

ITASCA *project*

Regional Transit System: Return on Investment Assessment

October 2012



Today's agenda

- Itasca Project introduction
- Transit ROI objectives
- Results of analysis
- Comments from business leaders
- Conclusion

ITASCA *project*

Itasca Project introduction

What is Itasca?

An employer-led civic alliance focused on:

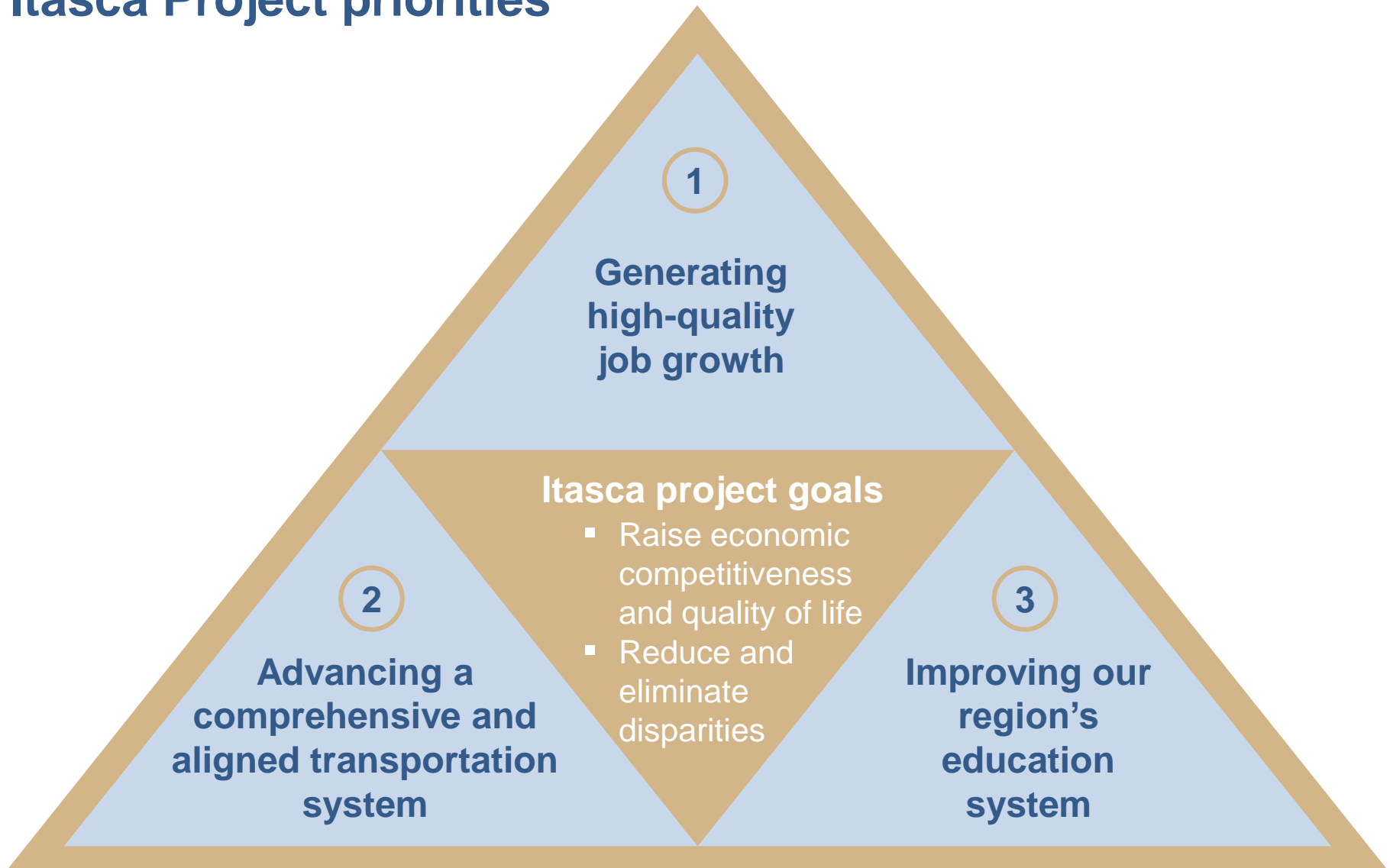
- Building a thriving economy and quality of life in the Minneapolis-Saint Paul Metropolitan region
- Reducing and eliminating socioeconomic disparities

Who is Itasca?

