METROPOLITAN SIGNIFICANCE REVIEW REPORT
MALL OF AMERICA AND FANTASYWORLD IN THE CITY OF BLOOMINGTON
METROPOLITAN COUNCIL REFERRAL FILE NO. 13053-2

Prepared under the Direction of Sandra Gardebring, Chair
Metropolitan Council
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November 8, 1985

For Purposes of Public Hearing
Beginning Wednesday, November 20, 1985, 8:30 AM.
Metropolitan Council Chambers
300 Metro Square Building
St. Paul, Minnesota 55101

Metropolitan Council
300 Metro Square Building
7th and Robert Streets
St. Paul, Minnesota 55101

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PUBLIC HEARING PROCEDURES

The public hearing shall be conducted in a manner designed to protect the rights of all persons and parties and ensure fundamental fairness. The following procedures shall govern the public hearing conducted by the Metropolitan Significance Review Committee.

Under the metropolitan significance review rules, these procedures may be modified by the chair of the Metropolitan Significance Review Committee.

PROCEDURES FOR INTERESTED PERSONS

Only evidence formally presented to the committee shall be considered in making the findings and recommendation of the committee.

All evidence received shall be submitted under oath and made a part of the record.

All witnesses shall be subject to cross-examination by the parties and the committee.

The chair of the committee may, on the request of any party or on her own initiative, limit the amount and scope of direct and cross-examination and presentation.

All hearings shall be transcribed or tape recorded.

Written testimony will be accepted until Dec. 2, 1985, the close of the public hearing record.

PROCEDURES FOR PARTIES

Pursuant to Minn. Rules Ch.5700.2400 (1983), the chair of the Metropolitan Significance Review Committee has issued the following order which applies to the cities of Bloomington and Minneapolis, the Triple Five Corp. and the Metropolitan Council.

1. By the close of business on or before Nov. 12, 1985, each party shall submit to the committee and to each party the name and address of each witness who will submit direct testimony. By the close of business on or before Nov. 15, 1985, each party shall submit to the committee and each party the name and address of each rebuttal witness whom it intends to call following the cross examination of witnesses pursuant to paragraph four below.

2. Direct testimony shall be limited to sworn, prefiled, written testimony, submitted to the review committee and to each party on or before the close of business Nov. 13, 1985. Whether witnesses shall be entitled to make a brief oral summary of their direct testimony shall be the subject of a future order.

3. Documentary evidence shall be limited to documents submitted to the committee and to each party on or before Nov. 13, 1985, except that documentary evidence, the availability of which could not reasonably have been foreseen prior to Nov. 13, 1985, may be entered into the record during the public hearing upon approval by the chair of the committee.

4. Upon commencement of the public hearing on Nov. 20, 1985, an attorney or other representative of each party shall be entitled to make an opening statement to the committee. Such statement shall not exceed 30 minutes. The order of witnesses shall be the subject of a future order.

5. Each witness who has submitted prefiled written testimony shall be subject to cross-examination. Cross-examination shall be limited to that which is necessary for a full and true disclosure of material facts respecting the issues which the committee must decide. Repetitious or nonproductive cross-examination or cross-examination on remote issues will not be permitted. Only one attorney or other person shall be permitted to cross-examine any witness on behalf of a party. Cross-examination of any witness by any party shall be limited to 30 minutes. Upon completion of cross-examination, a witness shall be entitled to present redirect oral testimony not to exceed 15 minutes. Redirect testimony shall be limited to matters raised on cross-examination. Redirect testimony, if any, may be followed by recross-examination, limited to 10 minutes per party per witness.

6. Upon completion of examination pursuant to paragraph five above, each party may call direct oral testimony rebuttal witnesses identified pursuant to paragraph one above. Rebuttal testimony shall be limited to 15 minutes per witness. Cross-examination shall be limited to matters raised on direct and shall be limited to 15 minutes per party per witness.

7. The metropolitan significance review may take such time as its chair shall permit to question any witness, which questioning shall occur after completion of the examination pursuant to paragraph six above.

