Task Force on

Metropolitan Governance

Center of the American Experiment
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TASK FORCE
on
METROPOLITAN GOVERNANCE

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Preface

Five years ago, in introducing the *Minnesota Policy Blueprint*—American Experiment's 400-page forerunner to this vital study of metropolitan governance—I wrote about how members of nineteen different task forces had tenaciously asked questions such as: What should state government do? What should it not do? And how can it do what it does much better?

I wrote that the project had been animated by clear-cut principles, including deeply held convictions that "government's reach must be limited, and individual responsibility must be enhanced," and that "economic liberty and growth are best served by low-tax, low-regulation policies."

I noted how analyses and recommendations (we wound up with about 250 of the latter) had been informed by confidence in the "effectiveness and efficiency of markets" and, obversely, by a recognition that "government is almost always a poor micromanager."

In sum, I argued that the project's goal was to be "self-consciously provocative but always grounded." Or, from another vantage point, the *Blueprint* was to be "pictured as vigorously pushing scores of envelopes, stopping well short each time of ungluing anything essential."

By every one of these measures, the following report by the "Task Force on Metropolitan Governance" is an exceptional successor to that exceptionally useful venture. I am very proud of this new study and thank enormously everyone on the panel, starting with chairman Dean Riesen, project director Annette Meeks, and research director Jonathan Papik, for a contribution large enough to stretch over several thousand square miles of local hills and all manner of dales.

As with everything we do at the center, we welcome your comments.

Mitchell B. Pearlstein
President
Center of the American Experiment
December 2003

Introduction

Five years ago, American Experiment released the *Minnesota Policy Blueprint*, a massive study that examined nearly every aspect of the executive branch of state government. I say nearly every aspect because an extraordinary set of circumstances caused the chapter on the Metropolitan Council to be excluded from the original book.

In 1997, my project co-director, Chris Georgacas, and I recruited over one hundred fifty individuals from various walks of life to lead twenty task forces that covered the entire executive branch of state government. Task Force Seventeen, aptly named "Task Force on Metropolitan Governance," was chaired by Tim Pawlenty, who was then an Eagan legislator. In March of that year, a series of unforeseen events forced Chris to leave the project.

With Chris's unexpected departure and given the enormous scope of the project, American Experiment's board of directors concluded that I should discontinue work on any task force that hadn't begun meeting. Fortunately only the Task Force on Metropolitan Governance (and one other unrelated to the executive branch) fell into that category.

Personally, I have felt compelled now for nearly five years to complete the study of the entire executive branch by reconstituting a Metropolitan Council Task Force. So, starting in October of 2002 I did just that.

Our previously recruited chairman was, shall we say, otherwise engaged last fall and we were fortunate to recruit Dean Riesen, a prominent local businessman familiar with the Metropolitan Council and former member of American Experiment's board of directors, to fill the void.

Dean and I put together a serious group of individuals from various walks of life to examine every aspect of the Met Council from a conservative and free-market perspective. While it took us nearly a year to complete this process, I believe that we've developed a deliberative and constructive "blueprint" that could serve as a development guide for the region during the next thirty years.

Why study the Metropolitan Council at all?

Since its inception, the Met Council has been one of the most controversial and divisive aspects of state government. And whether we realize it or not, it touches all of our lives daily.

Metropolitan Council Chairman Peter Bell likes to describe the council by saying that "90 percent of the public does not know what the council does, and the remaining 10 percent go to bed preoccupied with our every move." That pretty much sums up what most people know about the Metropolitan Council and its controversial legislative mandate.

While some regional government foes have waged annual campaigns to abolish the agency outright, it has survived every attempt on its life, often emerging at the end of the battle with an expanded mandate and ever-increasing budget. The ability of this un-elected body to levy taxes on residents of the seven counties enrages foes of the Met Council. The council's use of eminent domain continues to make front-page news. And everyone in the state seems to have an opinion on the controversial Hiawatha Light Rail line that the Metropolitan Council will operate beginning next April.

The question of accountability is also an ever-present item in discussions about the council. Friends and foes in the legislature have tried to make the council an elected body. Despite the support of key legislators on opposite sides of the aisle—including Tim Pawlenty and council super-advocate Myron Orfield—the Metropolitan Council remains unelected.