50-plus cross-sector community leaders from Minneapolis-Saint Paul:

- Private sector CEOs
- Public sector leaders: the Governor, the Mayors of Minneapolis and St. Paul, Chair of the Metropolitan Council, the leaders of the University of Minnesota and MnSCU
- Leaders of major foundations and United Way

Itasca Project priorities



Transit ROI study

Objective: Evaluate potential transit impacts to the region using data-driven and transparent approach

- Commissioned by Itasca
- Conducted by Cambridge Systematics, experts in transportation and economic analysis
- Guided by local Technical Advisory Committee

Itasca asked 3 questions about regional transit investments

- 1 A built-out regional transit system would require substantial investment. *What would be the return on that investment?*
- 2 Investments can be made more or less quickly. *Would accelerating build out change the return on investment?*
- 3 Many communities with developing transit systems experience more growth near transit stations. *Would such expectations for growth change the return on investment?*

We compared four scenarios

Base case

- Includes current transit options and assumes outstanding commitments are built out (including Central Corridor)

1 2030 regional plan

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

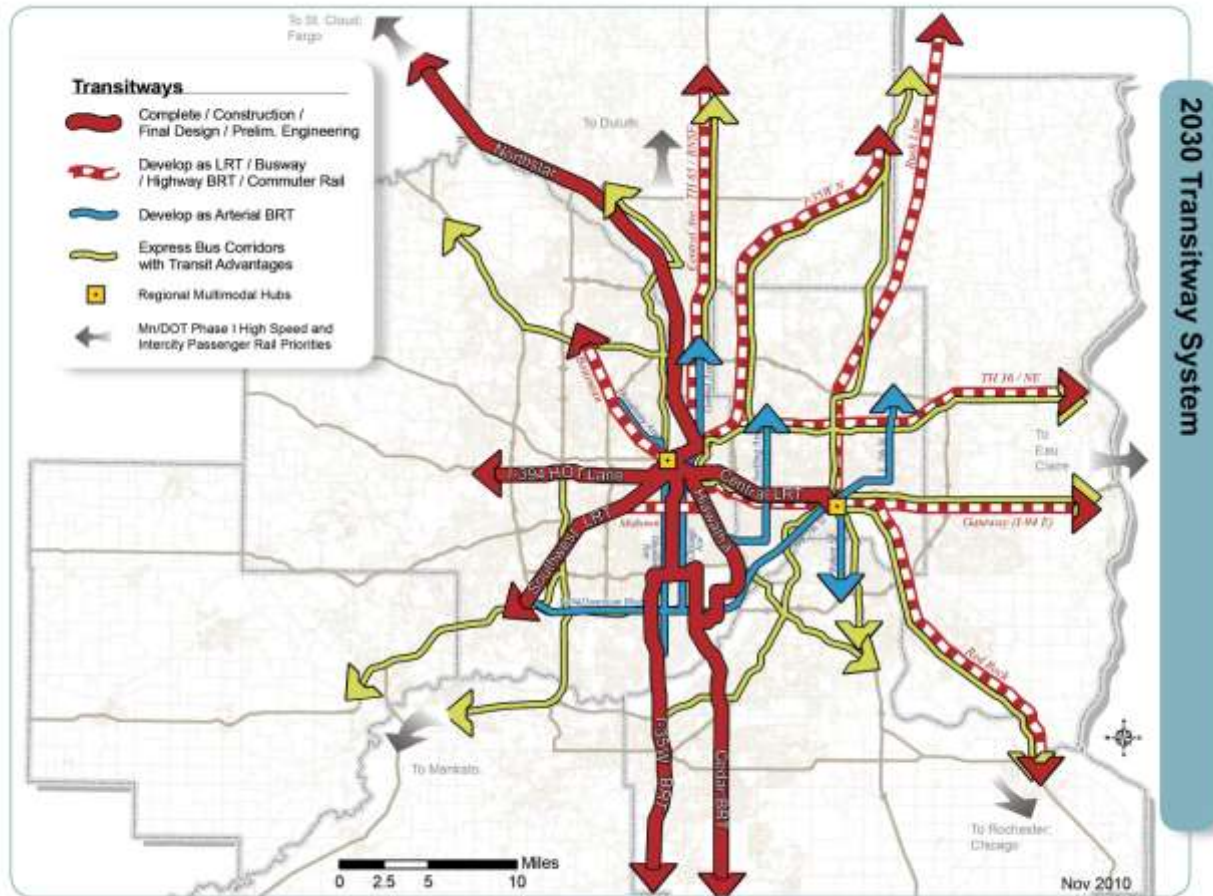
2 Accelerated regional plan

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

3 2030 plan with growth near stations

- Proposes 2030 plan is built as in scenario one, but reallocates 25% of expected community growth to station areas (i.e., assumes station areas absorb more of future growth though does not presume new growth)

The Regional Transit System



