

CITIZENS LEAGUE REPORT

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**New Airports for the 70's
(and after)**

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NEW
AIRPORTS
FOR THE '70's
(AND AFTER)

A report on some issues the Twin Cities area must face. . .
and a few controversies that should be avoided.

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INTRODUCTION

The Twin Cities area has an opportunity to become a world air center. This can happen only if a system of airports is developed which is among the best in the country to attract international flights and provide facilities for the growing aviation needs of the area.

Air transportation and new airports are of vital importance to the future of the state and the metropolitan area. They can greatly assist in attracting high-quality industry and employment and provide an essential service to people and commerce. We are on the verge of new breakthroughs and growth in aviation comparable to those which led to the jet age. As a result, a new generation of airports is coming as different from Wold-Chamberlain as the jet is from the DC-3. We cannot afford to miss the opportunities these present, or forego the possibility for this area to become a world air center.

A long lead time is required to build a major airport, and given its importance it is critical that it not be further delayed. *This means we must avoid unnecessary controversies. This, in turn, means we must come to grips early with the necessary controversies and policy questions.*

The Twin Cities has developed a reputation in the past for its unusually good aviation facilities. These facilities are so good, in fact, that they are considered a model by others. The extensive integrated system of separate secondary airports has encouraged the growth of general aviation and resulted in substantially more locally based aircraft per capita than other cities. Likewise, the development of Wold-Chamberlain has provided the area with an excellent major airport which has accommodated the growing commercial aviation industry and attracted the headquarters and overhaul bases of two major airlines.

The excellent reputation of the airport system is in jeopardy today as the area is faced with decisions about developing a new major airport and additional secondary fields. The current controversy over a new major airport is indicative of breakdowns in the planning process, of significant changes in the machinery for making airport decisions and is symptomatic of basic public policy issues not yet publicly discussed.

Some of the discussion (controversy, if you will) that is part of the decision is now under way...studies of alternative sites, consideration of the impact on the environment, noise, origins and destinations of users, and air space. *We sense that some of these are not moving, and some unnecessary ones loom which may further delay a decision.*

Our report is not addressed to these site questions, but is directed to policy questions just on the horizon that will be important to an early resolution of the present issues and the future airport system. They include: The absence of finance decisions and their effect on slowing up planning decisions; the lack of guidance from the state regarding the statewide transportation/aviation system; shortcomings in the organizational relationship between state and metropolitan agencies involved in airport planning and development; and the impact of tax policies on airport property on local government. Our report essentially raises these "warnings" now, in hopes that by handling them soon, we will get to the goal faster.

The current situation is disturbing to the MAC, the Metropolitan Council, the state, the airlines, those affected by noise from Wold-Chamberlain, and the local governments within which airports may be developed. No one is certain about the outcome. The public cannot tolerate such a situation. We must have a speedy, sound decision and make the changes necessary to insure that this will not happen again.

SUMMARY OF BASIC FINDINGS AND CONCLUSIONS

Financing the Development of Airports

The present policy of financing airport development in the Twin Cities area by payments from airport users is exerting a powerful and perhaps detrimental influence, now, both on the question of whether the new facility should be an addition to, or a replacement for, Wold-Chamberlain Field as the area's major commercial field; and on the question of where the new facility ought to be located.

- * At the heart of the dilemma is the future of Wold-Chamberlain Field. This airport is still under construction. Yet it is already becoming obsolescent--as a result of the growth in traffic, innovations in airport design, and the growing pressure to get its noise out of nearby residential areas. A new airport must be started promptly. But because no new facility can be ready within 10-12 years, Wold-Chamberlain must be completed. Thus, we will be having to repay the \$130 million or more in principal and interest that will have been borrowed to build this airport, at the same time we are beginning to build and to pay for the new one.
- * Airports are presently paid for by airlines, and other users. The Metropolitan Airports Commission (MAC) has moved as rapidly as possible to terminate the original property tax support for its activities, and to get onto a user-charge system. Generally, for the expansion of the airport system, we support such an arrangement.
- * It is the outstanding debt at Wold-Chamberlain that presents a special problem. There is strong pressure to get major commercial traffic out of this field--from the airlines, who want operations centralized at one facility, and from the Metropolitan Council and others seeking an early end to the noise. The MAC is virtually compelled to resist such a solution, however. It now depends on Wold-Chamberlain for the cash flow to support all its operations. And so far, in all the talk about closing Wold-Chamberlain, no one has indicated what would be the alternative source of revenue. As much as \$50 million of debt on general and special use facilities will remain unpaid even by 1980. Without reconsideration of the system for financing these two airports, therefore, it will be difficult if not impossible to get--particularly on the part of the MAC--a dispassionate and open-minded discussion of the arguments for taking commercial traffic off Wold-Chamberlain.

To remove the pressure thus set up on the system and site decisions, we recommend the MAC provide the necessary information and the Metropolitan Council begin an exploration of the issue of finance, including the possibility of public support for a portion of the outstanding debt. This need not, and should not, mean a return to the property tax. The revenue, if needed, should come from a non-property source--preferably, from a direct charge on passengers. The proceeds of a tax on each departing passenger, together with the residual value in the Wold-Chamberlain facility after a new airport is built, could well be sufficient to permit the basic decisions about a new facility to be made on the merits, without being dictated by the unpaid debt at Wold-Chamberlain.

SUMMARY OF BASIC FINDINGS AND CONCLUSIONS (continued)

Airport Planning

Other important decisions, about additional secondary fields, will be needed shortly. It is critical that the basic defects in the arrangements for airport planning, exposed by the current controversy over "the Ham Lake proposal", be remedied immediately.

- * The controversy over the MAC's proposal has been a classic demonstration of the inadequacies of the independent-agency approach to decision-making. The non-aviation considerations, which produced the suspension of the MAC's plan, must be introduced at the beginning, rather than at the end, of the planning process, and cleared through the Metropolitan Council.
- * The interests of the state must be asserted earlier and more vigorously in the decisions about the airport system. The critical role so far not filled by the state, which must be filled, is not the ownership or operation of this local airport system, or the determination of specifically where within the Twin Cities area an airport ought to be located. The need is, rather, to identify clearly--as a basis for airport planning here--how the metropolitan system fits into the state airport system . . . and what relationships there must be between aviation and other modes of transportation. This requires strong, positive policy guidance from the state through a state aviation plan spelling out what is needed together with criteria to be used in evaluating funding requests. The state can greatly assist and be most effective in resolving some of the questions about future statewide airport system and expedite decisions about a major airport if it will concentrate on development of such a plan and leave the routine operating decisions at the local level where they are presently handled.
- * The job of securing compatible uses close around a new airport will continue to be a problem. The Metropolitan Airports Commission has been ineffective in exercising the powers given it in 1943. Responsibility for this land-use program should be transferred to the Metropolitan Council.

We recommend the Minnesota Legislature clarify these planning responsibilities at the 1971 session.

Agencies involved in airport planning and review should adopt policies and perform the work necessary to finish incomplete required plans and guidelines and the involvement of all interested parties early in the planning discussion.

SUMMARY OF BASIC FINDINGS AND CONCLUSIONS (continued)

Organization for Airport Operations

As a metropolitan agency, the MAC should be transformed into a service commission under the Metropolitan Council, consistent with the legislative policy expressed in 1969 on the organization of other areawide operating programs.

- * Suburban representation in decisions about airports is vital. This should be secured both through the Metropolitan Council and through a broadening of membership on the MAC itself. We recommend a commission of five members, four appointed by the Metropolitan Council, and one by the governor. All should be residents of the seven-county area.
- * The reorganized MAC should build the airports, run them, initiate specific proposals for new airports, and promote the development of aviation in the area. Its plans and budgets should be subject to review in the manner provided for other service commission operations.
- * As a part of the transfer of jurisdiction, Minneapolis and St. Paul should be reimbursed by MAC revenues, over a number of years, for past property tax payments toward the development and operation of the present airports.

Policies of Local Taxation at Airports

Piece by piece we have created a mixture of tax policies limiting the financial resources available to local government from airport development. In the course of developing a new airport we must remake these policies to recognize the metropolitan character of the facility and move to make them more consistent with those of the state.

- * The tax subsidy to non-air transportation property at airports should be eliminated.
- * Taxes collected from property at the new airport should first be used to cushion the temporary loss of tax base to any affected units of local government, with the remaining funds distributed to counties and school districts on the basis of a formula established by the Council. An average mill rate of counties and school districts should be imposed on airport property.
- * Tax rewards from development surrounding major airports should be shared by all units of local government in the area. The Council should be responsible for convening these units, conducting studies and obtaining agreements on a tax-sharing plan.

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I. FINANCING AIRPORT DEVELOPMENT

The dependence of the Metropolitan Airports Commission (MAC) on user revenues from its airports, and the limitations these place on consideration which can be given to alternative site locations for a major airport, have become increasingly important to an understanding of the current impasse over this decision. The use of air space, noise, and ground conditions are the focus of the present discussion. However, there are strong indications that financial issues, such as the outstanding debt on Wold-Chamberlain, the dependence on user revenues by the MAC to retire this debt, the timing of development of the new major airport, and the underwriting of bonds for development of such an airport, have limited the latitude of the MAC in seriously considering all alternative airport sites and considering whether there should be only one major airport. Although the parties in the current dispute assumed that financing the new airport must be considered in the future, this issue has been raised in the recent discussion as it relates to the future of Wold. We were unable to find any evidence that this subject has been resolved or even publicly discussed. The lack of financial decisions is therefore of immediate concern. This subject must move to the forefront of the current discussions if we are to avoid further delays in arriving at the important decisions about where and when to develop a major airport.

A. BACKGROUND

The Metropolitan Airports Commission is the special-purpose agency charged by the Legislature in 1943 with "developing the full potentialities of the metropolitan area in this state as an aviation center". In fulfilling this charge, the MAC has developed a major airport for commercial aviation at Wold-Chamberlain, plus five secondary fields for general aviation. These secondary fields act as satellites to the major airport to relieve it of general aviation traffic. This system has provided sufficient airport facilities for the aeronautical activity of the metropolitan area in the past 20 years.

In 1967 the MAC, while reviewing the Federal Aviation Agency (FAA) forecasts of future increases in air transportation, determined that Wold-Chamberlain would not have sufficient capacity to meet the demands in 1980. It then began to review its earlier plans for the airport system and to plan for a new major airport. In searching for a site for this airport, there are indications in the statements of the executive director and the chairman which suggest that the MAC staff was concerned with finding not only a desirable location but also one which the MAC staff and its consultants estimated the MAC could finance, given the anticipated sources of income and their outstanding obligations. These sources are substantially different from those used to develop Wold-Chamberlain.

1. Past financing of airport development was initially based on public tax support.

Considerable local public financial support was used in the early development of the airport system. Part of the agreement leading to the establishment of the MAC was that Minneapolis and St. Paul would initially contribute the airfields they operated to the MAC. Thus the 614 acres of Minneapolis Park Board land on which Wold-Chamberlain was constructed, plus the 540 acres of Holman Field owned by St. Paul, were turned over to the MAC for airport use. In addition to these land grants, the federal government, over a period of years, turned over 505 acres of land under the control of the Veterans Administration to the MAC for Wold-Chamberlain. These initial land grants launched the MAC in the development of Wold-Chamberlain and permitted

part of its subsequent expansion to accommodate the jet aircraft presently used in commercial aviation.

A second major feature of this public financial support was the underwriting of bonds issued by the MAC by the full faith and credit of the tax base of Minneapolis and St. Paul, plus tax contributions from property in these cities to retire some of the bonds and meet deficits in the operating costs of the airport.

The law establishing the MAC gave it the power to issue municipal bonds to cover the capital costs of development. These tax-exempt bonds are underwritten by the full faith and credit of the tax base of the two central cities. The property in these cities is subject to taxation for bond payment in an annual amount not less than 5% in excess of the net amount required to pay principal and interest on the bonds for the coming year after the application of other monies pledged to such annual repayment (M.S. Sec. 360.117). From 1948 to 1958 municipal general obligation bonds totaling \$10,239,700 were issued by the MAC and retired from taxes levied on the property of the two cities.

Local public support for the airport was also provided to the MAC to cover its operating deficits. In this case, the law permits the MAC to levy up to one mill each year on the taxable properties in the two cities to cover operating expenses of the MAC, beyond what they are able to recover from charges to the users and other miscellaneous income (M.S. Sec. 360.116). Although the operations of the MAC are now self-sustaining, the property taxpayers of the two cities paid \$2,914,000 from 1944-61 for this purpose.

The MAC has also received substantial amounts from state and federal grants-in-aid in addition to the local property tax support for the airport. These are limited to a share of the land acquisition and construction costs of specified facilities at all airports. From 1949-68 federal aids totaled \$13,580,907, while state aids totaled \$4,182,092. These aids can be expected to continue in the future and will assist in defraying part of the cost of constructing new airports. The amount of these grants, however, which might become available is uncertain, and will be known only following the appropriations by Congress and the State Legislature.

2. Financing for airports has increasingly come from the users.

The past ten years have seen a substantial expansion of Wold-Chamberlain and also a change in the capital financing system. The MAC policy for many years, most recently enunciated by the Commission in 1962, has been that the establishment, development and operation of the Commission's airport system should, to the extent possible, be on such a basis as will avoid going to the Minneapolis and St. Paul taxpayers to finance the same. As a result, bonds continued to be underwritten by the two cities but were increasingly retired from rental and use charges to the airport users, so that by 1966 the bonds became self-liquidating from these charges.

The bonding authority of the MAC has been gradually increased from the initial \$15 million to the current \$125 million. The move to retire these bonds from user charges was also reflected in the bond authorizations, so that not more than \$20 million could be retired from taxes collected from property in the two cities. Another significant change was that bonds were used to finance not only public facilities--land acquisition, runways and the terminal--but also privately used facilities such as hangars and overhaul bases.

From 1948 to 1968 the local public support to development of the airport has totaled \$17,407,000 in taxes from Minneapolis and St. Paul for debt service on the tax-supported general obligation bonds. At the present time, a total of \$12,960,000 of these bonds remains outstanding. However, in the recently concluded negotiations over user fees, the airlines have agreed to increase their charges so that these bonds will be retired from use fees rather than taxes on property. As a result, *the capital facilities under the MAC are presently self-supporting, and no longer charged against the property taxpayers of the two cities.*

The current development costs and operation of the present system of airports are supported by contracts with the airport users, various fees and taxes collected by the MAC, and from federal and state grants for construction. These include lease and use agreements with airport users and concessionaires, landing fees on commercial aviation, fuel charges to general aviation, taxes levied by the MAC on the taxable property at Wold-Chamberlain, and miscellaneous income from violation fines, the observation deck, parking meters, pay toilets and locker rentals. The 1967 revenues of the MAC totaled \$5,338,302, with operating expenses of \$2,914,038, and debt service and construction costs of \$2,266,437. *The MAC presently expects as a result of recent agreements that the airport system--its operation and construction--will be self-sustaining.*

3. A commitment to finance the construction of a new major airport and payment of the debt on Wold-Chamberlain has not been received from the users.

In January, 1968, the MAC proposed advancing the date for re-negotiation of the user fees and rental portions of the main base agreement and the terminal building lease to the airline negotiating committee. These agreements are the major source of funds to the MAC for its operations and debt service. The objective of this proposal was to increase the cash flow of the MAC to enable it to retain revenues to finance the airport developments it felt should be instituted in anticipation of future airport needs. These developments were to include the following: A \$10-million expansion of the terminal parking facilities and public use spaces at Wold-Chamberlain agreed to by the airlines, the payment of the remaining \$12,960,000 in non-deductible bonds funded from taxes paid by the property taxpayers in Minneapolis and St. Paul, *plus the acquisition and development of land for an airport to relieve Wold-Chamberlain Field.* The MAC noted that although revenues from existing agreements were sufficient to finance operations of the airport system, they did not permit the MAC to accumulate a reserve.

The MAC maintained it was unable to fund the terminal developments from the \$20 million in non-self-liquidating bonds, as these were already issued. Terminal development, it said, would have to be funded from self-liquidating bonds the MAC would issue, but they could not be sold until the MAC had a cash flow sufficient to retire them. Likewise, this cash flow would have to be substantially increased to fund the proposed development of a new major airport and to relieve the two central cities of the debt service they were paying.