It was these and many other important questions that compelled the fourteen members of the Task Force on Metropolitan Governance to meet for six months during 2003. We concluded early on in our deliberations that our purpose was different than the myriad other Metropolitan Council task forces that had gone before us. Our goal was to produce recommendations that are thoughtful, provocative, and prescient—in the tradition of the Minnesota legislators who came up with this unique idea of regional government back in 1967.

You could say this report has something for everybody.

- Developers, business owners, homeowners, and proponents of free-market economics will be pleased to see we have recommended the abolition of the Metropolitan Urban Services Area, commonly known as the MUSA line. This arbitrary line suppresses the supply of developable land in the region and has contributed to a host of problems including high land prices and leapfrog development.

m Met Council advocates will delight in the fact that we agree that there are definite benefits to good regional planning. Community planners and taxpayer advocates agree that there are significant cost savings available if we better coordinate our regional systems in our fast-growing region. Our task force has quite a few recommendations on how to achieve these lofty goals.

m Environmentalists and taxpayers have been well served by the outstanding long-range planning conducted by the wastewater management division of the Metropolitan Council. We advocate further exploration of system efficiencies in wastewater management and transportation.

m Almost everyone involved in regional government and planning agrees that our region expanded far beyond the designated seven counties years ago. It's time to expand the regional systems to more clearly reflect the growing Twin Cities region. Our report contains a lot of ideas on how and why the legislature should do this as soon as possible.

But most importantly, our task force discovered that it's time to have a civil discussion about our region and its urgent needs. Congestion and groundwater pollution—not to mention the government's need to find even greater efficiencies with precious tax dollars—should prompt serious discussion of these proposals by legislative leaders

A study of this magnitude wouldn't have been possible without the invaluable service provided by many old American Experiment friends (and some new ones acquired during the process). Specifically I'd like to thank the following individuals and organizations for their willingness to share their expertise and experience with our task force: Jay Lindgren, Gene Ranieri, Keith Carlson, Bob Schunicht, Mike Wigley, Chris Georgacas, John A. Charles, Agnes Ring, Erik Rudeen, Remi Stone, Ryan Kaess, Deputy State Auditor Tony Sutton, Pat Everheart, Brian Strub, Bill Gerst, Glenn Dorfman, Don Patton, and Representative Phil Krinkie. Also, the Builders Association of the Twin Cities and the Minnesota Realtors provided timely and extensive background research for which we're grateful. Finally, profound thanks goes to Beth Widstrom-Anderson and Judd Schetnan, two exceptional Metropolitan Council staff members who often went above and beyond the call of duty to assist us in obtaining obscure but important documents.

I owe a substantial debt of gratitude to Governor Tim Pawlenty for appointing me, in the midst of this project, to become a member of the Metropolitan Council. Serving alongside outstanding Metropolitan Council leadership, including Chairman Peter Bell and Regional Administrator Tom Weaver, has been the greatest learning experience I could have hoped for. While this study may be complete, my Metropolitan Council education certainly is not. I look forward to working with fellow council members as we strive to continually improve the quality of life in the region.

I also would be remiss if I didn't say a profound thank you to our task force members in general and our chairman, Dean Riesen, in particular. This earnest group of community leaders dedicated a significant portion of their spring and summer to this project and for that, we're enormously grateful. This project wouldn't have been possible without their thoughtful deliberations as well as their dedication to an exceptional finished project.

It goes without saying that an extraordinary amount of background research was compiled for the task force to review. I was fortunate early in the project to find Jonathan Papik, an earnest young college student that I recruited (twisted his arm sounds too strong) to become the task force research director. Jonathan's excellent writing skills, his calm and deliberative personality, as well as his thorough research paved a smooth path for the task force. And he did all of this while maintaining a 4.0 grade point average.

Finally, I thank our American Experiment board of directors and contributors as well as our president, Mitch Pearlstein, for their support of this project. Not too many state-based think tanks delve responsibly and substantially into state government issues. Minnesotans are so fortunate to have a state-based think tank that provides and provokes public policy alternatives with the creativity and thoughtfulness that has been our hallmark now for nearly fourteen years. I sincerely hope that this report continues that tradition.

Annette Thompson Meeks
Project Director
December 2003

Executive Summary

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 of any kind 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. Likewise, the coordination of comprehensive plans with both the regional system plans and the plans of surrounding communities is essential and should continue.

