almost everyone familiar with the subject agrees that the seven-county area over which the Metropolitan Council was given authority in 1967 no longer reflects the true scope of the region. While there is some debate as to whether the entire region consists of eleven, thirteen, or seventeen Minnesota counties, the general consensus is that the region has outgrown the original seven-county area.

The outdated application of the current arrangement is especially evident

when considering the developing municipalities just outside the seven-county area. A 2000 Builders Association of the Twin Cities study identified forty-five freestanding communities outside of the Metropolitan Urban Services Area (MUSA) with their own wastewater treatment facilities "that are anticipated to experience increased pressure for urban growth."<sup>19</sup> The region outside of the seven-county area is reminiscent of the metro area in the 1960s: a quickly developing region devoid of a coordinated process for treating wastewater. These communities would benefit from the economies of scale made possible by a centralized wastewater treatment system just as the metropolitan area has benefited from a similar arrangement for the last thirty years.

Capacity problems exist in some of these outlying communities' wastewater treatment facilities as well. Such facilities were not built to accommodate the high levels of rapid growth that have occurred and will continue to occur.

Despite these conditions, no politically viable plan has emerged that would incorporate the entire region. If wise public investment and the economic provision of services are valued, however, a bold plan of regional systems geographic expansion is necessary to accommodate the future growth of the region.

We recommend that the geographic area served by the regional systems be expanded to efficiently provide services to cities within the economic region but outside the seven-county Metropolitan Council jurisdiction. The Legislature

should direct the Commissioner of Regional Development to determine the municipalities that should be included in the regional area based on an objective standard of urbanization. Counties that the commissioner projects to reach that standard within ten years should also be included. The area selected by the commissioner would eventually become part of an expanded regional systems service area.

In turn, cities outside the current seven-county area would be entitled to receive regional wastewater treatment and other applicable services from the new agency, much as is the case for those communities in the seven-county area. The regional development framework would serve as a guide for currently developing communities as they decide what level of growth they desire.

Furthermore, this development framework would allow communities to plan effectively for if and when that level of service will be provided to their residents. Communities that lie along the lines of future regional infrastructure and choose not to use that service should be assessed the full incremental cost of the infrastructure.

Many of the communities outside the seven-county region have witnessed the dysfunction of the current arrangement and generally want nothing to do with the prescriptive policies and regulatory headaches of the Metropolitan Council, yet these same communities would benefit from long-term planning and regional services. The Department of Regional Planning needs to market itself as a beneficial service provider,

not as a centralized, one-size-fits-all planning agency. The potential cost-savings available to cooperating local governments should motivate local officials to work with the Department of Regional Planning, producing regional systems that better match the twenty-first century regional area.

**Recommendation: Department of Regional Planning should plan the regional parks system.**

The Department of Regional Planning should plan, finance, and acquire land for the regional parks system. Local entities should continue to operate the parks.

**Recommendation: Provide aviation review.**

The new state agency for planning should conduct the aviation review process currently conducted by the Metropolitan Council.

**Recommendation: Explore options for wastewater operations.**

We urge Governor Pawlenty to convene a governmental accountability/review committee to examine all options available to provide wastewater treatment to the metropolitan region. These options would include selling the plants outright to private entities; maintaining ownership and contracting out operations; and maintaining the current system of ownership and operation.

Furthermore, we recommend that the state seek proposals from prospective service providers who have

demonstrated experience in managing and providing service in these two areas, with a particular emphasis on world-class management, technological capabilities and strong records in environmental and safety issues.

The City of Indianapolis employed competitive contracting under Mayor Stephen Goldsmith in the 1990s. In some cases, such as the contract for operation of the city's wastewater treatment system, a private company had the lowest bid and received the contract. In other cases, such as street repair, the city employees had lower bids than the private companies. The city street repair employees not only won the bid, but by trimming some managerial fat, saved the city 25 percent and increased their own efficiency by 68 percent.<sup>20</sup>

We believe that the introduction of competitive contracting will yield similar savings and efficiency improvements in our region. Lessons learned during the past have taught us that while we have an exceedingly well-run public entity in Metropolitan Council Environmental Services, it is not enough to compare ourselves to other government service providers. Instead, we must seek to compare our government services to the entire market—both public and private.