In 1967, the staff of the MAC had begun planning studies of various locations for a second airport to supplement some segments of the commercial airline activity at Wold-Chamberlain. The need for this airport had been suggested by the FAA and the Air Transport Association in 1967 studies covering the needs for air transportation in the metropolitan area. These studies indicated that the design capacity of Wold-Chamberlain would be reached prior to 1977 and recommended the MAC plan to

develop an airport that would relieve the operations at Wold-Chamberlain. The FAA further suggested the Anoka County Airport be expanded as this reliever facility. Development of a major airport to the north was also suggested by past studies dating back to 1943 conducted by the MAC and by the actions of the MAC in developing a large site at the Anoka County Airport (Janes Field) in 1950, 1953 and 1961. Continued expansion at this airport, in the opinion of the staff, was less desirable, however, than development of a new site at Ham Lake, as they felt the tall TV antenna farm proposed to the southeast of Anoka County Airport, to which the MAC had earlier objected, plus the large amount of space needed for an adequate buffer zone, suggested that a new site be developed. The proposal for a new airport was announced in November, 1967, and these thoughts were formally communicated to the MAC in February, 1968, with the recommendation that a public hearing be held to ascertain the need for future airport facilities and whether they should be developed in Anoka County.

The hearings were held on April 22, 1968, and continued, amid growing criticism, throughout the year on four separate occasions until December, 1968. During this time, the airlines negotiating committee (a group consisting of airline and MAC representatives who handle airport financing agreements) met intermittently without success to discuss the reopening of negotiations proposed to increase the use fees and terminal rentals. In November, 1968, the MAC reiterated its objective of increasing its cash flow by increases in fees to be computed on the basis of compensatory rental charges and by providing that concession revenues be available to the MAC rather than used as an offset to airline payment for the terminal. It further recommended that terminal area projects, including baggage area improvements, the development of a parking ramp, and an underground entrance from the parking area, be deferred until agreements could be revised.

Negotiations between the MAC and the airlines continued during 1969 and were finally concluded in May and August of this year. They essentially provided for what the MAC requested. The agreements extend for five years, from July 1, 1968, until July 1, 1973.

The issues and questions related to financing the development of a new major airport are not settled in these recent agreements with the airlines. Instead, it appears that the MAC will only have income to meet the local contribution for grants-in-aid sufficient to begin acquisition of land and initial development of a new major airport. It is the expectation of the MAC that in the next series of negotiations, in 1973 or thereafter--when the date for air carrier use of the airport is established--the matter of the major development and the funding of this will be settled. Thus, the critical decision about how development of the new major airport will be financed has been deferred by the MAC.

B. PROBLEMS

Agreement with the airlines in the next round of negotiations for financing the development costs of a new major airport will require prior decisions by the public on the airport system. However, decisions about the system plan are, as we will show, affected and limited by the arrangements for financing. A policy of financing a new major airport out of airport incomes, for example, almost certainly would tend to require the continued operation of two major airports or the sale of the existing one even though it may be needed for the airport system. The problem of inflexibility in financing, therefore, emerges as a central problem in the decisions still hanging before this community.

1. There is a general consensus that a new major airport will be needed to provide adequate facilities for increasing commercial aviation and to alleviate disturbances from noise.

The growth experienced by commercial aviation in the past few years suggests that Wold-Chamberlain will be unable to handle all of the commercial activity in this area much beyond 1980. Federal Aviation Agency forecasts indicate that saturation could be reached by 1977. Proposals have been made for possibly relieving Wold-Chamberlain of some of its general aviation activity, but even if this were done, such relief probably would last for only a period of time. The present site of Wold-Chamberlain cannot be expanded at a reasonable cost to accommodate additional parallel runways needed to handle the increased traffic. Both the Metropolitan Council and the MAC agree that a new major airport will be needed simply to provide adequate facilities for commercial aviation in the 1980's.

A second major influence on the conclusion that a new major airport is needed is the increasing noise levels from Wold-Chamberlain in the approach zones to the airport. Substantial opposition to the continued use of Wold-Chamberlain is coming from an increasing number of residents in these noise zones. This has reached such proportions that the Minneapolis City Council has passed an ordinance prohibiting training flights over the city and the use of a major runway when winds are less than 10 knots. As the traffic into Wold-Chamberlain increases in the coming years, it appears likely that the frequency of noise disturbances will increase and that without technological breakthroughs the level of noise will also increase. A resolution of this problem would suggest that a new major airport with adequate land use controls be developed in the near future.

A public policy decision is needed which could result in construction of a new major airport before Wold-Chamberlain actually realizes its capacity, or before the outstanding debt has been paid. However, attempts to obtain this decision in the near future are complicated by the issues of whether there should be one or two major airports and how the outstanding debt at Wold-Chamberlain can be retired without continuing the use of Wold-Chamberlain and its income.

2. Strong arguments have been made against the operation of two major commercial airports. The decision that there should be only one major airport will limit the use of Wold-Chamberlain and the income from it.

Some of the airlines have indicated that they would move all their operations to a new airport once it was operational, because of the efficiencies of a single site. Concern has been expressed over the transportation implications of a split operation between two major airports and the difficulties that might be encountered in transferring passengers and/or cargo, as well as keeping the transfer time between connecting flights to a minimum. A decision that there should be only one major commercial airport would limit the use of Wold-Chamberlain and the income that would be generated at this facility.

The concern about assuring that the air traffic into Wold-Chamberlain be compatible with the surrounding residential development would also suggest that a major portion of the traffic handled by jet aircraft would also move to the new major site.

3. If the decision is that a major airport must be operational within the next ten years, a difficult financial problem will be created about how to retire the debt at Wold-Chamberlain.

The timing of development of a new major airport is a key issue which remains unresolved. There are indications from the MAC that the new airport should be operational in five to ten years, while the airlines have alternatively suggested possible dates from 1973 to 1990. A determination of what this date should be is needed, as it will significantly affect financing arrangements that might be made, the cost of airport development, and provide answers to questions about when relief from noise can be anticipated and whether the metropolitan area will be able to avoid problems of airport congestion presently experienced by a number of cities.

Before it is possible to arrive at the timing decision, agreement is needed on the following items:

- * An estimate of when Wold-Chamberlain will reach saturation.
- * The noise levels and noise zones from Wold-Chamberlain which are anticipated and tolerable.

The outstanding debt of Wold-Chamberlain must be retired and provisions for this included in the financing of the new airport. The present debt, including principal and interest, on facilities at Wold-Chamberlain is \$115,863,038. Additional construction presently contemplated would further raise this debt approximately \$13-\$15 million. A substantial portion of this debt is in special facilities such as overhaul bases used by the airlines. Under the present repayment schedule, outstanding bonds will be retired in 1996 with a debt totaling \$74,447,777 in 1975, and \$48,281,827 in 1980. In 1980 approximately half of the debt will be in special facilities. With a decision that a new major airport is needed, a way must be found to handle this financial problem. The possibility of a decision that commercial aviation be moved at an early date to a new airport requires that the financial implications be thought out now.

4. The MAC fears that closing Wold-Chamberlain to commercial operations will not provide it with income to retire the debt at Wold-Chamberlain or even permit Wold-Chamberlain to continue in use as an airport for non-commercial traffic.

The MAC, in proposing a new major airport, has been concerned not only that adequate facilities are provided to handle the increased demand for aviation facilities, but also that its financing sources are protected. At the present time, the major source of income to the MAC is from charges to the users at Wold-Chamberlain. It is anticipated that these charges will continue in the future to fund the operating costs of the MAC and, until a new airport is operational, will provide sufficient income to cover the cost of start-up bonds for a new major airport. Later agreements with the airlines are also expected to provide income to cover the substantial capital cost of the new airport. However, the MAC is faced with a serious question about how the debt service payments at Wold-Chamberlain will be met if the airport does not continue as a major commercial field.

Recent suggestions to alleviate the financial problems associated with the outstanding debt at the airport have been to close Wold-Chamberlain and to sell or lease the land. This possible solution, however, raises important questions about

the airport system and financing plans of the MAC including the future use of Wold-Chamberlain or the need for a substitute field to perform the functions the MAC anticipates for this airport. Answers to the following questions must be provided:

- (1) What increases in general aviation traffic are expected? To what extent will the use of larger instrumented aircraft in general aviation affect the airport system? What technological advances can be anticipated in passenger aircraft within the next 15 years, such as development of noiseless aircraft or short/vertical takeoff landing aircraft?
- (2) Can the increased general aviation traffic be handled at existing fields? Can existing fields be expanded to accommodate instrumented landing systems or anticipated developments in aircraft used in general or commercial aviation?
- (3) What will be the use of Wold-Chamberlain following development of a new major airport? Will there be a need to develop a major secondary field to handle the increased general aviation traffic, the larger instrumented aircraft, military aviation traffic, or likely technological developments if Wold is not available? What is the anticipated cost of such a field? How would this compare in all respects with the continued use of Wold-Chamberlain?
- (4) What is the projected income at Wold-Chamberlain as a major secondary field or at a comparable secondary field at existing or increased fees?
- (5) What capital can be anticipated from the sale or leasing of all or a portion of Wold-Chamberlain which may not be needed if the airport is not necessary or if its function changes? Will this capital be needed for funding a new major secondary field to substitute for Wold, or will it be available to retire the debt at Wold-Chamberlain or to cover part of the cost of the new major airport?

The answers to these questions will go a long way toward providing a clearer picture of the dimensions of the financial problem, the possible alternatives for funding the debt, and greatly clarify the airport system plan of the MAC.

5. The MAC is not considering the use of public funds to finance the outstanding debt at Wold-Chamberlain and is thereby limiting its options in planning for a site.

The MAC, in the attempt to reduce the public support from the taxpayers of Minneapolis and St. Paul, has increasingly moved to user charges to fund the operations and development of the airport system--to the point where they are presently dependent upon these for most of their income. This position poses difficulties when considering alternative possibilities in developing a new major airport. It is possible that in working through the issues of debt retirement at Wold-Chamberlain, the need for a major secondary field, and the future use of Wold-Chamberlain, there will be a difficulty in finding the necessary funds to develop an airport system adequate to provide for the aviation needs of the future. Although it is premature to suggest that public support may be needed until the extent of this system and the financial plans are developed, it is not unrealistic to consider

such a possibility. For example, if the decision were made that a new major airport is needed in the near future to alleviate the present noise problem and provide adequate airport facilities, the users of Wold-Chamberlain would not be financially able or willing to accept the cost of this development plus the cost of debt retirement at Wold-Chamberlain. In this case, the public desire to move ahead with this development would suggest the public assume a portion of the cost of debt retirement as it shared in the initial development of the present airport system. This possibility, however, is not practically available to the MAC, since at present it could fall back only on the property taxpayers of the two central cities.

6. Present base for public financing of the airport system is inadequate and too narrowly based.

The present base for public financing of the airport system is limited to the tax base of Minneapolis and St. Paul and the property taxpayers of the two cities. Taxes may be levied to cover the deficits in operating the airport and the debt service on \$20 million in bonds for capital facilities or land acquisition. The tax base of the two cities is also used to underwrite all of the bonds of the MAC. This base is too narrow and inadequate to handle the airport system of the future, and results in setting up barriers to effective planning and management of the airport system.

Present provisions of the MAC law permitting it to levy taxes for operating deficits are outmoded. Although they may have been reasonable during the infancy of the aviation industry, the present practices of the MAC and those of other major airports throughout the country suggest that the use of public funds for airport operations is no longer needed.

The use of the tax base to underwrite MAC bonds is a way of providing a low-cost, low-risk method of financing airport capital development. However, the present law limits this support to the tax base of the two central cities. This practice is highly questionable in light of the fact that the major airport--indeed, the entire airport system--is located in and serves the metropolitan area. This geographic limitation could pose problems in the attempt to increase the bond authorizations of the MAC needed to construct a new major airport and additional satellites. The MAC law presently permits the agency to issue up to \$125 million in bonds for land acquisition and capital construction of facilities at airports. This amount will not even be sufficient to construct a new major airport estimated to cost in excess of \$250 million. Undoubtedly, requests for increased authorization will be forthcoming as we move into construction of the airport. However, these requests might well be seriously questioned, because only a portion of the tax base of the metropolitan area can be used to underwrite them, while the facility will serve the entire area. Part of this difficulty also revolves around the fact that membership on the MAC is limited to the two central cities. Clearly, the issues of expanding the tax base used for underwriting bonds and the broadening of public financial support for the MAC is tied to changing the membership of the MAC. This topic will be taken up in Section III.

The limitation on public financial support of airport development to the property tax also poses difficulties. In the discussion over the financial problems associated with funding the debt on Wold-Chamberlain it was noted that public funds may be needed. However, the present law limits this funding to the property tax. This tax source is severely burdened, as it is the primary source of funds to meet the increasing demands and costs of municipal, school and county services. The use

of the property tax to support even the limited purpose of funding the debt at Wold-Chamberlain is also undesirable, as it is unable to place the burden most directly on those who use this service or benefit from it. The present users of commercial aviation tend to largely be individuals in the higher income groups and industries which manufacture items with a high value per unit. Even with expanded air service at lower cost these groups are likely to continue as the primary users. Public financial support for airport development should be in the form of some non-property tax which will be metropolitan-wide in scope and be borne by those who most directly use this service.

C. RECOMMENDATIONS

1. We recommend that the Metropolitan Council broaden its review of MAC plans for a new major airport to include what is perhaps the most critical issue: That of airport finance and the extent the system of finance has imposed limitations on consideration of alternative airport sites and the timing of construction.
2. We recommend that the Metropolitan Council explore the need for public funding of a portion of the outstanding debt on Wold-Chamberlain as a way of unlocking the current impasse over location of a new major airport. In doing this the Council should determine this need in light of its public evaluation of the following:
 - (1) The need to continue Wold-Chamberlain or develop a substitute major secondary field to handle increased general aviation traffic, larger instrumented aircraft and likely passenger aircraft developments anticipated in the future.
 - (2) The way the outstanding debt at Wold-Chamberlain can be retired, including possible sources of income or capital which can be used.
 - (3) The timing of construction of the new major airport as it will affect the adequacy of the airport system to handle anticipated increases in traffic, the relief from noise disturbances experienced by people living within the present approach zones, and the cost of airport construction and debt retirement.
3. We recommend that, if the Metropolitan Council determines that public funding is needed, any proposed source of public funding be from a non-property tax source. We would prefer to see a direct charge on passengers who directly benefit from the airport or, if this is not possible, from the limited income group which most uses or benefits from aviation.
4. We recommend that the Legislature, in the next session, amend the MAC law to provide that bonds issued by the MAC be underwritten by the tax base of the seven-county metropolitan area. Provisions of the present law which permit the MAC to levy taxes on Minneapolis and St. Paul for operating deficits should also be eliminated.

D. DISCUSSION OF RECOMMENDATIONS

1. The Metropolitan Council should broaden its review of MAC plans for a new major airport to include the critical issue of airport finance.

Financial considerations in the development of an airport system, as in other planning decisions, are frequently of great importance. The extent to which these considerations have played an important part in the MAC's planning efforts in locating a second major airport must be known in order to have a balanced understanding of all factors leading to the MAC's recommendation. The debt on Wold-Chamberlain and the MAC's dependence on user revenues from it to retire this suggest that the MAC may have been limited in its consideration of all sites. In addition, these financial considerations may have a serious effect on the decision about when the new airport should be operational, and unless resolved, can be expected to pose major problems in future negotiations over user charges to fund the substantial construction at this field. *It is essential that the MAC provide the necessary financial information for this review to occur.*

The Metropolitan Council has not involved itself in these financial issues, as they have not been presented to the Council for their consideration. Nevertheless, consideration of these financial problems is important to the entire planning process and could have considerable effect on the future development of the airport system which, in turn, will have considerable impact on the development of the metropolitan area and on the ability of this area to direct its future growth and development.

2. The Metropolitan Council should explore the need for public funding of a portion of the outstanding debt on Wold-Chamberlain.

One of the central financial problems identified in the planning of a new major airport is the retirement of the debt on Wold-Chamberlain. At the present time, this debt is \$115,863,038. Under the present repayment schedule, these bonds will be retired in 1996, a date well beyond present projections of need for a new major airport. Various alternative methods of retiring this debt have been suggested--from the sale or lease of Wold-Chamberlain, income from charges on the users who will remain at the airport, to continued charges to the airlines. In exploring the need for public funding of a portion of this outstanding debt, the Metropolitan Council must consider and evaluate the need to continue Wold-Chamberlain or to develop a substitute major secondary field, the possible ways in which the outstanding debt at Wold-Chamberlain can be retired, and the desired timing of construction of the new major airport. It is entirely possible that, when these factors are balanced, projected income from Wold-Chamberlain or capital from the sale or lease of all or a portion of Wold-Chamberlain, plus agreements with the airlines, will be inadequate to pay for the outstanding obligations.