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

Those problems include the following:

- **Skyrocketing land prices.** In recent years, the council has failed to adequately expand upon what was once an abundant land supply. As a result, land prices are skyrocketing in the metro area. The increase in land costs is inevitably reflected in increased costs of housing and commercial buildings. Ironically, the Metropolitan Council subsidizes affordable housing in an attempt to solve a problem that is greatly exacerbated by its own policies.

- **Exurban growth.** The tight land supply has contributed to rapid exurban growth in counties outside the Metropolitan Council's jurisdiction. Developers, businesses, and homebuyers have predictably followed the market to where land is abundant and prices are lower. Exurban growth has increased the pressure on a transportation system not designed to carry large numbers of commuters into the seven-county area on a daily basis. Although the region is clearly wider today than the seven-county Metropolitan Council area, the council continues to operate as though the region ends at the seven-county boundaries.

- **Problems with large-lot development**. The failure to accommodate the orderly expansion of urban development has resulted in the proliferation of large lots without sewers, a barrier to further urbanization. As a result, much of the regional equity invested in the centralized wastewater treatment system has been squandered.

- **Overregulation.** The Metropolitan Council drives up costs through unnecessary regulation. The Metropolitan Council reviews projects for environmental impact, in addition to the review completed by local units of government, the Pollution Control Agency, the Department of Natural Resources, and other state and federal agencies.

- **Straying from core mission.** The Metropolitan Council has become increasingly concerned with social planning. Recent documents are filled with information that promotes the so-called "smart growth" agenda. Directing growth through social planning has distracted the organization from its legitimate mission of accommodating growth through infrastructure planning.

We believe the problems we have outlined demonstrate that the regional governance structure is not working properly. One of the fundamental reasons for engaging in regional planning is to protect long-term public and private investment. The availability of services and an understanding of the change provided for in local comprehensive plans give investors a necessary level of certainty. The current system, however, adds great uncertainty both in terms of land supply and in duplicative layers of review. 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. A summary of our recommendations follows.

We recommend that:

- The legislature amend the Metropolitan Land Planning Act to create a new model for regional development. The cornerstone of the new model would be long-term master plans for each of the original four major metropolitan systems: airports, parks and open space, transportation, and wastewater treatment. These master plans would serve to coordinate local comprehensive plans. Local units of government would have the freedom to determine the character of their community, but would be held accountable for the financial consequences of their decisions, in a far more direct manner than ever before.

- A new state agency—rather than the Metropolitan Council—administer the new model. The legislature should clearly and narrowly define the mission of the state agency as regional systems planning. We believe the legislature should also hold the agency accountable through oversight of its activities and approval of the regional planning framework. A state agency with a clear mission and broad legislative oversight would possess an inherent legitimacy the Metropolitan Council has never had.

- A generous land supply serviced by regional infrastructure be maintained to ensure homebuyers, businesses, and developers a wide variety of flexibility and choice. The generous land supply, as opposed to the current policy, would help stabilize land prices in the metropolitan area.

- The regional systems not be limited by the boundaries of the seven-county area. Rather, they should respond to the true boundaries of the Twin Cities region and anticipate the likely future geographic limits of each of the respective systems. Significant cost savings would be available to the wider area if regional system service and a coordinated planning process were extended to the true geographic region.

- The Metropolitan Council cease performing tasks carried out by other government agencies. Housing programs and environmental review are duplicative and should be left to other entities.

- Revolving loan funds for reinvestment replace the Metropolitan Council's Livable Communities program. We believe there is nothing wrong with the goals of the Livable Communities program, but we disagree with how those goals are achieved.

- The new state agency seek to operate the regional systems as cost-effectively as possible. The state should do so by examining all of the options available to provide wastewater treatment and transit to the metropolitan region. These options should include selling the plants and transit facilities outright to private entities; maintaining ownership and contracting out operations; transferring the operation of systems to another state agency; and maintaining the current system of ownership and operation. Our ultimate goal is not necessarily privatization; it is providing regional system service as efficiently as possible.

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. We believe our recommendations keep the best ideas of the council intact, replace problematic components with free-market, common-sense solutions, and introduce needed accountability to the process.

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 Twin Cities Regional Governance

The history of regional cooperation in the Twin Cities region can be traced back over sixty years. In 1939, the Minnesota Legislature created a joint sanitary sewer district, which included the cities of Minneapolis, St. Paul, and adjacent suburbs. [1] The legislature recognized the potential savings available to cities if one major sewer system served the area rather than several smaller systems.