**Recommendation: Explore options for transit operations.**

MetroTransit, a division of the Metropolitan Council, currently provides most of the Twin Cities bus service. We believe that MetroTransit, as an oper-

ating agency, should be separated from the Department of Regional Planning. Regardless of how this is achieved, we believe that taxpayers and transit users would be best served if MetroTransit functioned as an independent agency or, at the very least, under the auspices of an existing state agency such as the Department of Transportation (MNDoT) that is able to contract out operations.

We believe that the region would be well served by using competitive contracting for transit operations. During the 2003 session, the Legislature directed the Metropolitan Council to seek bids from private companies and MetroTransit for the operation of the Hiawatha Light Rail line.<sup>21</sup> The Legislature should enact similar legislation in regard to all transit operations.

Our ultimate goal is not necessarily privatization; it is obtaining the most efficient, cost-effective service whether it is provided by a private company or a public agency. The competitive contracting model we have described makes certain that the region's transit and operations will be done efficiently and effectively. In the 2001 Twin Cities Transportation System Performance Audit, produced by the Metropolitan Council, its very own Transportation Policy Plan states that they should seek to promote competition in the delivery of (transit) services. "The council and other transit providers should promote innovation, efficiency, and greater diversity of options through increased competition in delivering transit services."<sup>22</sup> We couldn't have said it better.

## *Transportation Planning*

**Recommendation: Transfer the Transportation Advisory Board (TAB) to the Minnesota Department of Transportation; allow the commissioner of MNDOT to make appointments.**

Federal law requires that a Metropolitan Planning Organization (MPO) administer the transportation planning process in metropolitan areas with populations over 50,000. The Metropolitan Council's Transportation Advisory Board (TAB) currently serves as the certified MPO for the seven-county area in compliance with federal law. The Transportation Advisory Board reviews and comments on all major transportation planning documents produced by the Metropolitan Council. It is also responsible for soliciting and evaluating applications for federal transit funding.

We believe that the current arrangement does not allow the governor and the transportation commissioner to fully integrate their transportation improvement plans for the region. Instead, the federal funding for transit is largely determined by the Transportation Advisory Board—a virtually unknown organization that is invested with substantial policymaking authority. For that reason, we recommend that the Transportation Advisory Board be transferred to the Minnesota Department of Transportation and appointment authority be granted to the commissioner.

**Recommendation: An independent audit of light rail transit operations should be conducted before the planning and development of any additional light rail lines.**

Light rail has been a lightning rod for controversy in the Twin Cities over the last several years. Advocates of an expanded transit system believe many modes of transportation including a light rail system are necessary to meet the transportation demands of the region. Many light rail skeptics have criticized the Hiawatha Line for its high price tag and its fixed location. Others disapprove of the plan because they believe it will detract from the more flexible, existing bus service.

Amid this contentious atmosphere, the Metropolitan Council continues to plan for additional light rail lines. The Metropolitan Council's Transportation Policy Plan calls for the construction of another light rail line connecting Minneapolis and St. Paul by 2010.<sup>23</sup>

Setting aside our questions about the necessity and cost effectiveness of light rail, we believe the Hiawatha Line will serve two important purposes, the first of which is to assess the viability of light rail in the Twin Cities. Before any federal funding is secured to plan and develop additional light rail corridors, we suggest that an independent outside audit be conducted after full alignment of the Hiawatha Line is achieved in 2005. If the light rail system attracts the ridership (the passenger projections for 2005 are nearly 20,000 Hiawatha passengers per day) and achieves the efficiency necessary

to limit the taxpayer subsidy of light rail to levels close to that of existing bus transit, other light rail corridors could be examined as options. If audits show otherwise, however, no funds should be appropriated to conduct feasibility studies, planning or land procurement, and no federal funds should be sought for other light rail lines.

The second purpose of studying the controversial 11.6-mile light rail line is to determine what effect, if any, the Hiawatha Line has on congestion mitigation. While transit advocates maintain that light rail is just one transit tool necessary to mitigate the frustrating levels of congestion that confront Twin Cities commuters on a daily basis, rail critics are quick to point out that the ever-increasing level of traffic congestion in the seven-county region is due to a lack of highway capacity. An audit of light rail operations should assist policymakers in evaluating if and how much light rail mitigates congestion.

We believe that an independent audit would definitively assess the true costs and benefits of light rail in the Twin Cities. We urge a comprehensive and thorough report to be completed as soon as possible.