It is essential that the Metropolitan Council determine this need for public funding as it is the only public agency with a sufficiently broad base to propose some alternate source of financing. The MAC, as the airport planning and operating organization, appears to have great difficulty in resolving these financial questions, because of its intimate role and dual responsibility of initiating plans plus devising various means for financing them. The MAC, consistent with its past policies and gradual attempts to change the system of financing, has suggested that the present practice of users paying for the airport be continued, and that they pay not only for the development of a new major airport but also for the retirement of the outstanding debt at Wold-Chamberlain.

Although the practice of users paying for airport development may be feasible in the actual funding of the new major airport, a separate issue arises over how the debt at Wold-Chamberlain should be retired. Since the airport system serves the entire metropolitan area, any proposed source of funding should not depend upon the present law and the recourse to the property tax base of the two central cities. It is understandable, however, that the MAC would have considerable difficulty in proposing any other source, given the present composition of its board, which is limited to representation from the two central cities.

3. Any proposed source of public funding should be from a non-property tax source and preferably from a direct charge on passengers or on the limited income group which most uses or benefits from aviation.

The limitations on use of the property tax, particularly to fund new programs, are well known. This tax has seen substantial increases throughout the metropolitan area, as it is the major source of funding for local government and schools. The demands for increased public services and their rising costs, which will likely place even greater burdens on the property tax, suggest that the Metropolitan Council consider various non-property taxes if it determines that public funding of a portion of the outstanding debt at Wold-Chamberlain is necessary.

In exploring possible non-property funding sources, the Council should investigate the possibility of direct charges on passengers, as they are the most direct beneficiaries of the airport. Such a passenger gate fee could be anticipated to produce substantial income and would have the benefit of being directly related to the service provided. It is likely that a small charge on airline passengers would produce sufficient income to provide whatever funds may be necessary. It has been estimated that in 1975 there will be ten million passengers, and in 1980 seventeen million, moving through Wold-Chamberlain or a new major airport. At fifty cents per departing passenger, it is possible that \$2,500,000 might be collected in 1975 and \$4,250,000 in 1980.

This recommendation follows the proposal of Secretary John Volpe of the Department of Transportation in his presentation before Congress on the administration's airport aid bill. He stated that "where concession revenues are not adequate, it would be entirely appropriate for the airport operators to impose small charges directly on the airline passengers; such charges should be imposed only where there is agreement with the airlines serving the airport that improvements to be financed by the charges are necessary to provide services to the passengers."

In the event that direct charges on users of the airport are not possible, the Metropolitan Council should look at various tax sources which would preferably be collected from the limited income group which uses and directly benefits from aviation. Possibilities include certain excise taxes such as hotel-motel, a metropolitan income tax, or a metropolitan sales tax.

4. Bonds issued by the MAC should be underwritten by the tax base of the metropolitan area, and present provisions for funding operating deficits should be changed.

The present narrow base of support for bonds issued by the MAC should be broadened from the two central cities to the entire metropolitan area, since

the airport system serves the entire metropolitan area. It is possible that unless this change is made there will be serious question about increasing the bond authorizations of the MAC which will be needed to fund a new major airport, even though the risk to the taxpayers in Minneapolis and St. Paul may be very low.

The use of revenue bonds supported by the full faith and credit of the tax base would continue this past practice but provide that the taxpayers of the metropolitan area, rather than just those in the two central cities, handle the debt service of the MAC in the event that contracting users defaulted in their payments. The underwriting of revenue bonds with the tax base provides a low-cost, low-risk incentive to users to develop adequate facilities at the major airport. It enables the MAC to receive the benefits of lower-cost municipal bond financing and the airlines to construct major facilities at the airport at a lower cost than they would be able to receive in the private bond market. This incentive is offered by a number of major airports in the country and may be necessary if this area wishes to remain competitive.

It has been suggested that a broadened tax base to include the entire metropolitan area would result in a bond rating for these bonds below the current AA of the MAC and therefore higher interest charges. Following discussions with bond consultants, we have determined that a decline in the rating is possible but that it probably would be only a small amount.

The move to broaden the base of support for bonds issued by the MAC raises the issue of the past contributions by taxpayers of Minneapolis and St. Paul in retiring some of the past bonds. It is our conclusion that recognition of this past contribution should be made, not only in decisions about how to broaden this tax base but also in proposals for change in the membership of the MAC. This topic will be further discussed in Section III.

The elimination of present provisions of the MAC law which permit it to levy up to one mill on property in Minneapolis and St. Paul is recommended. Airport operations have been self-sustaining from charges to the users since 1961. This practice of user fee financing of airport operations is prevalent throughout the country as indicated by responses from airport managers in ten major airports we have surveyed. In none of these are property taxes or other taxes used to absorb part of the cost of operation. The public funding of operating deficits arose during the infancy of the aviation industry but, with its healthy development, are presently outmoded.

II. AIRPORT PLANNING

The subject of airport planning encompasses both the way decisions are made about airport development--the efforts which go into deciding how many airports are needed, where to locate them, and the type of facilities to provide--and the control of land uses surrounding airports to assure that the airport is compatible with its neighbors. Therefore, this general topic has been divided into two parts to aid in an understanding of these essentially different activities.

Part 1 - PLANNING FOR AIRPORT DEVELOPMENT

The process for airport planning is presently not adequately working. A review of the airport planning activities of responsible agencies, and the Ham Lake experience, point to gaps within the process, to a general lack of information and of published long-range plans. All of the agencies and parties were not involved in the early planning efforts directed to development of a major airport.

Preliminary plans for the airport system in the metropolitan area were only published by the MAC after the announcement on Ham Lake. A state plan coordinating airport development is lacking, and the airport sections of the development guide for the area still have not been prepared and adopted by the Metropolitan Council to provide guidance to the MAC. The resulting uncertainties and confusion about what airports need to be developed and about their location and function have caused considerable difficulty for local areas in planning the development of land uses, utilities and highways, and seriously raise the question of whether this area will have airports sufficient to meet the aviation needs of the future.

Two major policy issues are posed in an examination of the present planning process. They focus on the relationship of a special-purpose district (MAC) to the general planning agency (Metropolitan Council) and the relationship of both of these to the State and its role in airport planning.

A. BACKGROUND

Airport planning involves a number of public agencies and private interests who are either legally involved or interested in certain aspects of the planning for airports. An understanding of how this operates requires a look at the responsibilities and roles of each of them.

1. Metropolitan Airports Commission (MAC) initiates airport planning, makes proposals for the development of airports, and operates them.

The MAC is the public corporation (special district) charged with promoting air navigation and transportation in and through the state and with development of the full potentialities of the metropolitan area as an aviation center. It is granted powers to acquire, construct, develop, extend, maintain and operate airport systems essential to the development of air navigation and transportation in and through the state. In performing this task the MAC is to assure the inclusion of the state in national and international systems of air transportation.

The planning for airport development by the MAC is outlined in provisions pertaining to the acquisition of new airports or expansion of existing airports. In these cases, before the MAC may acquire land for a new airport it must take into consideration the objectives of the act, the use to be made of the new airport, the

effect the acquisition or establishment of the new airport will have upon the residents and properties in the area surrounding such an airport, the adequacy of present airport facilities in the 25-mile area over which the MAC has jurisdiction, the nature of the terrain, whether there are areas available for expansion, and whether the adjoining area is free of obstructions. The MAC must hold a public hearing in the process of arriving at this determination.

The staff involved in planning is small and under the direction of the Director of Properties. Many of the engineering, financial and aeronautical studies are performed by outside consultants. In summary, the MAC is the primary public agency responsible for planning and developing airports within the metropolitan area. Permission is granted to other municipalities and to private interests to develop their own airports if they are not judged by the MAC to be in conflict with their airports.

In preparing plans for the new major airport proposed by the MAC for Ham Lake, the MAC followed provisions outlined in the law. Although it did not have a published long-range development plan, the MAC, as the initiating body, developed plans for a second major airport with the assistance of consultants and then called for the required public hearing, which was held in April, 1968.

2. Metropolitan Council (MC) prepares a development guide for the metropolitan area, reviews and approves plans for airport development, and reviews federal funding requests for projects.

The Metropolitan Council is a general-purpose planning organization concerned with the overall development of the seven-county metropolitan area. It was established by the State Legislature in 1967 and succeeded the Twin City Metropolitan Planning Commission (MPC). *One of its responsibilities is the development of a comprehensive development guide* which is to recognize and encompass physical, social, and economic needs of the metropolitan area, plus those future developments which will have an impact on the entire area, *including the necessity for and location of airports*. In carrying out these assigned tasks, the Council was given the power to review all long-term comprehensive plans of each independent agency, including the Metropolitan Airports Commission. The plans of the MAC are to be submitted to the Metropolitan Council before any action is taken to place the plans into effect. Requests for projects funded by the federal government must be reviewed by the MC. The Council also appoints one of its members to serve on the airport commission without a vote.

Under procedures outlined in the Metropolitan Council Act, the MAC submitted its plan for a new major airport at Ham Lake to the Council on February 24, 1969. The MC was then given 60 days to review this plan and to notify the MAC whether its plan was consistent with the comprehensive development guide for the metropolitan area. The plan was formally reviewed by the MC staff and its Development Guide and Referral Committees with the recommendation that the plan be turned down awaiting additional information from the MAC. This was affirmed by the Metropolitan Council on April 24, 1969. The MAC then moved to provide the Council with more information on zoning and air space questions and re-submitted its proposal on May 30. However, amid continuing criticism and dispute between the airlines, the MAC and the Metropolitan Council, the MAC reconsidered and asked the Council to halt its review procedure on the second request on June 4. It is presently a party with the MAC, the Governor's office, and the airlines in attempting as a group to resolve the dispute over the major airport.

3. State Aeronautics Department (SAD) reviews and approves all state and federal funding requests and prepares the state airport plan.

The State Aeronautics Department (SAD) was established in 1943 at the same time as the MAC. Its purpose is to "further public interest and safety in aeronautics". The department, which is funded from the dedicated State Airport Fund, is charged with "promotion of safety in aeronautics, *promotion of a statewide system of airports*, cooperation with political subdivisions and others engaged in aeronautics, establishment of uniform safety regulations, cooperation with federal authorities in development of a national system of civil aviation, coordination of the federal aeronautic activities with those of the state, providing technical services to municipalities in the construction, maintenance, or operation of an airport, *and the designation, design, and establishment, expansion or modification of a state airways system which will best serve the interests of the state.*"

Some of the many services provided by this department include the inspection of airports, installation and maintenance of navigational aids, aviation services such as public relations, maps and flight and navigation seminars, the marking of tall structures, and provision of flight services to state officials.

One important function of the State Aeronautics Department related to airport development is its power to review and approve all requests for state and federal grants-in-aid for airport construction. *Airports which are constructed in the state with the assistance of the State Aeronautics Department must be contained in the state airport plan prepared by the State Aeronautics Department.* In reviewing the request for funds, the SAD looks at the technical, safety, aeronautical and engineering considerations, and the financial solvency of the proposal. It does not review other general planning considerations concerned with the site, such as the problems surrounding land uses, or the effect on the environment.

The relationship between the SAD and the MAC is very limited. The SAD does not inspect airports under the control of the MAC, nor does it provide technical assistance as it does to other municipalities or airport authorities. The relationship, to the extent that it exists, is primarily in the handling of applications for state and federal airport construction aids.

The initial plans of the MAC for development of a major airport at Ham Lake were supported by the SAD. Although a formal request for state or federal aid was not made, the Commissioner of Aeronautics voiced his support for the MAC's proposal and for the early acquisition of land at the public hearing in April, 1968.

4. Federal Aviation Agency (FAA) prepares a national airport plan and provides construction aids to airport authorities.

The FAA is the federal agency concerned with air space utilization throughout the country and with the funding of airport improvements with federal airport aids. The FAA has developed and published a national airport plan for a number of years, and requests for funds must be for projects listed within this plan. In addition, the FAA provides assistance to local airport authorities through studies of expanding airport needs and recommendations for specific improvements at existing airports. All applications for federal airport aids in Minnesota are channeled through the State Aeronautics Department to the area FAA. They must then go to the regional office and finally the national office, where a decision about what will be funded is made.

The FAA was requested by the MAC to express its views concerning development of a second major airport in the Anoka County area. These views were expressed at various times in 1967 and at the hearing in 1968, where the FAA noted that their analysis of the system in the Twin Cities area indicated that the capacity of Wold-Chamberlain Field would be reached prior to 1977. They further concluded that the only logical airport that could be expanded for use by large aircraft was the Anoka County Airport. Concern by the FAA for air traffic control and air space utilization suggested that a site on the north side of the metropolitan area would be the best possible location.

5. Municipal planning commissions develop land use plans including land used or reserved for airports in their communities.

Municipalities in Minnesota are granted the power to control land uses within their boundaries. City planning commissions are established to develop long-range plans for land use development, including airports, and to control the various types of land uses by means of zoning. These powers are also granted to some counties but not to townships. Generally these local planning agencies enter the airport planning process at a very late date following the decision by the airport authority and other approval agencies that land is to be acquired in a specific location within one or more of these municipalities. In the process of arriving at this decision, local planning agencies may be consulted. One of the notable features of the present law, however, is that most airports are planned for areas which are not presently incorporated and are therefore not included in the plans of municipalities.

The MAC announcement of its plan to locate a second major airport in northern Anoka County came as a substantial surprise to the local planners and agencies whose programs would be inevitably affected by the decision. Only a few weeks before the announcement, a planning report had been submitted to a group of northern Anoka County communities within which portions of the airport were to be located. The consultants in the course of preparing the report had asked the MAC about its plans and had concluded that: "It is not expected that a major airport will be developed in northern Anoka County." No freeways leading to the site appeared on engineers' maps and officials of the sewer district and the municipalities found themselves equally in the dark.

6. Private aviation interests review and agree to capital improvements which they fund, and negotiate with the MAC over use charges and rentals.

As users of the airport, both commercial and general aviation interests are actively involved in plans for airport development. Since airport development and the operating costs are supported by fees and charges to these users, they become active parties in the decisions about what airport will be developed particularly at the time of negotiation over these various charges. Generally, commercial aviation interests are highly organized at the major airports and represented on major policy issues by an airline which is generally the major airline operating out of that airport. Airlines operating at Wold-Chamberlain are also members of the Airline Technical Committee which reviews and agrees to proposals for capital improvements at Wold-Chamberlain and major operating policies and the Airline Negotiating Committee which negotiates the use fee charges and terminal rentals with the MAC. In addition, trade associations of commercial and general aviation interests are active in promoting and reviewing national and state legislation as well as in performing studies on the development of major airports.

In the discussions over a new major airport, the commercial aviation interests were not directly consulted at an early stage in the planning process. The airline representative of the industry in this area is Northwest Airlines. The opposition of the airlines to development of a major airport at Ham Lake was first announced in October, 1968, following three hearings held by the MAC. Subsequent meetings were held with the airlines in December at a public hearing for the airlines, but opposition continued, reaching a peak in May, 1969, after the MAC refused to approve plans of Northwest Airlines for proposed expansion programs to handle their 747 jets. The airlines were then asked by the Governor to be a party to continued discussions with the MAC and the Metropolitan Council, in June, 1969, following the request by the MAC to halt review of its second request for approval of the Ham Lake site to the Metropolitan Council.

B. PROBLEMS

There is serious doubt that the present planning process will be able to adequately plan and make decisions about developing airports to provide for the future aviation needs in a manner which is consistent with the development objectives of the metropolitan area. Deficiencies in the present planning process center on the lack of mechanisms requiring the early participation by all review agencies in the development of preliminary plans, as well as policies assuring that interested agencies and parties are invited to voice their concern at an early date. These statements are made in light of our observations about the planning process surrounding the proposed Ham Lake second major airport and the current impasse in arriving at a decision about where this airport should be located.

The Metropolitan Airports Commission since its creation has aggressively planned the development of an integrated airport system. Most of its planning for new sites occurred in the early years of the Commission's operations--from 1944 to 1952. Since then, planning has centered almost entirely on expansion of existing sites. This system of one major airport and five satellite fields has largely provided for the aviation needs of the Twin Cities metropolitan area. However, the substantial growth in aviation in the past ten years, and anticipated developments within the aviation industry, suggest that substantial additional airport facilities at new locations will be needed in the future.