A 1957 bill—aimed at regional cooperation—created the Metropolitan Planning Commission, which was directed to make plans for the "coordinated and harmonious development" of systems that were not confined to one local unit of government. [2] The plans made by the commission were primarily "suggestions" to municipalities concerning land use, public buildings, and city utilities and services.

The Metropolitan Planning Commission was replaced by 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. The result was many contaminated wells, which threatened the health of the public and local lakes and rivers. [3] 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.[4] The Metropolitan Transit Commission was also created in 1967 [5] 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.[6] This legislation also removed the need for local sanitary sewer districts, which were subsequently abolished. The Metropolitan Council was also charged with planning the locations of solid waste disposal sites in 1969.[7]

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 council was empowered to appoint the members and approve the development programs of MTC and MWCC and was given the power to approve the capital expenditures of the MAC. The legislature also expanded the council's membership to seventeen during the 1974 session. [8]

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."[9] The act established the Metropolitan Council as the agency responsible for designing system plans for four regional systems—aviation, parks and open space, transportation, wastewater management. 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 metropolitan 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. [10] As a result of these changes, the metropolitan governance structure of the Twin Cities was touted as a national model.

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. [11] This legislation also abolished the agencies that previously operated these regional systems—the Metropolitan Transit Commission, the Regional Transit Board, and the Metropolitan Waste Control Commission. The Metropolitan Parks and Open Space Commission and the Metropolitan Airports Commission (MAC) remained under Metropolitan Council oversight.

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. Now the agency formerly responsible only for the planning of regional systems would also 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. [12] Since 1996, the council has distributed over $100 million in Livable Communities Grants. [13]

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 candidate's political statements did not match his policy actions as governor. 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 fact, in 1997 then-Representative Pawlenty attempted to bring greater accountability to the Metropolitan Council by co-authoring a bill that would have transformed the seventeen-member board from an appointed one to an elected one. While the bill passed both houses of the legislature, it was vetoed by Republican governor Arne Carlson.) 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 (including the nearly complete Hiawatha Light Rail system, which is scheduled to begin operation in April 2004), 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. [14]

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 powerful 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 (Chisago, Isanti, LeSueur, Mille Lacs, McLeod, Rice, Sherburne, Sibley and Wright in Minnesota and Pierce, Polk, and St. Croix in Wisconsin) 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. It is not a difficult decision for businesses, developers, and homebuyers to follow the market just outside the Metropolitan Council's boundaries where the land is more readily available and the land prices are lower.

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.”[15] 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. [16] 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

m 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.

m 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.

m 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.

m 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.

m 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 should be prepared and adopted pending legislative approval of a regional development framework;
- 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; and
- 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. *The Regional Development and Investment Framework* [17] and the four regional system plans, (aviation, recreation open space, transportation, and water resources management) constitute the Metropolitan Development Guide, which serves as "the fundamental policy guide for the region." This comprehensive document 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. [18]

Against the wishes of the incoming administration, the outgoing Metropolitan Council adopted *Blueprint 2030* [19] on December 18, 2002. The council's new members, appointed in February of 2003 by newly elected Governor 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, legitimate function. A succinct 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.

The framework should clearly identify the responsibilities of each of the local units of government. This document should also provide easy-to-understand, concise 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.

The Regional Development and Investment Framework should be made easily accessible. It should be available on the Internet, at the Capitol, at county courthouses, public libraries and at city halls throughout the region.

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 own comprehensive plans with the assistance of the simplified Regional Development and Investment Framework. The framework would communicate to those taking part in the process 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. While the funding mechanisms may remain the same, 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 almost all aspects of 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 their 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. In addition, communities that choose not to utilize available infrastructure might face higher costs to receive regional transit services. 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.” [20] 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.

The chair of the council is appointed by the governor and represents the area at large. The other sixteen members are appointed by the governor and represent geographic areas statutorily defined by the legislature. All seventeen members serve at “the pleasure of the governor” and must be confirmed by the senate.

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.” [21]

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. The region has outgrown the seven-county box in which it was placed in the 1960s. 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. These factors and others provide evidence that the true region is a geographic area much wider than the seven counties selected for inclusion in 1967. 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. We propose naming the new department the Department of Regional Planning.