## ***Land Use***

### **Recommendation: Abolish the MUSA policy.**

The Metropolitan Urban Services Area (MUSA) has been used by the Metropolitan Council since the passage of the 1976 Metropolitan Land Planning Act. The MUSA is intended to indicate the area where services will

be available for urban development. Cities wishing to develop portions of land not included in the MUSA are required to submit an amendment to their city comprehensive plan, which is then reviewed by the Metropolitan Council. Though its original goal of orderly, contiguous development was not a bad one, the Metropolitan Council, by failing to expand upon what was once a generous supply of developable land, has failed to achieve its goal and created other problems as well.

The original 1970s MUSA was based on an ambitious projection that 4 million people would live in the seven-county area by 2000. Such a bold prediction led to a very generous urban services area in which communities could grow and develop. The original projection, which erred on the side of provision, proved to be beneficial. Nearly all local communities adopted plans that provided for urban densities or future urban areas within the MUSA. The result was, for the most part, orderly urban development in the cities that planned for growth.

Because the original land supply was so large, many communities were still growing into their plans as late as the mid-1990s. While the Metropolitan Council vastly overestimated the land supply needs of the region decades earlier, they failed to adequately plan for the next tier of growth. Instead they continued to tightly control the serviced land supply within the MUSA, hoping that this policy would spur redevelopment within the urban and suburban core. The tight supply of land

produced largely negative consequences. The tight land supply limited growth in communities previously experiencing rapid growth. In addition, by creating an artificially scarce land supply, the MUSA policy contributed to higher land prices within its bounds.

It could also easily be argued that the MUSA has contributed to rapid exurban growth outside the seven-county area, ironically creating the type of leapfrog growth it is intended to prevent. This rapid exurban growth is primarily a response to the artificially high land and housing prices within the metro area. Because the land supply is not as artificially constrained outside the seven-county area, land and housing prices are usually lower. Communities such as Albertville and St. Michael in Wright County have seen extraordinary growth in the last decade partly due to the availability of affordably priced housing.

The Metropolitan Council has continually and erroneously claimed that an adequate supply of vacant and developable land exists inside the MUSA. Studies commissioned by the Builders Association of the Twin Cities have proven otherwise. A 1996 BATC study, *The High Cost of Sprawl*, found that the developable land supply of the region amounted to a three-year supply of residential lots. At the same time, the Metropolitan Council claimed a ten-year supply existed.<sup>24</sup>

In 2000, a BATC study countered the Metropolitan Council's claim that 97,000 acres of vacant and agricultural land existed within the MUSA.<sup>25</sup> The BATC study argued that the use of aer-

ial photography led to the incorrect classification of many parcels of land. The Metropolitan Council's study incorrectly listed conservation easements, protected open space areas, roads smaller than four lanes, parks and recreational areas, and many other pieces of undevelopable land as vacant and agricultural.<sup>26</sup> In two of the more flagrant cases of misclassification, the Minnesota National Wildlife Refuge and the headquarters of General Mills, parcels of obviously undevelopable land, were erroneously classified as vacant and agricultural. The BATC study, completed through interviews with the staff of affected cities, found that only 42.9 percent of the land identified by the Metropolitan Council as vacant and agricultural was actually developable.

Despite BATC's efforts to prove that an adequate supply of land does not exist, the Metropolitan Council's policies have not changed. It continues to claim that an adequate land supply exists inside the MUSA.

This comes at a time when additional capacity is available within the current regional wastewater treatment system. A 1996 study by Bonestroo, Rosene, Anderlik & Associates showed that a larger geographic area could be served if investments were made to extend the trunk sewer system and expand and improve the treatment plants.<sup>27</sup> These investments are relatively minor compared to building new infrastructure. The Metropolitan Council, however, has kept this land that could be served by the regional sewers outside of the existing MUSA.

The availability of land should never be constrained through artificial, arbitrary boundaries. A free market and a generous land supply would serve to stabilize land prices and help to accommodate the imminent growth in the region.

The focus of the Department of Regional Planning should be planning infrastructure that responds to market-driven realities. The current MUSA policy ignores market-driven realities and should be abolished.