1. All of the responsible agencies and parties are not involved in the early planning of proposed airports.

It is apparent from the public hearings on Ham Lake and the subsequent expressions of concern by private citizens and a number of governmental agencies, as well as the aviation interests, that there was a lack of close communication and coordination between all agencies which should have been involved in discussions at an early stage. Each of the agencies has followed requirements outlined by law, but this has not been adequate to assure that major land use and environmental implications, financing issues, and the timing of the proposed construction were seriously reviewed with interested parties or agencies in the early planning process. Although the key agencies are presently involved in the attempt to resolve many of these differences, considerable confusion and uncertainty continue and suggest that the present planning process will be inadequate to perform the planning necessary for the airports of the future.

One example of the lack of communication and coordination under the present arrangement is the sporadic contact between the staffs and members of the MAC and the Metropolitan Council (MC). The first reference to airport planning by the metropolitan planners was made in 1960 in the Metropolitan Planning Commission (MPC) report on transportation. This report simply outlined the existing system and noted the ultimate plans of the MAC for expansion of Anoka County Airport as a center for air freight. Problems associated with land uses surrounding airports were identified, but this report simply reflected the then existing plans of the MAC. The next apparent contact between the staffs of these two agencies came in 1967, just prior to the establishment of the Metropolitan Council. In this case, a highway request had come on referral to the MPC, and the MAC had indicated an interest in an interchange to facilitate service to what the MAC staff suggested was to be an expanded Anoka County field. In late November, 1967, following announcement by the MAC of plans for the second airport, the MAC briefed the Council staff and Council representatives from the districts affected, as well as the chairman of the Council. There had been no discussion of this site prior to that time between the staffs. These briefings occurred shortly after the organization of the Council. The staff of the Council did not then become directly involved, as they were assigned to other studies, and it was assumed that the Council's interest would only become effective when the project was submitted for their approval.

It was not until June 18, 1968, after the initial set of public hearings by the MAC, when the Governor wrote to the MC indicating his interest, that the MC staff was again assigned to the airport question and an airport committee was organized by the MC. On November 12, 1968, the MC submitted a report to the MAC requesting additional studies and information from the MAC. In March, 1969, work between the Council staff and the MAC was started again following the formal submission of the request for approval of the Ham Lake site by the MAC to the MC. During this time, the Council staff assisted MC committees in formulating policies on site location and development, as well as major airport site location criteria including: The system, role and site capacity, air space, airport and affected land development, accessibility to users, natural resources, site engineering and costs, and support services. On the basis of these criteria, nine proposed sites for the new major airport plus Wold-Chamberlain were reviewed, resulting in the recommendation that the air carrier airport portion of the system plan prepared by the MAC be suspended pending the clarification of the proposed role and function of Wold-Chamberlain and the new airport after as well as before 1980.

A second example of the lack of coordination and communication in the present airport planning process is illustrated by the *conflicting statements from various state agencies*, such as the Department of Aeronautics and the Conservation Department, and *the apparent lack of knowledge on the part of some of these departments that the MAC was proposing a major airport which might affect their interests.*

The State Aeronautics Department apparently was the only state agency aware of the MAC's proposal for a new major airport. It was not until after the first hearing that the State Conservation Department voiced objections to the location of an airport at Ham Lake because of its effect on the Carlos Avery Game Refuge. Other major concerns, such as the effect on underground water table levels and the transportation system--at least to the extent that state interests are involved--were not voiced or directly communicated in the public hearings.

There does not appear to be any single state agency charged with communicating with state agencies to assure that all departments are informed of the MAC plans.

The SAD is charged only with seeking to coordinate the aeronautical activities of the federal, state and local bodies, and does not appear to be concerned with these other considerations. Other departments react only after they discover and determine the implications of these plans on their concerns.

2. The Metropolitan Council does not have a development guide identifying what factors, important to development of the area, must be considered by the MAC in planning for airports.

One of the shortcomings of the planning process involved in Ham Lake was the lack of airport site criteria in the form of guidelines defined by the Metropolitan Council which could have given direction to the planning studies of the MAC. The statute establishing the Council gives it the authority to independently undertake studies related to the location of airports. These studies had not been done by the Metropolitan Planning Commission nor during the first months of the Council's operation, when the MAC was preparing plans for Ham Lake. It is also noteworthy, however, that the MAC did not apparently publicly encourage either of the two planning bodies to assist them by spelling out these considerations.

Following the organization of the Metropolitan Council, most of its time and effort were dedicated to specific assignments from the Legislature; and consideration of the development guide--where concern about the location of airports would be incorporated--was postponed. The portion of the development guide pertaining to airports still is not developed, and there is little indication that the Council is engaged in such studies other than as they pertain to the immediate issue of resolving the problems associated with locating a new major airport.

There are no assurances, under the present law, that the MAC would have to take MC guidelines into consideration, since it does not have to obtain approval from the Council prior to the last step in the planning process--the calling of a public hearing. This only encourages conflict and resort to the only mechanism for resolving these differences, which is presenting the case to the State Legislature.

3. The State does not have an airport plan spelling out how airport development in the metropolitan area is related to airports throughout the state and how they serve the economic and transportation objectives of the state.

A major issue has emerged in the role of the state in the planning and development of a coordinated system of airports to serve the economic and transportation objectives of the state. Concern has been expressed about whether present airports or those proposed in the state will most encourage economic development of outstate communities by providing a high level of air service to outstate industries and in so doing attract additional development. The number of airports, the level of service which desirably should be provided, and the coordination of service between secondary airports and the central hub are all important to this discussion. Finally, possible state financial support to encourage this airport development is suggested as necessary to achieve these objectives. All of these are aspects of significant state aviation planning policies.

The problem does not focus on how airports are operated but rather whether the system of airports in the state is adequate. Therefore, it would appear reasonable that a solution of these problems be directed to the present deficiencies of the state role in the airport planning process.

The State Aeronautics Department is the state agency charged with developing a system of airways and assisting in the coordination of federal and municipal proposals for airport development. However, neither the SAD nor any other state agency or organization is charged with developing an airport plan which integrates the broader economic and transportation objectives of the state or one which spells out how airport development should be coordinated. Instead, the SAD only has a series of reports about proposed improvements and an interim plan published in April, 1969.

The interim plan lists some general ideas about where airports should be located and the size of the populations which should have air service available to them. It does not provide guidelines to the Metropolitan Council or the MAC in development of airports in the metropolitan area but very largely incorporates the MAC's proposals. It does not identify state criteria which would be important in review of these projects or indicate how the development of airports in this area are to be coordinated with the state airport system.

For example, the 1969 interim state aviation plan notes that the Twin Cities area should have a new major airport by the middle of the 1970's. The plan further observes that the MAC has conducted several site studies and held public hearings concluding that there is a need for a second major airport to meet the future prerequisites of a large air transportation center for passengers and cargo, and that the MAC's finding is that the best available site is located north of the Twin Cities near Ham Lake in Anoka County. The SAD then concludes that it has assumed that a second major airport will be developed by 1980.

In terms of secondary facilities the plan takes note of the growth in general aviation and proposes that seven secondary fields be constructed within the metropolitan area by 1980. The economic and transportation interests of the state important to airport development have not been identified or integrated with airport proposals, and guidelines which might be devised to formulate a coordinated airport system meeting these objectives.

The solution to this planning problem requires assigning responsibility for development of a comprehensive airport development plan to a state agency such as the State Planning Agency or a state organization created for this purpose. Since the problem is one of statewide planning, the state organization selected or created should be primarily concerned with this issue and not an existing agency such as the MAC, which makes proposals for airport development and operates the major airports only in the metropolitan area. The operation of airports which is not a statewide problem should remain at the local level. Likewise, decisions about the specific location of airport sites should be made at the local level as they involve issues which most directly affect the immediate area, its land uses, transportation system and general environment.

4. Long-range comprehensive airport system plans for the metropolitan area do not exist.

The various deficiencies in the present planning process are clearly illustrated not only in the Ham Lake issue but also in proposals for development of additional satellite airports to both relieve and supplement the present system. The present proposals for additional satellite fields made by the various aeronautical agencies differ substantially. Numerous land use and financing issues have not been discussed, with the net result that we are without any definitive plan for satellite airport development.

The MAC did not have a published long-range system plan before it proposed Ham Lake and only developed a summary of such a plan at the time it submitted the Ham Lake proposal to the MC in 1969. A review of proposals for additional satellite fields by the MAC, the SAD, the MC and the FAA indicates that *there are substantial differences between agencies about the number of airports needed and their locations.* The 1968 federal airport plan for 1969 to 1973 suggests that two additional satellite fields are needed within the seven-county area--one in the vicinity of Anoka and the other in the area west of Minneapolis. The SAD interim plan 1969 to 1980, however, recommends seven new secondary fields or landing strips within the seven-county area. These should be generally located in the vicinity of Anoka, Waconia, Farmington, Hastings, Maple Plain, Belle Plaine, and Forest Lake. The MAC's proposals contained in a proposed airport system plan 1970-1980, published in January, 1969, recommends the development of three additional secondary fields--two in western Hennepin County and one in south-central Washington County. The Metropolitan Council, as noted earlier, has not completed studies related to airport locations and does not appear to be currently engaged in such efforts.

5. Local planning agencies and municipalities are not consulted and often uncertain about what is proposed for airport development in their communities.

One of the effects of the lack of long-range airport planning is the confusion and uncertainty faced by local planning commissions in providing for land for airports in their plans and assuring that surrounding land uses will be compatible with the airports. Although this may not be important in the presently undeveloped areas where airports will probably be located, it is extremely important to land use planning in the areas around existing airports. For example, much of the work and the conclusions in the consultant's plan for northern Anoka County was called into question with the announcement by the MAC that it was proposing a major airport in the area. Likewise, substantial and costly revisions to utility and transportation systems would be necessary because of this major change in basic assumptions to plans in the area. In addition, unless there is agreement about the ultimate size of existing airports and the types of aircraft they will handle, it is difficult--in fact, nearly impossible--for local planning agencies to establish land uses which will be complementary to the airports.

These uncertainties also encourage local planning agencies to direct the location and development of airports by designating substantial amounts of land surrounding the airports for industrial uses in the hope that the airports will be expanded and their use changed, thereby benefiting the tax base of local municipalities and school districts. One example of the effect of this lack of planning is the village plan for land use in Eden Prairie surrounding Flying Cloud Airport. Although the MAC has suggested that the present use of Flying Cloud will not be changed, there is some uncertainty felt by those associated with village planning that uses of this airport will change to include some air cargo and corporate use not present at the existing airport. The land use map of Eden Prairie shows a relocation of a major highway to the east to permit runway expansion and industrial zoning for air cargo movement. In part, this may represent the wishes of developers and potential users of this land, but it also reflects a lack of certainty about the MAC's plans.

C. RECOMMENDATIONS

1. We recommend the Legislature essentially reverse the existing procedures in the airport planning process by providing for approval of the MAC's airport development proposals by the Metropolitan Council before all legal steps are taken, including the calling of a public hearing by the MAC. Currently, approval by the Council comes at the end of the process.
2. We recommend the Legislature insure the state's interest in airport development is adequately represented by developing a state airport plan which will provide overall planning guidance to local airport planning, development and operating agencies. A state agency should be assigned responsibility for development of a plan containing broad guidelines for coordinated airport development which is related to the economic and transportation objectives of the state and criteria to be used in evaluating funding requests. This agency should also be responsible for contacting all affected state agencies about airport plans in the metropolitan area and for communicating the state's interest to the Metropolitan Council and the MAC early in the planning process. Three possible agencies are the State Planning Agency, the State Aeronautics Department, or a new agency created for this purpose.
3. We recommend the MAC be reorganized by changing its membership and the way it is selected to increase the possibility that the development objectives of the metropolitan area and the guidelines of the Metropolitan Council are considered in airport planning. This proposal will be more fully discussed in Section III.
4. We recommend that agencies involved in airport planning or its review adopt policies and perform the work necessary to assure completion of required plans or guidelines and the involvement of all interested parties early in the planning discussions. This is not happening today. More specifically we recommend that:
 - A. The State Aeronautics Department, the Metropolitan Council, and the MAC proceed to prepare or complete the state airport plan, the airport portions of the development guide, and the airport system plan. It is important that policies be adopted to insure continuous information flow between these agencies to expedite agreement on airport plans and guidelines for the metropolitan area.
 - B. The Metropolitan Council assist the MAC in studies related to land use, the coordination of surface transportation and environmental factors important to the location of airports, and the MAC assist the Council in outlining aeronautical factors important in airport planning and the zoning of land uses surrounding airports.
 - C. Policies be adopted by the Metropolitan Council and the MAC which will insure that all interested public agencies and private parties are made aware of planning proposals and invited to participate in these discussions at an early date.

D. DISCUSSION OF RECOMMENDATIONS

1. We recommend the Legislature essentially reverse the existing procedures in the airport planning process by providing for approval of the MAC's airport development proposals by the Metropolitan Council before all legal steps are taken, including the calling of a public hearing by the MAC.

The current steps in the planning process leave the entire initiative for developing airport proposals in the MAC and require that they arrive at a tentative decision, call a public hearing, and then make their final decision before forwarding the proposal to the Metropolitan Council for its review and approval. This procedure does not encourage the MAC to communicate with the Council about the way in which its proposals may be consistent with the guidelines established by the Council or attempt to determine considerations important to the Council in airport planning prior to the final decision of the MAC. This procedure results in producing the conflict we presently see in the controversy over location of a new major airport. Reversal of this procedure should go a long way to increasing the communication between the MAC and the Council in airport planning and result in resolving differences between these agencies prior to the final legal steps, including a public hearing by the MAC, before land acquisition begins.

2. We recommend that the Legislature insure that the state's interest in airport development is adequately represented by assigning responsibility to a state agency for development of a state airport plan containing broad guidelines for coordinated airport development related to the economic and transportation objectives of the state together with criteria to be used in evaluating funding requests.

It has been suggested that the development, operations and ownership of airports should become a state responsibility rather than remain essentially a local one in order to assure that a coordinated system of airports is developed throughout the state consistent with its economic and transportation objectives. We are convinced that such a sweeping approach to state support and control of airports is not needed or desirable. *The appropriate interests of the state can be satisfied if the state will identify its interests and objectives and spell these out in a plan.*

- A. *The present state policy assigns responsibility for airport development to local units of government.*

In the metropolitan area, the MAC was established to develop and operate a system of public use airports. One example of the state policy which indicates how airport development is related to the state's interests and yet is administered at the local level is the statement in the MAC law that "airport systems established by the MAC are essential to the development of air navigation and transportation in and through the state...and as such...benefit the people of the state and render a general public service." The MAC in fulfilling the state objectives was created as a special district and corporation charged with developing the full potentialities of the metropolitan area as an aviation center. It was given powers to acquire, construct, develop, extend, maintain and operate airport systems within 25 miles of the city halls of Minneapolis and St. Paul.

The policy of having local units of government or private enterprise develop and operate airports is the prevailing policy of most states. Only Alaska and

Rhode Island own and operate the airports in their states. Other states assume this function for only a few small airports in remote locations, for areas which cannot finance or manage airports, or for areas where proposed airports are not contained in federal airport plans and federal airport aids are not available. In these limited cases, the State Aeronautics Departments may directly provide this service.

- B. The state should continue to delegate responsibility for airport development to competent local units of government. It should take over the development and operation of airports only when certain conditions are present.

The prevailing practice of most states in placing this responsibility at the local level and in directly developing and operating airports only for a limited number of airports suggests that there are situations under which this should rest with the state rather than the local unit. We would see three possible conditions under which a transfer of this responsibility might be made. These include: Situations where this function is beyond the competence of the local area; where financing--including state and federal aids--is not adequate; where an emergency field is needed; or where the state has an organization with the engineering, aeronautical and administrative capabilities into which existing airport operations could be merged. In the absence of these, it is difficult to accept the position that the state should change its basic policy.

The competence of local units of government to handle airport development and operation in their areas has not been questioned.

The MAC and the many units of local government that build airports around the state have demonstrated their competence to develop and operate airports which presently serve most of the state. Within the past 25 years, the number of public use municipal airports has increased from 3 to 128. Undoubtedly, many of the municipalities which have developed airports were able to do so in part because of the assistance provided by the state. However, it is noteworthy that the substantial number of local areas have organized to provide airport facilities and that all but six communities in the state with 1960 populations of over 3,000 presently have some type of airport. Major deficiencies in the operation of these airports have not been noted. In the metropolitan area, particularly, the MAC has developed an excellent reputation in the operation of their airports and in the early development of the present system.