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. The department could also assume other statewide, land use-related responsibilities such as annexation and detachment if directed in statute by the legislature.

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. Many current and former members of the council have suggested that their entire first year of service was devoted to learning about the core functions of the organization and understanding the roles of the council and the staff.

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 focused on a particular agenda. Furthermore, an incoming governor should have the opportunity to appoint a commissioner with compatible ideology.

Recommendation: The department should receive oversight from the legislature, including legislative approval of the Regional Development & Investment 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 Governor 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." [22] 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 system of parks and open space.

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. [23]

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. We must strive for the most efficient, most environmental friendly wastewater treatment system to accommodate nearly 1 million new residents in the next thirty years. [24]

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 operating 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. [25] The legislature should enact similar legislation in regards 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." [26] 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. The board has thirty-three members consisting of seven county commissioners, ten metropolitan municipality representatives, eight appointed citizen representatives, two transit representatives, one freight representative, one non-motorized representative, a member of the Metropolitan Council, representatives from Minnesota Pollution Control and the Metropolitan Airports Commission and the commissioner of the Minnesota Department of Transportation.

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. Furthermore, we believe that greater accountability could be achieved if TAB membership included additional elected officials, including state legislators and county commissioners from throughout the newly expanded region.

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.

The debate over the Hiawatha LRT is not likely to end once the trains are running. To operate the line in 2004, Hennepin County and the state's general fund will contribute $3.4 million each—56 percent of the total operating cost. The remaining $5.3 million will come from passenger fares and a three-year, $10 million federal Congestion Mitigation Air Quality (CMAQ) grant. [27] If the CMAQ grant is not available in subsequent years or the actual ridership does not reach the optimistic projected numbers, other revenue sources will be necessary. The need to find additional revenue would undoubtedly spark more debates over the viability of light rail.

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. [28]

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 additional 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. The audit should pay special attention to the annual operating cost of the line, the average daily ridership, and the incremental cost per passenger as well as an accurate daily ridership count of our existing bus system. 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 subsidization 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. Highway expansion has simply not kept pace, they argue, with the population growth within the metropolitan area and the thousands of workers who commute into and within the metropolitan area everyday. 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 in favor of staged growth plans, administered by local units of government, consistent with the regional systems master plans.

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. [29]

In 2000, a BATC study countered the Metropolitan Council's claim that 97,000 acres of vacant and agricultural land existed within the MUSA. [30] The BATC study argued that the use of aerial 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. [31] 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. [32] These investments are relatively minor compared to building new infrastructure. Immediate efforts should be made to efficiently urbanize land within the available sewer service area. The Metropolitan Council, however, has kept this land that could be served by the regional sewers outside of the existing MUSA. There is no reason developable land that could be served by regional sewers should remain off limits when a demand for the land is present.

The availability of land should never be constrained through artificial, arbitrary boundaries. As people continue to pour into the region, an abundant and constant land supply with urban services is needed now to guarantee consumers a wide variety of real estate options in the next twenty years. 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.

Even if the MUSA is abolished, a lack of developable land could still exist if necessary investments are not made. The Department of Regional Development must make the investments necessary to ensure that an adequate supply of serviced, developable land is consistently available throughout the region.

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 that the forecasted 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. [33]

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. 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.

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. Wherever the Metropolitan Council performs the same function as other layers or branches of government, every effort should be made to eliminate the duplication of service in a new Department of Regional Planning.

Even if the Metropolitan Council is removed from the regulatory process, there are still too many other agencies and organizations working at cross purposes doing all types of redundant environmental review. We recommend that the governor convene a task force to completely review the state's environmental regulatory framework with a goal of streamlining the process and eliminating redundancy. The task force's findings should be presented to the legislature and the governor.

Housing and Redevelopment

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

The Metropolitan Council's Metropolitan Housing and Redevelopment Authority (HRAs), 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 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,[34] 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. [35]

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. Despite numerous conversations in recent years about Minnesota's reputation as a high-tax, big-spending state, there has been little or no constructive discussion as to how that came about. One needs only to examine the multiple layers of government that exist throughout the state and region to see who spends those vital tax dollars. Of states with 3 million citizens or higher, Minnesota ranks number one in elected officials per capita. Minnesota has:

- 87 counties
- 853 cities, 521 of which are below 1,000 in population
- 1,791 townships
- 343 independent school districts [36]
- 91 soil and water conservation districts [37]
- 150 special districts (approximately)

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 layers of government—city, township, county, and lesser-known layers such as watershed and special rail authorities—opportunities are available to share services to eliminate duplication, save taxpayers money, and provide important government services.