Regional 2030 TRANSPORTATION Policy Plan - Final November 2010

2030 Transitway System

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

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

Mode and alignment for each corridor are still being determined

We calculated six kinds of direct impacts

A few well-established metrics focused on transportation, safety, and health were incorporated as direct impacts:

1. Vehicle operating costs
2. Travel times and travel reliability
3. Shippers and logistics costs
4. Emissions
5. Safety costs
6. Road pavement conditions

We worked with the Metropolitan Council to develop costs for each scenario: capital + operations & maintenance

Direct Impacts – Results

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

Note: Benefits and operating and maintenance costs are calculated for 15-year period 2030-2045 for regional system, 2023-2045 for accelerated system. All are reported in 2010 dollar

*IRR = Internal Rate of Return, the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero

Direct impacts by category

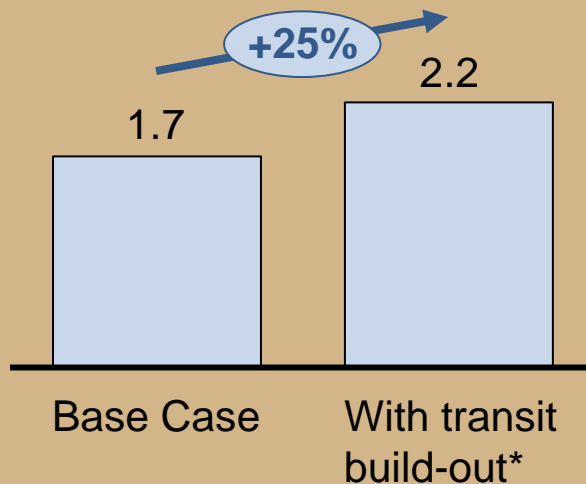
	Compared to base case 2010 \$ Millions
1. Travel time savings and reliability	\$4,643 - \$11,429
2. Vehicle operating cost savings	\$1,479 - \$4,717
3. Shipper and logistics cost savings	\$185 - \$271
4. Reduction in emissions	\$185 - \$395
5. Safety benefits	\$53 - \$88
6. Pavement maintenance savings	\$26 - \$54
TOTAL	\$6,571 - \$16,516

Note: Benefits and operating and maintenance costs are calculated for 15-year period 2030-2045 for regional system or 2023-2045 for accelerated scenario. All are reported in 2010 dollars

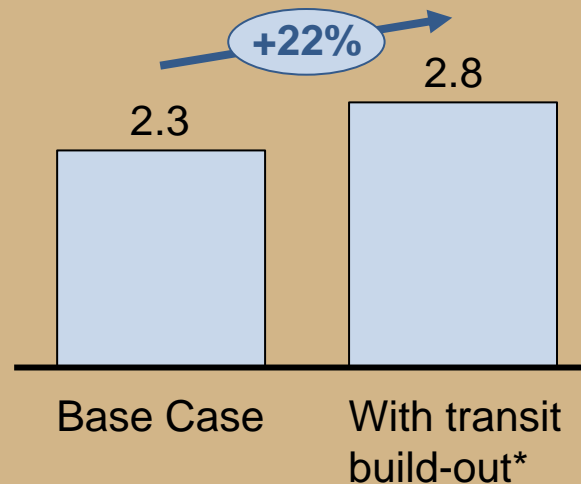
A regional transit system enables employers to access more potential employees