Financing airport development has been adequate in the metropolitan area and in many outstate communities.

Financing of airport development has not been a problem in the Twin Cities area. Funds for airport development throughout the state have come generally from three sources: The local governmental unit, the state, and the federal government. Under the Federal Aid to Airports Act, the federal government provides up to 50% of funds for specified items of airport development on airports in the federal airport plan. These funds are channeled through and administered by the State Department of Aeronautics. The state generally provides an additional 25% of the funds, leaving the local burden at 25%. The state's share is sometimes adjusted according to needs and available funds. This arrangement generally has assisted the financing of airports, particularly outside of the metropolitan area. The airport system developed and operated by the MAC, however, has been adequately financed, with only 19% of the total cost provided by

federal aids and only 5% by state aids. A substantial portion of the cost of development of Wold-Chamberlain has come from user charges and the early local tax contributions of the two central cities, together with original land contributions. The federal and state aids, however, have substantially contributed proportionately more to the development costs of secondary fields than the major airport. There is no indication by the MAC that the cost of developing additional airports, including a new major one in the metropolitan area, is beyond the resources available to them presently or in the future. It is expected that state aids will continue to fund some portion of the cost of development, but it has not been suggested that this will be a substantial part of the total cost. If the state were to assume control of these operations it would have to assume financial responsibility for them--something which is not necessary, particularly in light of greater outstate needs.

Since 1945, the state has provided financial assistance to local communities to build and improve airports and other aviation facilities. Revenues collected from aircraft registration, the airline flight property tax, and an aviation fuel tax have been dedicated in a state airport fund to be used for airport improvement, the construction of air navigation facilities, and the repayment of certificates of indebtedness. The use of these funds has been gradually broadened, as recently as 1967, when municipalities were granted assistance in acquiring land for airports, constructing hangars, and for snow removal. *In the event that the state should decide that additional funds are necessary to develop additional airports or to improve and upgrade existing ones, the state can continue to exercise its influence and meet its objectives by increasing its financial contribution without taking on the additional burden of operating the airports.* The decisions about what is needed and the state's objectives, however, must first be spelled out in a state airport plan. Such a plan encompassing these considerations has not been developed or adopted by the state.

The state does not have an existing agency or the capability to assume responsibility for the development and operation of airports.

At the present time, the State Aeronautics Department consists of only 24 members, assigned to handle such diverse services as aviation safety and hazard control; licensing of commercial operations; providing technical assistance to municipalities in planning, financing, building and inspection of airports; presenting the state's case in route hearings; installation of navigational aids; operation of state-owned aircraft; accident investigation; and enforcement of state aeronautical regulations. Only one planner and two assistants from other departments are assigned to development of the present interim state aeronautical plan. This department, which provides many aviation services, is clearly not equipped to handle all of the decisions essential to operation of all airports in the state.

In the absence of finding that airport development and operation are beyond the competence of local areas, that financing of airports is inadequate, and that the state has the ability to handle this function, we do not find a compelling case for state control of airport development and operation.

- C. The role for the state in airport planning and development should be in developing a plan which would spell out its interests and provide guidance to local airport agencies.

The major problem for the state, at the present time, is not in the operation of airports, their initial development, or site location, but rather the identification of the state's broad objectives for airport development and the relationship of these to the economic and transportation objectives of the state. The plan should spell out the way in which airports should be coordinated to serve the broad state interests, the broad areas to be served, standards of airport construction needed to provide a desired level of service and criteria to be used in evaluating funding requests. The lack of such a plan suggests that an existing agency, such as the State Planning Agency, the State Aeronautics Department, or one created for this purpose, be charged with developing the state plan. Once we have a state plan, the state will be able to effectively influence development through its review and administration of requests for state grants-in-aid and its comments and administration of federal grants-in-aid which must be channeled through it.

The agency selected for this function should not be an existing local airport planning and operating organization, such as the MAC, as responsibility for these functions should remain at the local level as long as the local organization is capable of handling them.

Within the broad guidelines developed by the state, decisions about the specific location of an airport should be made at the local level, since the immediate land use, transportation and environmental effects of airport development can best be determined by the local level which is most directly affected by specific locational decisions. Some decisions about the location of airports in the metropolitan area will affect airports serving outstate communities. This situation, however, can be met by guidelines adopted in a state plan which would indicate how airports are related to each other.

A second major difficulty encountered in the present state role is the communication between state agencies and the local planning agencies involved in airport planning. At the present time, there does not appear to be any central agency which can be contacted by the MAC or the Metropolitan Council that would in turn notify all the affected state agencies about airport plans of the metropolitan area. Likewise, there is no agency charged with communicating the state's interests to the Metropolitan Council and the MAC early in the planning process. It would seem reasonable that an agency be assigned this responsibility and that this agency preferably be the one also charged with development of the state airport plan. This recommendation would go a long way toward both clarifying the state's role and assuring that state interest in the development of airports is considered by the local planning and operating agencies making airport proposals.

3. We recommend the MAC be reorganized by changing its membership and the way it is selected to increase the possibility that the development objectives of the metropolitan area and the guidelines of the Metropolitan Council are considered in airport planning.

The present membership of the MAC creates an obstacle to comprehensive airport planning. This planning should include the broader considerations of land use, transportation and environmental factors, and the development objectives of

the metropolitan area, as well as aeronautical factors. Its members are entirely from the two central cities and for the most part are elected officials who lack the time necessary to pursue major policy questions in planning for airport development. In addition, under the present arrangement, there is limited liaison between the members of the MAC and those of the Metropolitan Council--the general planning agency for the metropolitan area. The lack of this liaison makes it difficult for the MAC members to provide direction to the MAC staff in assuring that information about the aviation needs of the metropolitan area and the aeronautical factors important in planning are communicated to the Metropolitan Council and that the guidelines established by the Council are being considered by the MAC staff in the development of airport proposals. Our recommendation about how the MAC should be reorganized is more fully discussed in the next section.

4. We recommend that agencies involved in airport planning or its review adopt policies and perform the work necessary to assure completion of required plans or guidelines and the involvement of all interested parties early in the planning discussion.

One of the major defects of the present planning process is that plans and guidelines required by present laws have not been completed. This situation is further complicated by the independence of agencies and the lack of communication between them and their involvement of all interested parties early in the planning discussion.

4A. The State Aeronautics Department, the Metropolitan Council, and the MAC should proceed to prepare or complete the state airport plan, the airport portions of the development guide, and the airport system plan.

These basic plans and guidelines are presently lacking. They are essential to development of an airport plan and to the planning process as they reflect the considerations important to each of these agencies. It is important that these agencies get on with the job of completing their work and in the process freely exchange information to reduce misunderstandings and possible conflict over airport development and their location in the future.

4B. The Metropolitan Council should assist the MAC in studies related to land use, the coordination of service transportation, and environmental factors important to the location of airports, and the MAC should assist the Council in outlining aeronautical factors important in airport planning and the zoning of land uses surrounding airports.

The open communication and exchange of information between the special-purpose agency and the general planning agency is essential both in the development of guidelines and proposals for airports. This exchange would be greatly facilitated if both agencies would adopt policies and provide assistance to the other in their areas of competence. The broad land use, transportation and environmental factors important to the Council and their effect on airport planning must be understood by the MAC in its development of airport proposals. Likewise, aeronautical factors such as air space utilization, land requirements, and facilities needed for air transportation should be understood by the Council in developing their guidelines. These aeronautical factors are also important in land use zoning surrounding airports to the extent that they identify noise corridors and possible conflicting uses.

4C. Policies should be adopted by the Metropolitan Council and the MAC which will assure that all interested public agencies and private parties are made aware of planning proposals and invited to participate in these discussions at an early date.

The lack of communication and coordination in the planning for a new major airport was most apparent in the protests that were registered by state agencies, the airline industry, and the action of the Metropolitan Council suspending the MAC's proposal on the basis of inadequate information. It is reasonable to assume that all of these interested parties who must either provide financing, approval of plans, or will likely be significantly affected by airport location decisions, be involved in the discussions leading up to this decision. Policy statements from the agencies involved, particularly the Metropolitan Council and the MAC, together with the development of mechanisms by them to assure this involvement at an early date, would greatly assist the planning process and increase the possibilities of reducing conflict in making these decisions.

Part 2 - CONTROL OF LAND USES AROUND AIRPORTS

The need to control the height of structures and the land uses surrounding airports to assure the safety of air transportation and the compatibility of the airport with its neighbors is obvious and attested to by all aeronautical experts. Yet the present laws, especially those directed to control of land uses, are not adequate or workable as they depend on cooperative arrangements between airport authorities and adjacent municipalities which are seeking to maximize their tax base. The approach proposed for handling this problem at a new major airport has considerable promise but it is limited to this airport and does not provide for control of large areas affected by noise.

A. BACKGROUND

The present concern by large numbers of residents in the area surrounding Wold-Chamberlain is the most obvious local example of what will happen if land uses surrounding airports are not controlled. The increasing noise levels at Wold-Chamberlain are of such grave concern that they will severely limit the use of Wold-Chamberlain and may require removal of jet traffic even before the airport has reached its capacity. This situation has developed in part because of technological advancements in air carrier transportation, but also because of the inadequate provisions for control of land uses surrounding airports.

Regulations controlling the development of land surrounding airports are of two kinds: Height limitations and land use zoning. The controls which may be exercised include airport zoning regulations by the airport authority or by municipalities, FAA air space regulations, or the exercise of the power of eminent domain by the airport authority. These regulations are permitted under the state zoning law, the state airport zoning law, and the Metropolitan Airports Commission law.

1. Height limitations on structures is presently regulated by the FAA.

Height limitations on structures surrounding an airport may be limited by the MAC in its exercise of the state airport zoning law or by municipalities using the same law or the state zoning law.

The state airport zoning law permits the MAC to adopt airport zoning regulations to restrict the height of structures and the land uses permitted within its territorial limits for a distance of two miles under approach zones and in other areas for only one mile beyond the airport boundary. This power is granted to prevent the creation or establishment of airport hazards, the conservation of property values, and the encouragement of the most appropriate uses of the land. Approval of such zoning regulations by the State Aeronautics Department is required.

The only action by the MAC to adopt height regulations came in 1964 in a reaction to a proposal to construct a tall television antenna farm near the Anoka County Airport. The MAC adopted a zoning ordinance limiting the height of its structures around each of the airports within the metropolitan area. The inaction by the State Aeronautics Commissioner in approving this ordinance resulted in the case of Minneapolis-St. Paul MAC vs. McCabe in 1965. In its opinion, the Supreme Court stated that the MAC was authorized by statute to adopt zoning ordinances in airport hazard areas within 25 miles of the city hall of either of the two adjoining cities. However, at the time that this opinion was delivered, the FAA had also instituted regulations over the use of air space limiting the height of structures, and the

MAC decided to leave this control in the hands of the FAA by not again forwarding their ordinance to the SAD for approval. The FAA regulations are contained in Form 71, part 77, and require that anyone building a structure within a certain distance of an airport must get clearance from the FAA to use the air space. Requests for tall structures within these areas must be filed with the local FAA office and are then routed to the MAC, the SAD, and the FAA for their review and comments. Finally, construction can proceed only if a permit is granted.

2. Land use around airports is primarily controlled by acquiring a limited amount of the land surrounding airports.

Control of land uses surrounding airports, particularly in noise zones at the ends of runways, is practically non-existent. Although the MAC has the power to zone land uses for up to two miles in these approach zones or for one mile beyond the airport boundary, it has not exercised this power. Instead, its policy is to work with the adjacent municipality in the attempt to encourage them to control these land uses. However, it is questionable whether any attempts at this encouragement have actually worked, as the MAC has resorted to using its power of eminent domain to acquire conflicting land uses. One example of how the present system does not operate was the purchase by the MAC of a plumbing establishment off the end of the main northwest-southeast runway at Wold-Chamberlain to avoid its being rezoned by Minneapolis and developed for multiple housing. In this situation, Minneapolis was not favorably disposed to significantly controlling land uses to assure that development would be compatible with the airport. Although there have been differences between members of the MAC over whether the exercise of the state airport zoning law would constitute a taking, the MAC has never attempted to determine this through a court test.

A recent innovation in the control of land uses in the area surrounding a new major airport was the passage by the Legislature in 1969 of the Airport Development Area Control Act. This act provides that an area three to five miles beyond the boundaries of the airport be designated as the airport development area by the Metropolitan Council. The existing zoning of such lands will be frozen when the site for this airport is selected. The Metropolitan Council must then adopt criteria and guidelines for the regulation and use of property within this development area. Within 120 days after the Council has adopted such guidelines, each government within the airport development area must submit its land use and development control measures to the Council for review. The Council must then approve these with whatever changes the Council determines are necessary.

B. PROBLEMS

1. Present laws permitting control over land uses surrounding airports by airport authorities, municipalities, and the State Aeronautics Department are not adequate or workable.

Control of land uses surrounding airports to assure compatible uses is essential to minimize the conflict between the airport and its neighbors. The present law, other than in the recent Airport Development Area Control Act, which applies only to the new major airport, is inadequate. The MAC has acted to control land uses only to a limited extent and then only by its exercise of the power of eminent domain. This is a costly and obviously inadequate measure of control in noise zones which extend miles beyond the ends of the runways.

The reluctance of the MAC to exercise its limited land use zoning powers can be understood in part because the members of the MAC are public officials in the two cities which would be affected by such zoning controls. In the final analysis, however, it is questionable whether land use zoning should be performed by a special-purpose agency whose primary interests and capabilities are in aeronautics. If the MAC were to function as a land use planning agency, it is possible that considerable amounts of land would lie practically unused, as demonstrated by the present uses made of lands acquired by the MAC for buffer zones surrounding Wold-Chamberlain.

Municipalities surrounding existing airports generally have not demonstrated that they will adequately control land uses to assure this compatibility. This is understandable in light of the concern by the municipality that it develop land within its boundaries to the highest and best uses in order to increase its tax base.

The State Aeronautics Department has the power, under the state airport zoning law, to establish minimum standards for airport zoning regulations. Although the zoning around airports for both height limitations and land use is initially reserved to the local municipality, if the municipality does not zone, the SAD has the power to go in and perform this. However, the policy of the SAD has been primarily to assist municipalities in drawing up ordinances and to provide technical assistance, rather than exercise its full powers. It has not required any of the municipalities or the Metropolitan Airports Commission to adopt zoning ordinances regulating the height of buildings or land uses in the approach zones to airports.

3. The approach to land use control outlined in the Airport Development Area Control Act has considerable promise but is limited to a new major airport and does not provide for controls over large areas affected by noise from the airport.

The approach suggested by the Airport Development Area Control Act of 1969 has considerable merit and, with modifications, should provide a way for remedying many of the present shortcomings in attempts at land use control and be the most advanced mechanism of its kind in the country. However, before this can be accomplished, the limitation of this act to the new major airport should be eliminated so that all airport areas will fall within its operation. Different criteria may then have to be developed in the application of the law to already existing airports. The present three to five mile limitation on the area which will be affected by the act may result in control of only a portion of the area at the ends of runways which will be seriously affected.

C. RECOMMENDATION

1. The Airport Development Area Control Act should be amended to cover the area surrounding all existing and future airports, and the boundaries of the airport development area, particularly at all major airports, should be expanded to assure compatibility of land uses in the noise corridors as determined by the Metropolitan Council. The present limitations of three miles and up to five miles in natural resource areas should be removed.

D. DISCUSSION OF RECOMMENDATION

The past experience in this metropolitan area, particularly at Wold-Chamberlain, more than adequately demonstrates the need for adequate land use controls. Although the problems of conflict between the airport and its neighbors may not be serious at secondary airports because of the smaller aircraft operating out of these airports, any possible interference and conflict with land uses should be noted and controlled. It is likely that the airport area zones surrounding the secondary airports would be of limited size and not present the same types of problems as can be anticipated at larger airports. Including the existing and future secondary fields under the provisions of the Airport Development Area Control Act would tend to fix the uses of the airport and firm up the thinking of the MAC and the MC, which would be helpful.

The zoning of land uses, rather than their acquisition, as a way of controlling development may result in a substantial savings in cost to the public for the airport users. At a minimum, this approach should be employed until the courts determine otherwise.

The Airport Development Area Control Act was passed after the MAC had made its proposal for a new airport. Part of the 15,000 acres were to provide the needed buffer between the airport and adjacent uses. Expansion of the area encompassed within the airport development zone (ADZ) should enable the MAC to acquire only that amount of land necessary for airport uses. The possible savings in land costs suggest that, at a minimum, the boundaries of the ADZ should be expanded to encompass at least the difference in area between the original 15,000 acres proposed for acquisition by the MAC and any reduced amount required by the MAC.