**Recommendation: Facilitate the efficient creation of a periodic regional land-use inventory.**

A comprehensive and accurate land supply and use survey should be completed. The land survey should be maintained with mandated scheduled updates to ensure the forecast growth of the region can be accommodated. This reliable and consistent information would become a valuable tool for local governments to assist them in their short- and long-term planning efforts. A common methodology would be necessary to provide an accurate picture of the region.

The purpose of the inventory should not be the protection of certain land uses. Often when agricultural land is placed on such an inventory, it is assumed that the goal is protection. We do not believe that agricultural land should be preserved over any other type of land use, especially in our fast-growing region.

***Environment and Natural Resources***

**Recommendation: Facilitate the efficient creation of a regional natural resources inventory as an informational device for communities to use in the planning process.**

A comprehensive and accurate natural resource inventory should be completed in cooperation with the Metro Division of the Minnesota Department of Natural Resources. This inventory should complete the work that has been started, using the Minnesota Land Cover Classification System (MLCCS) methodology. This inventory should be prepared throughout the developing portions of the region. This guide should accurately map regionally significant natural resources and systems, as defined by the Minnesota Department of Natural Resources, the Metropolitan Council, the Association of Metropolitan Municipalities (AMM), the Builders Association of the Twin Cities, and others. This inventory will facilitate and support the local planning and development process by identifying those features and systems that must be conserved and support the implementation of accepted policies and best management practices to accomplish these objectives.

Once completed, the natural resources inventory and related policies and official controls should facilitate a streamlining of the local development review and approval process. It should also simplify and expedite required

environmental review, as provided in the Minnesota environmental review program.<sup>28</sup>

**Recommendation: Eliminate duplication of service where the Metropolitan Council serves the same regulatory function as another layer of government.**

In many cases the Metropolitan Council serves the same regulatory function as another layer of government. Overregulation, in addition to costing taxpayers unnecessarily, greatly slows down the development process, where lost time is tantamount to higher costs, inevitably passed on to businesses, homebuyers, and taxpayers in general. For example, local units of government, the Department of Natural Resources, the Pollution Control Agency, the Board of Water and Soil Resources, and the Metropolitan Council all review development projects for environmental impact.

The environmental impact review conducted by the Metropolitan Council should be transferred to either the Department of Natural Resources or the Pollution Control Agency. The proposed state department should have a narrowly limited authority on environmental issues. On Environmental Assessment Worksheets, it should only comment on those projects that will have an impact on the provision of regional services.

## ***Housing and Redevelopment***

**Recommendation: Transfer housing authority to local Housing and Redevelopment Authorities.**

The Metropolitan Council's Metropolitan Housing and Redevelopment Authority (HRA), Family Affordable Housing Program, and other housing-related programs are prime examples of both duplication of service and mission creep. Federal and state housing programs as well as Housing and Redevelopment Authorities at the city and county level remove the need for a regional housing program.

Furthermore, affordable housing programs are not proper functions for a department concerned with regional system planning. The proposed Regional Planning Department should restrict its focus to infrastructure planning and local planning assistance. All housing authority currently under the auspices of the Metropolitan Council should be transferred to the Housing and Redevelopment Authorities at the municipal or county levels.

Local HRAs would then serve as the administrator of federal housing pass-through grants now administered by the Metropolitan Council. In local units of government too small to support an individual HRA, consortium HRAs could be formed or county HRA functions could be extended to the affected cities.

Ideally, housing assistance programs would be consolidated in one department of one layer of government.

County human services departments seem to be the best fit as housing voucher programs are, in essence, a form of welfare assistance; however, under federal regulations, only Public Housing Authorities are authorized to administer Section 8 vouchers. Even with that regulation in place, the use of county HRAs would at least streamline the process by creating more of a “one-stop-shop” for welfare assistance at the county level.

**Recommendation: The Legislature should repeal the Livable Communities Act, abolishing the Livable Communities Program administered by the Metropolitan Council. The financing of redevelopment should be funded by new objective financing tools.**

Under the Livable Communities Act, enacted by the Legislature in 1995,<sup>29</sup> the Metropolitan Council has distributed over \$100 million to communities in Livable Communities grants. The grants are used to clean up and redevelop polluted sites; create mixed-use, “transit friendly” developments; and to develop affordable housing. Rather than objectively recognizing a wide variety of development options, the Metropolitan Council has chosen to reward communities that employ specific development techniques at the expense of taxpayers throughout the region. The “talent show” atmosphere by which grants are rewarded is neither an objective nor a desirable means to award funds.