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. These small towns are kept alive only through state intergovernmental aid programs. [38]

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. [39] Reduction of the number of governmental units is hardly a new concept. Although politically complicated in many areas, consolidating governments is a viable step to greatly 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 vital 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 twenty-first century step toward delivering government services in a more cost-effective manner 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.

Endnotes

[1] Minnesota Laws, Ch 202, 1939.
[2] Minnesota Laws, Ch. 468, 1957.
[3] "The Easy Chair," John Fischer, Harper's, April 1969.
[4] Minnesota Laws, Ch. 896, 1967.
[5] Minnesota Laws, Ch 892, 1967.
[6] Minnesota Laws, Ch. 449, 1969. The Metropolitan Sewer Service Board was converted to the Metropolitan Waste Control Commission in 1974.
[7] Minnesota Laws, Ch. 847, 1969.
[8] *Governing the Twin Cities Region*, John J. Harrigan and William C. Johnson, (University of Minnesota Press: Minneapolis), 1978, page 35.
[9] Minnesota Laws, Ch. 127, 1976.
[10] 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.
[11] 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
[12] Minnesota Stat. 473.25.
[13] Metropolitan Council Livable Communities grant recipients 1996-2002.
[14] Metropolitan Council 2003 Amended Unified Budget, April, 2003.
[15] *The Twin Cities Regional Strategy*, Arthur Naftalin and John Brandl, (Metropolitan Council of the Twin Cities: St. Paul), 1980, page 68.
[16] Minnesota Laws, Ch. 10, 2001 Special Session.
[17] 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 re-incorporating the word "framework." The new name is *2030 Regional Development Framework*.
[18] Minnesota Stat, Ch. 473.175.
[19] *Blueprint 2030* has been renamed by the current Metropolitan Council. The current name is the *2030 Regional Development Framework*.
[20] Minnesota Stat, Ch. 473.123.
[21] *Minnesota Politics and Government*, Daniel J. Elazar, Virginia Gray and Wyman Spano, (University of Nebraska Press), 1999, page 197.
[22] 2000 *Urban Land Supply Update*, Builders Association of the Twin Cities, 2000, page 43.
[23] *The Twenty-first Century City*, Stephen Goldsmith, (Rowman and Littlefield: Lanham, MD), 2001, page 21.
[24] *Blueprint 2030* projects that the population of the seven-county region alone will grow by over 930,000 by 2030.
[25] Minnesota Laws, Ch. 19, 2003 Special Session.
[26] Metropolitan Council 2001 Twin Cities Transportation System Audit.
[27] 2004 Metro Transit Proposed Operating Budget.
[28] Metropolitan Council Transportation Policy Plan, Adopted January 24, 2001.
[29] *The High Cost of Sprawl*, Builders Association of the Twin Cities, 1996, page 17.
[30] 2000 Urban Land Supply Update, Builders Association of the Twin Cities, 2000.
[31] The 2000 Urban Land Supply Update was based on the Metropolitan Council's, 1997 Generalized Land Use Study, published in 2000.
[32] *Ultimate Urban Service Area Boundary and Sewer Service Cost Analysis*, Bonestroo, Rosene, Anderlick and Associates, 1996.
[33] Minnesota Rules, Ch. 4410.
[34] Minnesota Stat, Ch. 473.25.
[35] Eagan was not a participant in the Livable Communities program from 1998 - Nov. 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.
[36] Minnesota State Auditor's Office
[37] Minnesota Association of Soil and Water Conservation Districts: http://www.maswcd.org
[38] "Metro's Mini Cities," Bob Shaw, *St. Paul Pioneer Press*, May 25, 2003.
[39] Minnesota Stat. Ch. 414.01

Task Force Members

Dean Riesen, Chairman of the Task Force, is the managing partner of Riesen & Company. He has also served as chief financial officer for Carlson Holdings, Inc. and president and general partner of Carlson Real Estate Company. In 2002, he was named the deputy director of policy for the Pawlenty/Molnau transition team.