Studies by consultants to the MAC suggest that the noise corridors from the new major airport will extend a minimum of five to nine miles beyond the ends of the runways. It would be a tragedy if the type of control over land uses envisioned by the Airport Development Area Control Act did not extend to cover at least the most serious of these noise exposure contours. Since the contours are very irregular in shape, specified distances should not be substituted for those within the act, but instead the boundaries of this area should be determined by the Metropolitan Council in consultation with the MAC.

III. ORGANIZATION AND POWERS OF THE METROPOLITAN AIRPORTS COMMISSION

The Metropolitan Airports Commission (MAC) is a special-district unit of government established by the Legislature in 1943, with general jurisdiction for all aeronautical purposes within a 35-mile radius of the city halls of Minneapolis and St. Paul. The MAC statute was a milestone in joining the efforts of the two separate cities to cooperate in the development of a far-sighted system of airports--one which has been nationally recognized as most forward-looking in economically and safely providing for the growing aviation needs of a metropolitan area. The present system of six airports has functioned effectively to encourage the early development of a vigorous air carrier and general aviation industry in this area. This achievement, which is a credit to the forward-looking persons associated with it over the years, is not without problems and some serious questions concerned with whether the present organization is suited to handle this function in the future. These questions arise in light of the substantial growth in all forms of aviation, the major technological advances, and in particular the substantial growth in the population and the geographic size of the metropolitan area. In spite of changes within the industry and the metropolitan area, the MAC law has remained unchanged.

The significant questions and the problems identified with the present MAC law are most closely related to provisions concerned with the membership of the MAC, its jurisdiction, its limited financial base, and its relationship to governmental agencies established since 1943, particularly the Metropolitan Council.

A. BACKGROUND

1. Membership of the MAC is made up of representatives of the two central cities and a chairman from outside of the metropolitan area.

The membership of the MAC reflects the "old" 1940's definition of the metropolitan area and the agreement between Minneapolis and St. Paul to merge their interests in separate airport development by creating a body with metropolitan-wide scope but with membership from only the two cities. The MAC is composed of nine members: Six designated public officials from the two cities, including the mayors of each city or a qualified voter appointed by him, two councilmen from St. Paul and one from Minneapolis appointed by their councils, and a member of the Park and Recreation Board in Minneapolis appointed by the board; two citizen members, one each from the two cities, appointed by the mayor in St. Paul and by the city council in Minneapolis; plus one member appointed by the Governor who is a voter of a county not contiguous to either Hennepin or Ramsey County. The Governor's appointee is designated as chairman of the MAC.

The terms of office vary, with the chairman serving for four years and each of the citizen commissioners for six years. The elected public officials, except for the mayors, serve for six years, unless they cease to hold city office to which they were elected, and in such case a successor is appointed to fill the unexpired term. The mayors serve for their term in office.

Meetings of the Commission are held on the first and third Mondays each month and generally are well-attended. These meetings are devoted mostly to operational issues, including the approval of purchases, contracts and payrolls. Only a limited amount of time is spent in discussion of major policy questions or in the long-range plans for airport development. In this sense, *the MAC operates as a management committee primarily involved in review of the operation of the airport system.*

Compensation is provided for all commissioners, with the chairman receiving \$50 for every meeting not to exceed \$2000 per year, and the other eight commissioners receiving \$25 for each meeting not to exceed \$1000 per year.

2. Establishment of the Metropolitan Council significantly altered the powers of the MAC to independently plan and develop airports.

The Metropolitan Council Act in 1967 required that all comprehensive airport plans of the MAC must be submitted to the Metropolitan Council for their review to determine if the plans are consistent with the Council's plan for the economic development of the area. If the Council does not agree, it may suspend the plans and request additional information. In the event that it is not possible to arrive at an agreement, the Council must then submit a report to the next session of the Legislature.

The Council reviews airport funding requests of the MAC for projects to be funded by the federal government under Section 204 of the Federal Housing Act. The Council may comment on these requests to the Federal Aviation Agency. It does not have a comparable power to review and comment upon projects to be funded with state airport aids.

A third power of the Metropolitan Council is to develop a comprehensive development guide to encompass the physical, social or economic needs of the metropolitan area and those future developments which will have an impact on the entire area, including the necessity for and location of airports.

The Metropolitan Council, as the general planning organization for the metropolitan area, is directed by a 15-member board appointed by the Governor. Members serving on the Council represent specific designated areas of the metropolitan area of approximately equal population.

The relationship between the Metropolitan Council and the MAC has been formalized only to the extent that a Council member is assigned as a non-voting member of the MAC. In this capacity, the designated member is recognized as an observer for the Council but does not formally participate in the business or deliberations of the MAC. The planning staffs of the Metropolitan Council and the MAC are completely separate. During the planning of the Ham Lake proposal by the MAC there was limited liaison between these two bodies in spite of the requirement that the Metropolitan Council review MAC plans on the basis of criteria which differed substantially from those important to the MAC.

B. PROBLEMS

The Metropolitan Airports Commission--the first agency to carry with it recognition of the metropolitan area--needs to become a truly metropolitan agency providing what is acknowledged to be a metropolitan service, namely, facilities for air transportation. Although the law gave the MAC jurisdiction and responsibility for airport development initially in the area 25 miles, and in 1969 up to 35 miles, from the city halls of Minneapolis and St. Paul, it limited membership on the Commission to members from the two central cities, and further limited any public contribution for airport development to taxes collected from property in the two cities. These limitations are unrealistic in light of the developing pattern for handling areawide services, the increasing objections to lack

of representation from suburban areas, the lack of concern by the MAC for the land use, environmental and fiscal implications of airport development on the metropolitan area, and the financial constraints which might be placed on future development from the present tax base used to underwrite bonds issued by the MAC.

1. Half of the population of the metropolitan area within which all but one of the airports are located lack a voice in airport decisions.

Areas outside of the two central cities lack a voice in the decisions of the MAC in spite of the metropolitan services provided and the effect of its decisions on many municipalities and people living outside of the two cities.

All but one of the airports developed by the MAC are located outside of the boundaries of Minneapolis and St. Paul, yet the residents in these areas and their concerns about noise levels, removal of land from the tax base of communities in the expansion of airports, and conflicts between the airports and surrounding land uses cannot be directly voiced to the MAC, since they lack any representation. One example of the effect of this lack of representation is the type of discussion and the considerations reflected by MAC commissioners in arriving at the decision on Ham Lake. In this case, there was considerable concern and opposition to development of an airport at Ham Lake voiced by a number of residents and support from public officials in the affected area. The only opportunity which these residents and public officials had in presenting their positions was by way of public hearings held after the staff and the MAC had completed the planning and arrived at their tentative decision. It is reasonable to conclude that if a mechanism existed to assure that these interests would be considered in the early planning of the airport, much of the controversy over Ham Lake would have been avoided.

A second example illustrative of the effects of this lack of representation is the efforts by the Richfield and Spring Lake Park school districts to obtain tax replacements from the state for the loss of tax base in the expansion of Wold-Chamberlain and Anoka County airports. The attitude of the MAC has basically been that these issues are not of great importance to them, as they do not fall within the requirements of the MAC law. However, if the residents and public officials representing local units of government in these areas had a voice in the MAC decisions, it is likely that the MAC would have had to consider the implications of their decisions on the financial resources available to local units of government and thereby become a party to the resolution of this problem.

Evidence of the concern about the lack of representation on the MAC was seen in the past legislative session, when three separate bills authored by 13 metropolitan area representatives, primarily from the suburbs, were introduced in the House. Two of these bills were concerned solely with the composition of the membership of the MAC. Although none of these bills was passed, they are nevertheless a reflection of the growing concern about the membership of the MAC.

2. Elected members lack sufficient time to devote to matters before the MAC.

Present elected officials on the MAC often are unable to adequately direct substantial time to consideration of matters before the MAC. Testimony of four of the present six elected members noted that these public officials were primarily occupied with the duties of their offices and that, although they could attend the meetings, they often were unable to sufficiently background themselves on policy.

matters. This difficulty is understandable in light of the many hats that some of these officials must wear and the numerous boards and commissions on which they serve. These obligations often result in members being unable to spend even the amount of time that they would feel was adequate or necessary. One of the effects of this lack of time is to increase the dependence of many members on the assessment and recommendations of the staff or of other members, particularly the chairman, who may have more time.

3. Requirement for chairman to come from outside metropolitan area is not needed.

The requirement that the chairman must come from a county outside of the metropolitan area is unnecessary and burdensome. This requirement demands that the chairman, if he is to be familiar with the ongoing policy problems of the MAC, must spend a considerable amount of time in commuting between his home and the MAC. In addition, the requirement does not guarantee that the chairman will have a metropolitan area perspective. The original purpose in having the chairman from outside the metropolitan area, primarily to arbitrate differences between the two rival cities, is no longer necessary, as numerous examples of cooperation, both on the MAC and in the joint activity of Minneapolis and St. Paul on questions of sewage, transportation, and the development of the Metropolitan Council indicate that the problem is no longer the difficulty it was at one time.

4. Designated jurisdiction of MAC is outmoded as a way of identifying the metropolitan area or the area of aeronautical activity important to it.

A circular area, 35 miles from the city halls of Minneapolis and St. Paul, is an outmoded way of designating the jurisdictional boundaries of the MAC. It was a definition which was adequate for its time, before the metropolitan area was generally identified for a number of other purposes to generally encompass seven counties. Even though the jurisdiction of the MAC was expanded in 1969 from 25 to 35 miles to enable consideration of possible major airport sites beyond the 25-mile limit, all of the present and proposed airports recommended by the Federal Aviation Agency, the State Aeronautics Department, and the MAC intended to serve the metropolitan area lie within the boundaries of the seven counties. The continued use of this 35-mile area is not needed for aviation purposes and is otherwise not compelling.

5. The present organization of the MAC does not encourage it to be concerned about land use, environment or the fiscal implications of airport development on the metropolitan area.

The present organization of the MAC does not assure the coordination of planning efforts in airport development or the consideration of metropolitan objectives in the location and development of airports, which are essentially metropolitan facilities. The establishment of the MAC as a special-purpose district in 1943 was reflective of the interest in assuring that this metropolitan area would have facilities to provide for the emerging air transportation industry. Therefore, the primary objectives of the MAC were to acquire sites and construct airports adequate to provide for this growing need. The increasing awareness within this metropolitan area and the state of the interrelated and important functions of land use, service transportation systems, and environmental factors have made it increasingly apparent that airport planning--as with other major metropolitan facility planning--must be performed within a broader framework than that provided under the present MAC law.

The Metropolitan Council represents an attempt to provide this broader framework for the planning of metropolitan-type facilities. Its membership is broadly representative of the entire metropolitan area, and its concerns touch on all aspects affecting metropolitan development.

At the present time, the MAC and the Metropolitan Council stand apart as two separate agencies with slight communication and virtually no coordination in their planning efforts. The lack of communication between the staffs of the MAC and the Metropolitan Council, or between their boards, is illustrative of the actual separateness of these agencies even in areas of mutual interest. Although the Metropolitan Council member is a non-voting member of the MAC, his function appears to be largely that of an observer and to some extent a liaison between the two bodies. However, he is not a full participant in the deliberations of the MAC.

Under the present arrangement between the Metropolitan Council and the MAC, important questions such as those of airport finance are not reviewed by the Metropolitan Council. This review is limited only to airport plans and specific requests for federal funding of construction projects.

The present relationship between the MAC and the Metropolitan Council is such that, even when additional information on aeronautical factors important in airport planning is desired, the Council has had to resort to suspending the proposals of the MAC in order to obtain such information or to have the desired studies completed. Part of this may result from a lack of understanding on the part of the staff of the MAC as to what exact information is desired, but it may also reflect an attitude that the MAC is autonomous and should not be questioned on its evaluations, especially in its areas of expertise. The lack of communication, understanding and coordination would suggest that this relationship between the MAC and the Metropolitan Council be substantially altered.

6. The present organization of the MAC is inconsistent with the developing pattern of legislative coordination of areawide services.

The present organization of the MAC, although it may have been adequate for its time, is no longer suited to independently handle airport planning. Since the creation of the MAC there has been an increasing awareness of a number of problems and functions which can no longer be handled by individual municipalities or even by the joint efforts of a couple of them. This awareness resulted in 1957 in the establishment of the Metropolitan Planning Commission and was followed in 1967 with the Metropolitan Council. These organizations have provided the metropolitan area with a mechanism for determining what the areawide problems are, and those particular functions or services which should be handled by an areawide agency. In response to the recognition of these problems, the Legislature has further established agencies or service boards with areawide responsibilities, membership and financial resources in transit, sewers and parks.

7. Past tax payments by Minneapolis and St. Paul may pose difficulties in reorganizing the MAC.

The MAC, as was noted earlier in the discussion on finance (Section I) may levy each year, without the approval of Minneapolis and St. Paul, a direct annual tax on all taxable property in the two cities to retire the principal and interest on non-deductible general obligation bonds. Since 1949, the property taxpayers of the two cities have paid \$17,407,000 in debt service on these bonds. Similarly, taxpayers in the two cities, from 1944 to 1961, were called upon to support a portion of the operating costs of the airport system. At this time, the MAC was able to levy up to one mill on property taxes to cover operating deficits amounting to \$2,914,000.

The total tax payments by the two cities in support of the initial construction and early operations of the airport may pose a problem in discussions about changing the membership of the MAC or broadening the tax base supporting the bonds issued by the MAC. Although some officials might view Wold-Chamberlain and the MAC system as a system owned by the two cities, this in fact is not true. The MAC has obviously provided a service not only for the two central cities but for the entire metropolitan area. Only approximately one-sixth of the cost of developing this system has come from tax paid by taxpayers of the two cities, while the remainder has come from user charges and from federal and state grants-in-aid.

Although tax payments by the two central cities are no longer made to the MAC, this does not suggest that the present arrangement will continue in the future. It is possible that public funding of a portion of the cost of development may be necessary, and that, even if this is not, continued public funding of the bonds issued by the MAC will be necessary in the development of a new major airport. The present tax base of Minneapolis and St. Paul should not be exclusively required to absorb the risk involved in underwriting this substantial amount of bonds, nor should they be expected to exclusively provide all of the public funds which might be needed. The development of the airport system of the 1970's should not be impeded by the difficulties in using the tax base or tax resources permitted in the 1940's.

C. RECOMMENDATIONS

1. We recommend that the MAC be reorganized by the Legislature and made a commission under the Metropolitan Council. The existing powers and functions of the MAC should be continued, but the membership, jurisdiction and operation of the MAC should be changed as follows:
 - A. The MAC should consist of five members who are residents of the metropolitan area--four appointed by the chairman of the Metropolitan Council with the consent and approval of the Council, and one appointed by the Governor to represent the state's interests. The chairman should be elected by the Commission from among its members. Members should not hold public elective office after assuming these positions.
 - B. Members should serve four-year staggered terms, with service limited to two successive terms.
 - C. The jurisdiction of the MAC should extend over the metropolitan area as presently or in the future defined in the Metropolitan Council Act.
 - D. Operating and capital budgets of the MAC should be submitted to the Metropolitan Council, in accordance with procedural guidelines established by the Council, for their approval.
2. We recommend that in reorganizing the MAC and in broadening the tax base supporting MAC bonds to the metropolitan area, the past payments from taxpayers in Minneapolis and St. Paul be recognized by the Legislature and provision for their repayment be made to these cities over a period of time. This payment should total only the amount of actual taxes paid and desirably be considered an expense of the MAC to be paid by this agency.

D. DISCUSSION OF RECOMMENDATIONS

1. The MAC should be reorganized and made a commission under the Metropolitan Council.

Our recommendation that the MAC become a commission under the Metropolitan Council will correct the major problems presently associated with the MAC in the areas of planning, representation, and a broader tax base for airport development bonds. At the same time, it will assure that the strengths of the MAC in the management of airport operations and its concern with aeronautical interests will be preserved. The many functions related to airport operations should continue to be reviewed and approved by a board charged with these responsibilities. These functions include: The letting of contracts, awarding leases and approving major purchases; the setting of fees and charges; adopting regulations; hiring and supervising personnel; decisions on the adequacy of air route systems serving the metropolitan area and the MAC's position in route cases; plus the initial preparation of plans for airport development and the carrying out of these plans in actual construction.