Though Livable Communities grants are funded by property taxes paid throughout the seven-county area, certain communities have received an inordinate amount of money through the program. St. Louis Park, for example, received over \$5 million in grants from 1996 to 2002, third only to the core cities of Minneapolis and St. Paul. (Minneapolis has received over \$30 million; St. Paul has received over \$20 million.) By contrast Eagan, Edina, Oakdale, Inver Grove Heights, Savage, and White Bear Lake had not received any grant money as of 2002.<sup>30</sup>

We are not against “transit friendly” developments, urban redevelopment, or affordable housing—they are worthy goals. We do, however, oppose government agencies rewarding cities that employ trendy development practices at the expense of the rest of the region. The proposed state agency for planning should be in the business of planning infrastructure for all types of development, not funding politically correct development.

We believe, however, that redevelopment is a benefit to urban areas and to the entire region. The Legislature’s virtual elimination of Tax Increment Financing (TIF) did away with the primary tool available for redevelopment. We believe that a new market-based redevelopment tool is necessary to encourage self-sustaining projects.

We recommend that the Legislature create a State Reinvestment Fund administered by the Department of Employment and Economic Development. The fund should operate as a

revolving loan source which provides developers with low-interest loans to redevelop blighted areas. The loans should be gradually paid back with the proceeds of the projects. The criteria for projects should be objective and recognize a wide range of development options. Only projects that show the potential to become self-sustainable should be approved.

### **Local Government**

**Recommendation: Encourage and support efforts to reduce the number of local and sub-local governments through service-sharing opportunities and, where possible, consolidation of local units of government.**

While the bulk of our study was devoted to evaluating the Twin Cities regional governance structure, we believe that a key step can be taken at the local government level to save money and simplify the planning process.

The average citizen generally does not care who provides a service such as snowplowing, wastewater treatment, or road maintenance. They do care, however that the service is provided and that it is provided efficiently and effectively.

Increasingly, all levels of government in Minnesota are seeking greater efficiencies as state government spending is scrutinized like never before. Some local governments have discovered that service sharing is a popular means to that end. Among the numerous layers of government opportunities are available

to share services to eliminate duplication and save taxpayers money.

A May 2003 study by the St. Paul Pioneer Press revealed that many local governments in the seven-county metropolitan area would be well served to cut costs through service sharing. The study showed that of the 192 incorporated cities in the seven-county metropolitan area, thirty-one cities have fewer than 1,000 people. According to the Pioneer Press, fourteen such small cities are next to well-developed areas and could easily share services or merge boundaries to save money.<sup>31</sup>

We recognize that many cities already share some services, and we applaud that effort. The Department of Regional Planning should encourage efforts to reduce duplication of services through service-sharing between the various levels of state and local government and provide models for this to happen.

Chapter 414 of Minnesota Statutes governs the processes of municipal incorporation and annexation. The law cites "consolidation" as a practice that should be encouraged.<sup>32</sup> Although politically complicated in many areas, consolidating governments is a viable step to increase efficiency. We recognize the difficulties associated with two communities becoming one and do not believe a community should be forced to consolidate against the popular will of its citizens. However, state government should provide communities with information on the potential cost-savings of consolidation and perhaps, modest incentives to encourage the practice. This newly created regional

planning agency could play a role in this government innovation. The decision of whether to consolidate should be left to the voters of the individual communities, but we believe this would be a key step toward delivering cost-effective government services to a rapidly developing region.

## Conclusion

In 1969, John J. Fischer of *Harper's* magazine described the Metropolitan Council as "an invention which will prove as significant to American cities as the Wright brothers first plane was to aviation." After thirty-plus years, it appears that Fischer's prediction fell woefully short.

Comparing the Metropolitan Council's impact to the impact of the *Wright Flyer*, however, is unfair. The Metropolitan Council, like the airplane, was an interesting concept that incorporated some good ideas (planning regionally for significant infrastructure investments) and some ideas that needed work (how to respond to a regional area that exceeded original boundaries, how to continually ensure an adequate land supply). But while the *Wright Flyer* was subjected to constant tinkering and innovation after its first flight, the Metropolitan Council has not been put through the same refining process.