Working-age population accessible to employers within 30 minute commute (Millions)

In year 2030



In year 2045



Building the regional transit system would enable **employers in the region to access 500,000 more employees** within a 30 minute commute, a 22 – 25% increase

* With build-out of the 2030 regional plan

Building a regional transit system also creates short-term economic impact

\$4.3 billion in construction impacts – Economic activity created over the construction period

30,000 construction jobs – FTE job-years tied to build-out of the transit system

In addition to the quantitative analysis, we interviewed regional businesses about how they view transit

Transit is important to employers' ability to attract employees

“Improved transit provides greater efficiency to attract employees, enables them to connect with labor groups.”

“Our younger workers show a higher level of interest in transit.”

“60% of our downtown employees have a Metropass. We want to support that.”

“Transit comes up in every HR conversation with new employees.”

“Transit is important to attracting workers. Without it, working downtown would be very difficult.”

“We have a company priority to be green and socially-responsible. Supporting transit is important. We find that it gets a very positive reaction within our younger employees.”

“We worry about future commuting costs, as gas could be significantly more expensive.”

What business leaders say (cont)...

Transit enables higher density development and greater customer access

“Improved transit would allow higher densities and greater customer access.”

“Higher densities encourage entrepreneurial activities.”

Transit must be connected to and aligned with destinations and other modes of transit

“Pedestrian access is important to support transit, complete last mile connections.”

“Want to see more suburb-to-suburb connections.”

“I appreciate the LRT connection to the airport but there are limited door-to-door mass transit options.”

“Must be reliable.”

Summary

- Based on direct impacts alone, the benefits of implementing a regional transit system far outweigh the costs
 - Building the 2030 regional plan would result in \$6.6 – 10.1 billion in direct benefits, on a \$4.4 billion investment (between 2030 – 2045)
 - Accelerating the system buildout to 2023 would result in increased direct benefits: \$10.7 – 16.5 billion on a \$5.3 billion investment
 - More community growth near transit stations would also increase the return on investment by an additional \$2 - \$4 billion

- In addition to the quantified direct benefits, the region would benefit from many wider economic benefits
 - Increased access to employers (an additional 500,000 within 30-minute commute)
 - 30,000 construction jobs and \$4.3 billion in economic impacts

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

Appendix

Methodology and key assumptions

- The analysis estimates future benefits arising from transportation system user benefits, sustainability benefits, state-of-good repair benefits and wider economic development benefits
- Utilizes output from Metropolitan Council's regional travel demand model; population estimates based on Met Council
- Discount rate is 2.8 percent, as recommended by MnDOT
- The SW Corridor is assumed to commence operation in 2018; for regional assessment, all corridors are assumed to operational in 2030 and impacts from 2030-2045 are estimated and reported
- The price of fuel used in the travel demand and mode choice models is \$3.41 per gallon (\$2.59 in 2000\$ based on the CPI) to reflect the average cost of fuel in the region on October 26, 2011

Thank you to Itasca Project Transportation Task Force

Jay Cowles, Chair	Unity Ave
Mike Erlandson	SUPERVALU
David Freed	Xcel Energy
Restor Johnson	UnitedHealth
Richard Murphy	Murphy Warehouse
Judi Nevonon	US Bancorp
Duane Ring	Century Link
Lee Sheehy	McKnight Foundation
David Sparby	Xcel Energy
John Stanoch	
Richard Varda	Target
Charlie Zelle, Chair	Jefferson Lines

Itasca Project leadership

Mary Brainerd, Chair	HealthPartners
Richard Davis, Vice-Chair	US Bancorp

Thank you to Technical Advisory Committee

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