In making the MAC a commission under the Metropolitan Council, broader representation is assured, since the Council is made up of members from equal sized districts throughout the metropolitan area. Under our concept, all major policy questions would be submitted to the Metropolitan Council for their approval. Therefore, the Metropolitan Council would effectively become a body concerned with the larger issues of airport development by providing direction to the MAC with its major guidelines and by determining the way in which airport development is related to other types of development occurring within the metropolitan area.

It might be suggested that the membership of the Metropolitan Council is not any more representative of people in the metropolitan area than the MAC, since its members are appointed by the Governor. However, these members are selected from throughout the metropolitan area and serve as representatives to the same extent as the six present members of the MAC who are elected to municipal offices and secondarily serve on the MAC. There is a greater likelihood that the interests of municipalities, counties and interested citizens in areas outside of the two central cities would be voiced on the Metropolitan Council than they are presently able to be represented on the MAC. When the Metropolitan Council is elected, the case for representation through this body will be even more compelling.

1A. The MAC should consist of five members who are residents of the metropolitan area—four appointed by the chairman of the Council and one appointed by the Governor.

A board the size of the present MAC will not be required to handle the essentially management and program policy-making functions envisioned for the reorganized MAC. Instead, it would seem possible for this work to be handled by a smaller board consisting of five members. Four of these members should be appointed by the chairman of the Metropolitan Council with the consent and approval of the Council, and one appointed by the Governor to represent the state's interest.

The selection of four members by the chairman of the Metropolitan Council will assure that the MAC is cognizant of the major policies of the Metropolitan

Council in the planning for airport development and in their operations. This should eliminate the present difficulties over planning and result in closer coordination between airport development and general comprehensive development in the metropolitan area.

The appointment of a single member from the metropolitan area by the Governor is seen as necessary to assure that the state's interests are adequately represented and presented in the decisions of the MAC. This representative should be viewed as the link between the state's airport planning and its aviation policies. This approach of having a member appointed by the Governor to voice the state's interests is preferable to making the MAC a statewide agency. It will enable the state to direct attention of the MAC to the state's interests early in the planning process, and at the same time permit the metropolitan area to make decisions related to the location and development of an airport system which will primarily serve the metropolitan area.

Selection of the chairman by members of the Commission will provide the Commission with its own leader and public spokesman. This arrangement recognizes the separate board status of the Commission and it is felt will encourage it to handle its duties and to take the initiative in proposing major policies and plans to the Council.

Since the MAC will be largely a management and program policy committee, it is unlikely that the members will be required to spend more than part of their time on MAC business. The experience of present elected members of the MAC, who find they lack the time to devote to MAC business, suggests that members should not hold elective office. Since the primary concern of the MAC will be airport development and operation within the metropolitan area, it is desirable that all members on the MAC live within the metropolitan area. The limited but important policy-making functions envisioned for the MAC suggest that these members would not have to be selected to represent equal-sized districts. However, it is probable, and desirable, that in the process of making appointments seats be adequately distributed among the various parts of the seven-county area.

Members selected to serve on the MAC desirably should come from diverse, broad backgrounds, with considerable experience in management and an interest in aviation. The MAC as an operating agency should have the expertise and knowledge of individuals presently successful in handling management responsibilities. In addition, it is important that these members have an interest in aviation to give them some familiarity with the unique features of this operation. However, it is important that the *members not represent the special interests in aviation*, such as commercial carriers or general aviation, but instead have a generalist background with an interest in aviation.

The compensation of members of the MAC should be commensurate with the pay of members of service boards under the Metropolitan Council. Compensation of members recognizes the expense and time which members serving on these service boards must dedicate to their assignments.

1B. Members should serve staggered four-year terms, with service limited to two successive terms.

It is likely that it will take some time for members to acquaint themselves with the functions of the MAC and their role. Therefore, it would be desirable

that members' terms extend for more than two years and that the Commission have some members who remain on the MAC when new members are appointed. However, there are also problems associated with long-time service and difficulties in changing policies when members sit on boards for a long period of time. Therefore, we are recommending that the terms be staggered and extend for four years to provide for a continuity of membership but that service be limited to two successive terms.

1C. Jurisdiction of the MAC should extend over the metropolitan area as presently or in the future defined in the Metropolitan Council Act.

Under our proposal, the jurisdiction of the MAC would be the same as that of the Metropolitan Council. This change from the current 35-mile radius from the city halls of Minneapolis and St. Paul to the seven-county area will not materially result in any significant change. The only difference will be the removal of small portions of Wright and Isanti Counties from the area of jurisdiction, as these counties are presently not within the seven-county metropolitan area.

It is possible that if airports were constructed on the periphery of the seven counties the airport development area surrounding airports could extend into adjoining counties, but this is handled by the Metropolitan Council and municipalities rather than the MAC. Likewise, flight patterns will probably also be over adjoining counties and others in the state, but these are handled by the FAA. The jurisdiction of the MAC is important only in terms of the airports operating within this area and to define this area within which the MAC can develop their system. Limiting the jurisdiction of the MAC to the seven-county area will provide sufficient area for development of airports presently anticipated as needed by the MAC, SAD and FAA for the metropolitan area.

1D. Operating and capital budgets of the MAC should be submitted to the Metropolitan Council, in accordance with procedural guidelines established by the Council, for their approval.

The designation of the Metropolitan Council as the primary policy-making body on airport location and development suggests that the Metropolitan Council have not only the prerogative of choosing members for the MAC but also the opportunity of reviewing and passing upon its operating and capital budgets. As was noted earlier in the discussion on airport finance, the Metropolitan Council is presently not familiar with the system for airport finance. Since the budgets of any agency frequently reflect the major policies of that agency, it is important that these budgets be for more than one year to provide the longer time frame needed in planning. They should then be reviewed and approved by the general-purpose metropolitan organization to assure that they are consistent with metropolitan policies.

2. Past payments from taxpayers in Minneapolis and St. Paul should be recognized and provision made for their repayment over a period of time.

The proposal to reorganize the MAC and to broaden its tax base for bonds immediately raises the question about how this can be accomplished and particularly the issue of what recognition, if any, should be given to the two central cities for their previous tax contributions for operating deficits and debt retirement. We recommend that these past payments be recognized by the Legislature

and provision for their repayment be made over a period of time. Although the two central cities have substantially benefited from the development of Wold-Chamberlain, this benefit cannot be measured as it extended not only to them but to the entire metropolitan area.

The amount of repayment to the two cities should not exceed the amount of actual taxes they have paid. This totals approximately \$20 million. Although it has been suggested that the cities should be compensated for the appreciated value of their payments, this does not seem either feasible or realistic. The actual tax payments to the MAC were made not from allocations by the cities directly, but instead were an additional tax on the property taxpayers living within the cities. This tax was small, but could have slightly influenced the municipalities and school districts in keeping their expenditures at a lower figure than they would have deemed desirable. Therefore, it would seem reasonable that the amount of compensation be limited to the total amount paid in taxes by the two central cities.

The source of funding for this repayment should be from those who most directly benefit from aviation. A precedent was established in the recent use fee and terminal contracts between the MAC and the airlines in which the airlines agreed to pick up by increased payments the remaining \$12 million in outstanding non-deductible general obligation bonds. With this precedent, we are recommending that the repayment be considered an obligation of the MAC to be paid by this agency from whatever airport income sources they would deem desirable.

IV. LOCAL TAXATION OF AIRPORTS

Significant public policy questions, not yet discussed, about the jurisdiction and tax base of an increasing number of units of local government, the tax burden of the aviation industry, and the public financial resources of the metropolitan area, are posed in the development of a new major airport and additional secondary fields. These questions center on the removal of taxable property from the tax base of existing units of local government, the limited taxing authority of school districts over taxable development on major airports, the detachment of major airports from existing municipalities, and the taxation of development in the area surrounding the airport. The inconsistencies between the general state tax policies and the use of the local property tax to confer a benefit on airport users at the major airport, together with the difficulties experienced in the present policies at existing airports, suggest that this subject be thoroughly explored by the Metropolitan Council and the Legislature before the next session.

The demonstrated ability of the Legislature and the Metropolitan Council to anticipate the tax implications of development in the area surrounding the airport in the last session suggest that a similar examination of the present shortcomings and the implications of airport development on the public financial resources of affected units of local government and of the metropolitan area is possible at this time. The ability of the metropolitan area to develop an airport system which will meet the aviation needs and the development objectives of the area can be significantly affected by these tax considerations and therefore must be considered as we move toward decisions on the development of a new major airport and additional secondary fields.

A. BACKGROUND

The present policies and practices regarding local taxation at airports are made up of many parts, including the tax status of land and structures owned by the MAC, the tax status of taxable property on the airport and in the area surrounding the airport, and the rates of taxation in both areas as well as the distribution of tax revenues.

1. Most of the property at MAC airports is tax exempt and removed from the tax base of local governments.

All the land and most of the improvements at airports operated by the MAC are tax exempt. This results because the MAC is a unit of government and--consistent with the policy in Minnesota--property which it owns or acquires is not subject to taxation by any units of government. One of the effects of airport development has been the removal of substantial amounts of land and some improvements from the tax base of many units of local government. However, in some cases, especially at the major airport, this tax loss may eventually be offset by subsequent development in the area surrounding the airport. Therefore, the tax loss from removal of land from the tax base of units of local government in the area of a major airport may be only temporary, until economic development encouraged by the airport increases the tax base of these affected units. To a large extent, this economic attraction is much slower or altogether lacking at secondary airports, with the result that affected units of local government may have to rely on more limited property tax resources or seek assistance from the state to offset these losses. This situation is illustrated in the case of the Spring Lake Park school district, where removal of land from the tax base in the expansion of Anoka County Airport resulted in a

request to the Legislature for revenue to replace a portion of this loss. This was granted in the 1965 session in a law which provided that \$15,000 be paid annually to the school district from the State Airport and General Revenue Funds in lieu of taxes on real property acquired by the MAC. Even though the principle of paying for a part of the tax loss resulting from removal of a portion of the tax base of school districts was established in this instance, it has not been applied to other school districts similarly affected by secondary airport development and expansion.

The 1968 market value of land and improvements owned by the MAC which are tax exempt is as follows:

Wold-Chamberlain	\$100,000,000
Flying Cloud	131,825
Crystal	514,845
Holman Field	6,546,285
Anoka	2,003,955
Lake Elmo	116,367

2. Tax policies applying to taxable property at airports differ between major and secondary airports.

The local taxation policies on taxable property at airports differ substantially between the secondary or satellite fields and the major airports. The general policy is that secondary airports will be treated for local tax purposes in the same manner as other development occurring within the municipality, school district or county, whereas *a separate set of rules limiting the units of government which may levy taxes on property at the major airports, the agency responsible for determining taxable value, and the incorporated status of the airports, all apply to the major airports.*

A. Policies of local taxation at secondary airports -- The local taxation policies which apply to secondary airports are comparable to those applying to all commercial and industrial property within taxing districts. Generally, the taxable property at these airports consists almost entirely of hangars owned by private interests. These hangars, which are on property leased from the MAC, are viewed as personal property and assessed by the local municipal or county assessor. This property is part of the tax base of each governmental unit within which it lies. Property at such airports is, therefore, subject to the tax levies of many overlapping units of government--municipalities, school districts, counties, and special districts. As with other property in the tax districts, such property is subject to the mill levies of the individual units of government up to the limit allowed the tax district. Taxes collected from this property at the secondary airports are distributed to the individual units of government in the same manner as other property within the jurisdiction of individual taxing districts.

The MAC at these secondary airports is only an operating agency and all taxable property remains within the jurisdiction of the individual units of government. The 1968 market value of taxable property at the satellite fields, as best we could determine from the local and county assessors, is as follows:

Flying Cloud	\$ 1,075,635
Crystal	478,327
Holman Field	150,000 approx.
Anoka	274,893
Lake Elmo	254,145

Although the revenue to local units of government from these secondary airports is not substantial, nevertheless this income, to some extent, may offset the tax loss from acquisition of land by the MAC.

B. Policies of local taxation at major airports -- The tax policies applying to taxable property at the major airports are distinctively different from those at secondary airports and from the general tax policies of the state in terms of the corporate status of the airport, the issue of what property is taxable, and which units of government may levy taxes on this property.

What is taxable?

Generally, the leasehold value of real and personal property owned by private interests at the major airports is taxable. At Wold-Chamberlain, taxable property consists of leaseholds assessed as real property and the personal property of the airlines and other private interests.

The valuation of leaseholds for tax purposes at Wold-Chamberlain has been disputed by the airlines since 1964. The issue centers on the question of whether buildings financed and built by the MAC and then leased to the airlines are subject to local property taxes, and, if so, how this value is to be determined. The subject has been before the courts and the Legislature. Presently it is in the district court awaiting a decision about how to determine the value, after a decision by the Supreme Court that the leasehold interest in real estate was subject to an ad valorem tax based on the value of the leasehold.

Who determines the value?

The value of real and personal property is determined by the State Tax Commissioner at Wold-Chamberlain and not by the local or county assessors. In 1968, the total market value of property at Wold-Chamberlain amounted to \$51,000,000, and the assessed value was \$5,024,383.

Which units of local government can levy taxes?

One of the most significant differences between local taxation at the major airports and the general statewide policy is the limitation placed on the units of government which may levy taxes on this property. Major airports, since 1953, are detached from existing municipalities and school districts. Therefore, Wold-Chamberlain was detached from the municipalities of Minneapolis and Richfield and from the Richfield School District, and incorporated as a separate municipality under the MAC. One of the effects of this detachment was the reclassification of the Richfield School District so that it was no longer entitled to state transportation aid. This detachment also resulted in the loss of tax base to the school district and the City of Richfield. (Minneapolis did not lose any tax base as the property was owned by the Park Board.)

The loss of tax base to the school district was recognized by the Legislature in an addition to the MAC law that authorized payment in the form of school district aid out of the Income Tax Fund, according to an authorization formula. The school district has not received the authorized compensation in any year (1969-\$247,750) but instead the amount appropriated and allowed by the Legislature at each session (1969-\$145,000). A comparable compensation for loss of tax base to the municipality was not provided since it was felt that the MAC was providing municipal-type

services to the airport users and Wold-Chamberlain did not use the services of Richfield. Subsequent agreements between the MAC and Richfield have resulted in payment of a utility fee for sewage service sufficient to pay for the cost of the interceptor and prior special assessments. The detachment of Wold-Chamberlain from existing municipalities and school districts has resulted in the taxable property at the airport being considered as part of the tax base only for Hennepin County, Wold-Chamberlain (MAC), and the Metropolitan Council, and therefore subject to a substantially lower total tax levy than property outside the airport.

The MAC, as the municipality at Wold-Chamberlain, has the power to levy a tax on taxable property to pay the cost of police, fire protection, and the construction and maintenance of roads, streets and parking areas. The MAC does not have a statutory mill limitation but has agreed in the main base lease with Northwest Airlines (1956) to a limit of 60 mills. The actual levies of the MAC since 1964 have been:

<u>Year</u>	<u>Assessed Value</u>	<u>Certified Levy</u>	<u>Tax Mill Levy</u>
1964	\$ 3,998,026	\$ 229,326	57.36
1965	4,274,924	229,306	53.64
1966	4,229,462	41,871	9.90
1967	4,565,981	40,545	8.88
1968	4,663,480	41,225	8.84
1969	5,026,695	274,442	54.62

3. Distribution of tax revenues from the airport.

The tax revenues from the secondary airports and Wold-Chamberlain are returned to the unit of government permitted to levy taxes in the amount raised by this levy. At Wold-Chamberlain these include only Hennepin County, the MAC, and the Metropolitan Council.

4. Distribution of tax revenues in the area surrounding airports.

Any development occurring within the area surrounding airports is part of the tax base of local units of government within which it falls and all taxes levied go to these units. This is the prevailing state policy.

A significant change in the present policy is anticipated by the 1969 Airport Development Area Control Act, where the local units of government may share the tax revenues from development occurring within this three to five mile area outside the airport. Government units in the area are required to jointly study and decide upon a plan for the sharing of property tax revenues and if 80% by number agree upon a plan it shall be put into effect.

B. PROBLEMS

1. Airport development may result in removing a portion of the tax base of some units of local government without assessing the impact on fiscal resources of these units or providing any offsetting payments for this loss.