The time has come again for the Legislature to apply bold and innovative ideas to the metropolitan governance structure. The Legislature should strive to reform metropolitan governance to meet the region's needs in the twenty-first century rather than

adhering to a model that is out of date, widely disputed, and politically untenable in its current configuration. Bold new ideas that respond to a dynamic, fast-growing metropolitan area are needed. These ideas must be market-based and the affected cities and counties must benefit. We believe we have provided recommendations that fulfill those criteria and maintain the wisdom of crafting regional solutions to regional problems.

Minnesota has long been known for civic innovation. The Metropolitan Council, when conceived, was expected to make Minnesota a national leader. The future growth and development of our region can become one more example of Minnesota leading the nation if the Legislature applies twenty-first century, free-market innovations to our regional governance structure.

## Notes

1 "The Easy Chair," John Fischer, *Harper's*, April 1969.

2 Minnesota Laws, Ch. 896, 1967.

3 Minnesota Laws, Ch 892, 1967.

4 Minnesota Laws, Ch. 449, 1969. The Metropolitan Sewer Service Board was converted to the Metropolitan Waste Control Commission in 1974.

5 *Governing the Twin Cities Region*, John J. Harrigan and William C. Johnson, (University of Minnesota Press: Minneapolis), 1978, page 35.

6 Minnesota Laws, Ch. 127, 1976.

7 Minnesota Stat. 473.175. The 2003 legislature changed the circumstances under which the Metropolitan Council

may require a local unit of government to modify its comprehensive plan. A plan must now show that it is “more likely than not to have a substantial impact on the region.” Previously, the Met Council could require a change if the plan may have had a substantial impact on the region.

8 Minnesota Laws, Ch. 628, 1994. Before 1994, the council had only made plans for transit and wastewater treatment; the operation of the systems was the responsibility of the Metropolitan Transit Commission and the Metropolitan Waste Control Commission

9 Minnesota Stat. 473.25.

10 Metropolitan Council Livable Communities grant recipients 1996-2002.

11 Metropolitan Council 2003 Amended Unified Budget, April, 2003.

12 *The Twin Cities Regional Strategy*, Arthur Naftalin and John Brandl, (Metropolitan Council of the Twin Cities: St. Paul), 1980, page 68.

13 Minnesota Laws, Ch. 10, 2001 Special Session.

14 This was originally known as the Metropolitan Development and Investment Framework. In 1996, the name was changed to The Regional Blueprint. The current council has given the document a new name, removing the word “blueprint” and reincorporating the word “framework.” The current name is 2030 Regional Development Framework.

15 Minnesota Stat, Ch. 473.175.

16 *Blueprint 2030* has been renamed by the current Metropolitan Council. The current name is the 2030 Regional Development Framework.

17 Minnesota Stat, Ch. 473.123.

18 *Minnesota Politics and Government*, Daniel J. Elazar, Virginia Gray and Wyman Spano, (University of Nebraska Press),

1999, page 197.

19 2000 Urban Land Supply Update, Builders Association of the Twin Cities, 2000, page 43.

20 *The Twenty-first Century City*, Stephen Goldsmith, (Rowman and Littlefield: Lanham, MD), 2001, page 21.

21 Minnesota Laws, Ch. 19, 2003 Special Session.

22 Metropolitan Council 2001 Twin Cities Transportation System Audit.

23 Metropolitan Council Transportation Policy Plan, Adopted January 24, 2001.

24 The High Cost of Sprawl, Builders Association of the Twin Cities, 1996, page 17.

25 2000 Urban Land Supply Update, Builders Association of the Twin Cities, 2000.

26 The 2000 Urban Land Supply Update was based on the Metropolitan Council’s, 1997 Generalized Land Use Study, published in 2000.

27 Ultimate Urban Service Area Boundary and Sewer Service Cost Analysis, Bonestroo, Rosene, Anderlick and Associates, 1996.

28 Minnesota Rules, Ch. 4410.

29 Minnesota Stat, Ch. 473.25.

30 Eagan was not a participant in the Livable Communities program from February 1998 to November 2003; the other cities, Edina, Inver Grove Heights, Oakdale, Savage and White Bear Lake are listed as LCA participants on the Met Council’s website.

31 “Metro’s Mini Cities,” Bob Shaw, *St. Paul Pioneer Press*, May 25, 2003.

32 Minnesota Stat. Ch. 414.01 ■