Bev Aplikowski was elected mayor of Arden Hills in 2002. She had served on the Arden Hills City Council for ten years before becoming mayor. She is the CEO of Lakeside Homes, a manufactured housing community. She has also served as chair of the Association of Minnesota Municipalities Metropolitan Agencies Committee.

Mark Buesgens has served in the Minnesota House of Representatives since 1999. He is the chair of the Legislative Commission on Metropolitan Government and is the vice chair of the Local Government and Metropolitan Affairs Committee. He is also an assistant principal at Black Hawk Middle School in Eagan.

Terry Forbord is the managing partner and president of Laurent Development Company. He served for eleven years on the board of directors of the Sensible Land Use Coalition, including time as president and vice-president. He is also actively involved in the Builders Association of the Twin Cities, where he now serves on the Public Policy Committee.

Daniel Hunt is president of the urban real estate development company Hunt Associates. He has served on the Public Policy Committee of the Builders Association of the Twin Cities, the Metropolitan Council Real Estate Advisory Panel, and the board of directors of the Sensible Land Use Coalition.

Fritz Knaak is the managing partner of Knaak & Kantrud in Vadnais Heights. He is also the president of Ancona Title Service Corporation, also located in Vadnais Heights. He has twenty-three years of experience in private legal practice, focusing primarily on municipal government and zoning law. He served in Minnesota State Senate from 1983 to 1993 and was a member of the Metropolitan Affairs Committee.

Peg Larsen is the president of RCS Consulting. She served in the Minnesota State House of Representatives from 1995 until 2001 representing the eastern portion of Washington County. While in the house, she chaired the Local Government and Metropolitan Affairs Committee. Before her time in the legislature, she served on the city council and as mayor of the City of Lakeland.

Gen Olson has been a state senator for over twenty years representing communities in western Hennepin and eastern Wright counties. She has served on the Taxes Committee and the Metropolitan and Local Government Committee. Before serving in the Minnesota Senate, she was planning and zoning commissioner, city councilmember, and mayor for the City of Minnetrista.

Phil Olson is vice president of the Woodbury branch office of Coldwell Banker Burnet. He has held the same position in the Minnetonka office of the company. In addition to working in real estate for the last eighteen years, he has ten years experience in residential construction.

John Powell is director of municipal services at TKDA. He has over seventeen years of experience in the implementation of utility and street infrastructure projects from planning through design, construction, and operation. As a licensed engineer, he has served as city engineer for metropolitan-area cities including Afton, Forest Lake, Lino Lakes, and Lindstrom.

John Shardlow is president and director of planning for Dahlgren, Shardlow & Uban, Inc. He has assisted over 100 communities in Minnesota, Wisconsin, and the Dakotas as well as numerous private-sector clients with planning services. He recently was recognized by the Sensible Land Use Coalition as the winner of the 2002 Moe Dorton award for outstanding leadership in his field.

Blair Tremere is administrator of the Minnesota House Tax Committee and Ethics Committee. He is a Golden Valley city council member and former mayor. He served on the Metropolitan Council's Land Use Advisory Committee, and in September 2003 was appointed to the council's Livable Communities Advisory Committee, which he currently chairs.

David J. Unmacht is the administrator of Scott County. He has also served as the deputy administrator of Dakota County, the city manager of Prior Lake and as city administrator of Belle Plaine. He serves on the board of directors of the Minnesota Association of County Administrators and the Minnesota City/County Managers Association.

Matt Van Slooten is the president of Carlson Real Estate Company. He is an active member of the National Association of Industrial and Office Properties (NAIOP) and served as president of the organization's Minnesota chapter in 2002. He is currently the chair of the Minnesota chapter of NAIOP's Long Range Planning Committee.

Task force staff

Annette Meeks, Project Director

Annette Meeks directed this project for Center of the American Experiment, where she serves as director of government affairs and public programs. In February of 2003, Governor Pawlenty appointed her to serve on the Metropolitan Council where she represents the 7th District and is a member of the Transportation Committee and vice chair of the Community Development Committee.

Jonathan Papik, Research Director

Jonathan Papik conducted the research, writing, and administrative work for the task force. He is the research director on metropolitan governance at Center of the American Experiment. Before his time at American Experiment, he worked in the office of Hennepin County Commissioner Penny Steele and as an assistant to the city manager at the City of Fridley.