The acquisition of land by the MAC in the development or expansion of airports results in removal of some of the tax base of local units of government. The extent

of the tax loss will depend upon the amount of land acquired and the percentage of the municipality, school district or county which is affected. Since most new airport development of either major or secondary fields is in areas which are presently undeveloped, the total amount is not likely to be very substantial other than in a major airport. For example, the estimated taxes levied on property in the proposed area for the Ham Lake airport in 1968 by the city of Blaine, Ham Lake township, the Anoka-Hennepin School District #11, and Anoka County totaled \$70,178. This was before the announced decision of the MAC.

The loss of tax base from land acquired by the MAC should be offset to some degree by a reduction in the need for public services. However, it is possible that these losses in revenue will be in excess of reductions in expenditures in communities with secondary fields for a long period of time since there is only limited development in the surrounding area which is attracted by the airport. However, at a major airport the period of time is likely to be shorter as considerable surrounding taxable development can be anticipated to make up this difference within a few years in some communities--particularly those with the major freeways that connect the airport to the already developed portions of the metropolitan area.

At the present time, there are no provisions for offsetting this temporary loss at major airports or the longer term losses at secondary airports. One of the effects of the lack of recognition of this reduction in tax base is that it sets up pressures by the local units to obtain some compensation from the state. This was the case with the Spring Lake Park School District.

A second shortcoming of the present policy is that, without any provision for offsetting the possible tax loss, there is no mechanism established to measure the extent of this loss or the period of time in which this occurs. As a result, even though a new major airport is likely in the long run to result in substantial increases in the tax base of surrounding units of local government, we are without any method for measuring the increases in taxable value resulting from the airport which could be used to offset any tax loss. Likewise, no agency is assigned responsibility for making this type of determination.

2. Present policy of local taxation at major airports is inconsistent with the general policy of the state and their detachment reduces the financial resources available to affected school districts.

Generally, the state policy on local taxation is to permit all units of local government to levy taxes on the taxable property within their jurisdictions. In the case of Wold-Chamberlain and future major airports, however, this property is removed from taxation by school districts. The effect of this removal is to reduce the financial resources available to the affected school district and to substantially reduce the local tax burden on the property owners at the airport. As a result, the local tax policy at major airports is used to confer a substantial benefit on the airport users.

School districts, under the present law, are compensated from the state income tax when property of a major airport is detached from the school district. This payment is supposed to equal the amount that would be produced by a tax on the detached properties at the current tax rate for school purposes in the school district. However, in the case of the Richfield School District, this formula has not been followed and instead the State Legislature has made a separate appropriation each session to cover this compensation. This situation is undesirable in the same

manner that the lack of provision for offsetting tax losses has resulted in continuing efforts by the school district to persuade the Legislature to appropriate the full amount authorized by the state law.

The taxation policies employed at major airports are also inconsistent with those applied at secondary airports where taxable property remains within the jurisdiction of existing municipalities and school districts and subject to their tax levies. It is understandable that it would be undesirable to permit the variable tax rates of these local taxing areas to determine the development on a major airport. However, the present policy of removing this land from the jurisdiction of local units of government is equally unfair as a remedy since it results in denying tax resources to these units even to the extent of the tax base losses they have sustained or the expenditures they have incurred as a result of the impact of the airport.

3. Detachment of a large amount of land from existing municipalities can result in creation of local municipalities which are not viable or become tax havens.

The detachment of land for a major airport and the incorporation of this area under the MAC appears to be a reasonable way of developing an organization to provide municipal-type services needed at the major airport. This approach seems particularly reasonable in light of the fact that major airports are likely to be developed in areas which lack either a well-organized municipal government or one which is faced with a number of problems resulting from its early development. The detachment is also a way to eliminate the competing interests of municipalities for land development which might favor them at the expense of the development plan of the MAC for the airport. However, it is entirely possible that the detachment of the airport from existing municipalities could result in leaving fragments of municipalities on the fringes of the airport which would lack the financial resources necessary to provide municipal-type services, or municipalities which could be favorably situated in terms of development and thereby become tax havens. This possible fragmentation of existing municipalities is a problem which should be recognized by the Minnesota Municipal Commission and the Metropolitan Council and provision made for the possible annexation or consolidation of the municipalities or townships to adjoining municipalities.

4. No consideration is being given to the tax policies which should be followed at a new major airport in spite of problems experienced at Wold-Chamberlain.

The present position of the MAC suggests that current tax policies employed at Wold-Chamberlain will be operative at a new major airport. The current tax policies were outlined by the counsel of the MAC at the public hearing on April 22, 1968. There is no indication from the MAC to suggest that this agency will seek any changes in these present policies to remedy the problems previously identified. Likewise, the Metropolitan Council has not discussed this subject and does not have a position on what policies of local taxation should be followed at a new major airport.

5. The tax-sharing in the area surrounding the new major airport anticipated by the Airport Development Area Control Act has considerable merit but responsibility for initiating the required studies and a mechanism for arriving at agreement over such a plan is lacking in the present law.

The Airport Development Area Control Act recommends that tax revenues from the development area be shared among units of local government in the area. These

units are required to jointly study and decide upon a tax-sharing plan, and if 80% by number agree upon the plan it will be put into effect. The two shortcomings of the law are that it does not assign responsibility to any unit of government or agency for convening the units and initiating the studies or provide a mechanism for arriving at agreement. This situation raises the possibility that, even though the idea of tax-sharing in this development area is anticipated by the current law, it might never come to be, since the parties involved might not get together, or their differences could result in an impasse without agreement.

The difficulty of possibly convening all of the governmental units and of getting the 80% to agree on a specific plan is illustrated in the number of local units which could lie within the three to five mile development area surrounding the proposed Ham Lake airport. This area could include ten municipalities, three school districts, one county, two hospital districts, and one watershed district. Only a small portion of some of these units would lie within the development area, but agreement by at least 11 of them would be necessary before any tax-sharing plan could go into effect.

C. RECOMMENDATIONS

1. We recommend the Legislature adopt policies for local taxation of taxable property on the new major airport which will recognize the metropolitan character of a new airport, the public financial resource implications of airport development on local government and move in the direction of making local taxation at major airports more consistent with the general policy of the state. More specifically we recommend these policies contain the following features:

- A. Taxable property on the airport be subject to a composite mill levy rate determined by the Metropolitan Council. This rate should be made up of the levies of the MAC as the municipality and the average mill levies of counties and school districts in the metropolitan area.
- B. Taxable property should be classified into two types:
 - (1) Air transportation property
 - (2) Non-air transportation property

The composite tax levy rate applied to air transportation property should consist of all parts except the average mill levies of school districts.

- C. Taxes collected from taxable property at the new airport should be distributed in accordance with the following principles:

- (1) Any loss in tax base to existing units of local government from development of a new airport should be offset from revenue collected from the taxable property at the airport. These losses should be only temporary and decline as development occurs in the airport development area resulting in offsetting increases in tax base and revenues to affected units of government. The Metropolitan Council should be assigned responsibility for determining the extent of this growth and the increase in local revenues which can be used to offset the payments for tax losses.

- (2) Taxes remaining after payment of the loss of tax base should be distributed to the counties and school districts in the metropolitan area on the basis of a formula adopted by the Metropolitan Council.

2. We recommend that the Metropolitan Council be designated by the Legislature to convene the units of local government in the airport development area and conduct the studies directed to obtaining agreement for a plan for tax-sharing in this area. In the event that 80% of the units are unable to agree to this plan, further provisions for arbitrating the differences should be included in the present law.

D. DISCUSSION OF RECOMMENDATIONS

1A. Taxable property at the major airport should be subject to a composite mill levy rate determined by the Metropolitan Council made up of the levies of the MAC and the average mill levies of counties and school districts in the metropolitan area.

The use of a composite mill levy rate based on the average mill levies of counties and school districts in the metropolitan area recognizes the metropolitan character of the airport which is to be built by a metropolitan agency whose bonds are underwritten by the tax base of the entire metropolitan area.

The average mill levy which would go into the composite rate would not include an average for the municipalities in the metropolitan area since the MAC would function as the municipality at the airport. The existing municipalities from which the airport is detached would not be required to provide any services to the airport as these would be handled by the MAC.

The composite mill rate based on the average of mill levies in counties and school districts in the metropolitan area would provide a way of avoiding the problem of variable tax rates from overlapping school districts which could result in setting up pressures affecting the plan for airport development.

1B. The tax levy rate applied to air transportation property should consist of only the MAC levy and the average mill levies of counties in the metropolitan area.

In applying the composite mill levy, a distinction should be made between property connected with air transportation and property not directly connected with air transportation. This is not the current policy followed at Wold-Chamberlain. At a minimum, a distinction should be made between air transportation uses and other types to limit the tax benefit to air transportation uses thereby making policies of local taxation at the airport more consistent with the general policies of the state. Under the present policy, excess land at a new airport which might be developed for compatible industrial or commercial uses not connected with air transportation would not fully contribute to the support of local government and thereby have tax advantages not available to comparable industries or commerce located outside of the airport. Some evidence of the possibilities are posed at Wold-Chamberlain where gas stations, buildings for car rentals and a hotel proposed a few years ago receive a tax break the same as airlines by not being subject to school mill levies.

The benefit conferred on the air transportation industry at Wold-Chamberlain is substantial. This benefit is primarily conferred by means of relieving it of the full burden of local property taxation. Although this is an important issue, we did not attempt to determine if this benefit to the air transportation industry is equitable or needed to assure that facilities for air transportation in the metropolitan area are competitive with other areas of the country or whether a distinction should further be made for tax purposes between facilities such as hangars needed by all airlines to operate at the airport and those facilities such as overhaul bases that may be more freely located at various airports in the country. Similarly, we did not attempt to determine whether the means used to grant this benefit was the most desirable or if other approaches, such as a special classification for the particular types of facilities reducing the total value subject to the full composite mill levy, would be preferable.

1C. Taxes collected from property at a new major airport should be first distributed to offset the loss of tax base to units of local government, with any remaining amount distributed to the county and school districts in the metropolitan area.

The actual losses of tax base to existing units of local government should be compensated from revenue collected from taxes on the airport. The present policy of ignoring these losses in the tax base and of having to react to pressures from school districts for replacement has resulted in a very undesirable situation and the use of a mixture of funding sources in the state including the income tax fund, aviation fund, and general revenue fund, to replace these losses. It should be kept in mind, however, that substantial taxable development is likely to occur around the airport in many communities and with the sharing of these revenues all units which may have lost some tax base will be receiving some portion of the increase in taxes collected from this area. To the extent that these increases occur, they should be offset against any tax loss payments. The measurement of these increases in taxes collected on development resulting from the airport area should be determined by the Metropolitan Council.

Taxes collected from property at the major airport should be distributed to the counties and school districts in the metropolitan area following payment for loss of tax base on the basis of a formula adopted by the Metropolitan Council. The distribution of revenues to the counties and school districts in the metropolitan area follows from the fact that the composite mill levy is largely made up of the averages of these districts. We did not attempt to determine what the distribution should actually be or whether it should go largely to the counties and school districts within the area in which the airport is located. Other factors, such as the degree of disparity between school districts and counties within the metropolitan area, might be considered in making this determination. Therefore, we are recommending that these taxes be distributed on the basis of a formula adopted by the Metropolitan Council.

2. The Metropolitan Council should convene the units of local government in the airport development area and conduct the studies directed to obtaining agreement for a plan for tax-sharing.

The Metropolitan Council is seen as the appropriate agency for convening the local units of government and conducting the necessary studies as it is the only neutral party within the metropolitan area with resources needed to perform this service. Although it might be argued that the county should handle

this responsibility, the county is one of the units of local government in this situation and could therefore be viewed as an "interested party". Likewise, associations of municipalities or school districts would have difficulty trying to bring together other units of government that did not belong to their group and might equally be seen as interested parties in these deliberations. The Metropolitan Council should perform this service and be given the power to arbitrate the differences between the parties in the event that a voluntary agreement cannot be achieved.

WORK OF THE COMMITTEE

Background

The Citizens League has had a continuing interest in basic questions of planning, governmental organization and local government finance for the Twin Cities area. Its research committees have studied and reported on areawide problems with sewage disposal, surface transportation planning, mass rapid transit, parks and open space, waste disposal, and area revenue needs as related to urban development.

Interest in airport development and the organization responsible for this function was discussed in a 1968 report on "Metropolitan Policy and Metropolitan Development". This report recommended service commissions subordinate to the Metropolitan Council be created and assigned responsibility for developing and operating major areawide systems including waste disposal, parks and open space, environmental protection, and airports. It noted that the transfer of the Metropolitan Airports Commission (MAC) from an independent special district to a service commission raised many problems. These result from the fact that, while airports are an areawide operation, the ownership of the facilities and the membership on the commission rests with the two central cities. It was suggested that financial problems associated with this transfer, the 25-mile service limit of the MAC, and the representative character of its board be considered in detail.

Following this report the Citizens League Board of Directors authorized the formation of a research committee with the following assignment:

"Review the statute setting forth the organization, powers and duties of the Metropolitan Airports Commission, and the history of its operation under this law. Consider any problems in connection with the makeup of the board, the adequacy of the 25-mile service limit, and whether the MAC should exercise a responsibility for all aviation in the seven-county area. Review long-range plans for additional facilities, regulation of development around airports, and the role of the MAC as a developer of industrial parks. Consider the relationship between the MAC and other metropolitan agencies."

Membership

A total of 20 members actively participated in the work of the committee. The chairman was Waverly Smith, executive vice-president, St. Paul Insurance Companies. Other members were: Newton A. Ablahat, Dwight E. Bartlett, Jr., George F. Bauman, William A. Braddock, Donald P. Brown, Robert C. Burton, Gary M. Dahl, Paul Farseth, Mrs. David Graven, Wells Jewett, Kenneth H. Lee, D. Kenneth Lindgren, Jr., William Messerli, John Mohr, John Richter, Everett J. Swanson, Mrs. Paul Van Valkenburg, Roy M. Weir, and Robert E. Willow. The committee was assisted by Clarence Shallbetter of the Citizens League staff.

Committee Procedures

The committee began meeting February 13, 1969. A total of 28 meetings were held, most of them 2-3 hour evening sessions, until October 6, 1969. Detailed minutes of each meeting were prepared of both the presentations made to the committee and its deliberations. These minutes, often running 5-6 pages, single-spaced, were circulated to committee members, individuals who appeared before the committee and a large number of officials and individuals interested in airport development in the Twin Cities.

The early meetings of the committee occurred after the MAC hearings on a proposed new major airport were concluded and the issue was before the Metropolitan Council for their review. The Legislature was in session and bills directed to the state's role in airport development and the membership of the MAC were being discussed. The committee attempted to obtain an understanding from the various parties and interests involved in these controversies as they were related to its charge. Following is a list of the resource people who met with the committee:

Lawrence M. Hall	- Chairman, Metropolitan Airports Commission (MAC)
Henry G. Kuitu	- Executive Director, MAC
Leonard Ramberg	- Past member, MAC
Gordon Shepard	- Legal counsel, MAC
George Pennock	- Member, Metropolitan Council, and Council member on MAC
Robert Einsweiler	- Director of Planning, Metropolitan Council
Lawrence E. McCabe	- State Commissioner of Aeronautics
R. O. Ziegler	- Area manager, Federal Aviation Agency (FAA)
Benjamin Griggs	- Vice-president, Northwest Airlines
James Dalglish	- St. Paul Commissioner and member of MAC
Thomas Byrne	- Mayor of St. Paul and member of MAC
Ernest Lindstrom	- State Representative from Richfield
Sherman Booen	- Executive Director, Minnesota Aviation Trades Association
Norman Mitchell	- Director, Business and Corporate Aircraft Association
Hal Rodenberg	- Instrument Flight Training, Inc.
Vic Vacanti	- DePonti Aviation Co., Inc.
Gerald Zavadil	- DePonti Aviation Co., Inc.
Arthur Naftalin	- Mayor of Minneapolis and member of MAC
Dean Meredith	- St. Paul Commissioner and member of MAC
Joseph Graw	- State Representative from Bloomington

Committee members were supplied with copies of the MAC and state airport zoning laws, statements from the MAC April 22, 1968, public hearing, the airport systems plan of the MAC, interim state airport plan, and the Metropolitan Council's evaluation of the findings, conclusions and orders of the MAC. The committee also was kept informed of policy statements by the U. S. Department of Transportation and of developments in the Minnesota Legislature. Communications were exchanged with airport managers in ten major metropolitan areas about airport planning, finance and taxation practices.

The staff of the committee received excellent cooperation from staff members of the various agencies and the legal counsel of the MAC. Information requests were handled promptly and generous assistance was provided in supplying documents. The committee is deeply grateful for this assistance.