

August 29, 1983

STATEMENT ON THE METROPOLITAN COUNCIL'S PROPOSED INTERIM ECONOMIC POLICIES

The Citizens League has consistently urged the Metropolitan Council to take a more active role in initiating and proposing policies for the region. The League thus commends the new chairman for thinking aggressively about the role the Council should play in economic development and for stimulating discussion on this important matter. Clearly the Council has already demonstrated an enormous potential to affect economic development in the region. Through its planning and policy-making activities related to the infrastructure and land use, the Council has saved millions of dollars by managing regional growth and preventing wasteful and expensive sprawl. The Citizens League supports the Metropolitan Council in its intent to strengthen development policy and give even more attention to regional economic development.

As you know, the Citizens League has conducted a number of studies of the regional economy, including "Helping the Metropolitan Economy Change," in 1977, and "A More Rational Discussion of Taxes and the Economy" in 1979. The League believes that the discussion statement on proposed interim economic development policies does not go far enough, either in providing the foundation and justification for the proposed policies or in predicting the effects of those policies on the Council and on the region's economy. A number of critical issues should be studied and deliberated by the Council prior to the adoption of any regional economic development policies. We hope you will consider the following concerns in your efforts to devise specific policies and plans for regional economic development.

1. First, what impact will the proposed policies have on the Council's capacity to effectively continue its policy-making role?

The Council is uniquely positioned to develop regional policies, and the region needs comprehensive policies now no less than when the Council was established. The proposed economic development policies, if adopted, could carry the Council substantially into responsibility for operations. This action would not simply add a new function to the Council's other duties, but would fundamentally change the Council's role.

Over the years, the Council itself has been an advocate and supporter of the Legislature's clear directive that the Council would set policy and that other agencies would have operational responsibilities. The Citizens League has historically supported this separation of functions, and we are concerned that the Council's policy-making role may be adversely affected by a shift to direct involvement in operations. The Council risks giving up its current autonomy with respect to operational issues, and it risks losing the ability to step back from operational matters to reflect on and analyze the broader regional significance of its decisions. If the Council's central and vital role of policy-making is compromised or diminished by an expanded role in operations, then the price of the proposed leadership by the Council may be too high.

The League is also concerned that the proposed policies could change the nature of the Council's policy-making role. The business financing policy, for example, would encourage the expanded use of financing programs to make more capital available to businesses. The Council would provide business financing assistance only in communities that invited Council involvement. This policy could place the Council, in effect, in a reactive role, responding on an ad hoc basis to specific financing proposals from communities. In lieu of explicit guidelines for communities to

follow in their financing proposals, an ad hoc approach could become a de facto Council policy. The League believes that before the Council encourages the expanded use of financing tools, it should have a business financing policy that reflects a comprehensive and coordinated approach to financing, with specific guidelines for communities to follow in the process of applying to the Metropolitan Council for assistance.

2. Second, a related question is whether the Council is the proper body to undertake the proposed development projects.

The background of the regional economy in the discussion statement is admittedly a "general snapshot." As such, it does not provide sufficient information to make a convincing case that the Council should itself undertake the development projects. Can the Council automatically bring to operations the same level of expertise that it brings to policy making? If the capacity does not currently exist at the Council, how will it create that capacity? Perhaps it will hire experts or draw substantially on the expertise of Council members. A more thorough study of the regional economy should be undertaken before the Council concludes that it is the appropriate body, as now staffed, to undertake the development projects.

The statement also assumes that an expanded Council role is necessary to accomplish its proposed economic goals. Other means to achieve the Council's goals may be feasible and should be explored. The reasons for the Council's proposed direct involvement in economic development activities should be clarified.

3. What effect will the proposed economic policies have on the Council's growth control strategy?

Over the years, the Council adopted a number of policies that reflect its commitment to orderly and economic development in the region. The Metropolitan Urban Service Area, for example, was established in 1975 to channel future growth of the region. The proposed policies appear to encourage growth not only inside but also outside the MUSA. Such a policy appears to be in direct conflict with long-standing Council policies to manage growth. If the Council intends to repeal the MUSA line and change the priorities it represents, it should recommend this explicitly.

4. A final concern is that the proposed policies seem based on a limited discussion of the region's economy and a rather narrow idea of "economic development."

A more comprehensive appraisal of our developing economy is needed in order to assess the rationale and possible effects of the policies. According to the statement, the metropolitan economy performed well during the period from 1960 to 1980. More attention should be paid to the reasons for that performance and to the more recent experience of the metropolitan economy. The basis for concerns that the region's economy now faces decline and instability should also be identified. Before the Council adopts a business financing policy, it should have more evidence that without a regional financing body, smaller cities will in fact be hindered or harmed in their development efforts. The Citizens League has a preliminary data base that indicates that almost all communities within the MUSA line have already demonstrated the ability to issue industrial revenue bonds or use other development incentives such as tax increment financing.

The proposed interim economic development policies appear to concentrate disproportionately on land development. There seems to be an assumption inherent in these policies that the potential for job creation justifies this sort of emphasis. Before

the Council adopts this approach, it should ask how an emphasis on real estate and building will facilitate the creation of new jobs, as distinguished from shifts in jobs or jobs primarily in the construction industry. A great deal of economic development in our region will probably not involve real estate or buildings. Might the proposed policies in effect draw capital and other resources away from other job-creating economic development activities?

The coming year will be one in which the Metropolitan Council--its role, its structure, and its relationship to other organizations--will come under closer scrutiny than at any other time in its 16 years of experience. Your decision concerning the proposed economic development policies will have a profound impact on the region and on the Council itself. The Citizens League urges you to take the time to consider the proposed economic development policies as thoroughly and deliberately as these important ideas deserve.

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