8. Within five days of the close of the hearing or at the close of business on Dec. 2, 1985, whichever comes first, the attorney or other representative of any party may submit written argument to the committee and to each party (not to exceed 15 double-spaced, type-written 8-1/2x11 pages), and proposed findings and recommendations.

CONTENTS

METROPOLITAN SIGNIFICANCE REVIEW REPORT
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AUTHORITY TO REVIEW

A metropolitan significance review of the proposed Mall of America and Fantasyworld was initiated by the Metropolitan Council on Sept. 26, 1985, pursuant to the Metropolitan Significance Act of 1976 (MSA 473.173). The act, together with metropolitan significance rules and regulations adopted on Jan. 16, 1978, provides for the identification and review of all proposed matters alleged to be of metropolitan significance. The standards for making an allegation of metropolitan significance include both metropolitan system effects and effects on local governmental units other than the situs governmental unit.

The purpose of the review, as stated in the rules and regulations, is to assure that the total effect of a proposed matter of metropolitan significance is considered and that the orderly and economic development of the Metropolitan Area is promoted, thereby protecting the health, safety and welfare of the residents of the area.

The review of the Mall of America and Fantasyworld was initiated by Council resolution accompanied by an information submission which alleged that the proposed development may present an impact on metropolitan systems and has the potential to substantially affect the existing or planned land use or development in local government units other than the city of Bloomington.

Following initiation of a metropolitan significance review, a significance review report is prepared by Council staff under the direction of the chair of the Council. It is to contain an objective description of the project, to analyze issues raised regarding the project and to make a recommendation as to whether the project is of metropolitan significance and, if so, what action by the Council is appropriate. The report is to be the subject of the public hearing conducted by the significance review committee which makes a recommendation on the metropolitan significance of the proposed development to the Council. If the Council determines that the development meets the criteria in the rules for metropolitan significance, the Council may choose to take no action, to amend its policy plan to accomodate the project, to propose modifications to the project that would alleviate any adverse effect, or suspend any action (construction) on the project for up to a one-year period following the issuance of its final determination.

The metropolitan significance rules and regulations provide that the Council must complete its review and make its determination within 90 days from the date of commencement. The 90-day period ends on Dec. 26, 1985.

SUMMARY OF PRELIMINARY STATEMENTS

The metropolitan significance review rules provide that the parties and interested persons have 20 days following commencement of the review in which to submit preliminary statements containing information, opinions and facts bearing on the issue. The parties to this review are the city of Bloomington, the Triple Five Corp., the city of Minneapolis and the Council. Statements received by the Council are summarized below.

1. Metropolitan Council preliminary statement is limited to indicating the scope of the significance review report presented here and to defining the basic development and economic elements of the proposed project.

2. City of Bloomington asserts in its preliminary statement that the proposed development is consistent with the concepts and criteria developed in the city's comprehensive planning process. The Bloomington statement includes a summary of the public subsidies proposed in the development agreement, discusses the impact of the project on property taxes, specifically on fiscal disparities, and contends that the investment in regional systems needed to support the project is more than offset by the tax revenues that will be generated from the project. With regard to transportation funding, the city recommends that the legislature appropriate sufficient funds from the new state revenues generated by the project to pay for all necessary highway improvements. Bloomington's statement provides estimates of employment generated by the mall and the retail sales capture projected for the mall both from non-tourists and tourists. The city also discusses the synergism between the retail/amusement component of the mall and the proposed convention center and contends that the Bloomington convention center will not compete with the Minneapolis convention center.

3. Triple Five Corp. states that the metropolitan significance process historically has had limited use by the Council because it can adversely affect intermunicipal cooperation and allow parochial interests to override state and regional benefits. Triple Five contends that the review's scope should be limited to matters over which the Council has jurisdiction, noting that projections or predictions of economic activity are largely speculation. The preliminary statement also describes the proposed development and provides estimates of employment (permanent full-time jobs); it also asserts that there will be significant secondary or "spinoff" development accruing to the area from the project. Triple Five provides estimates of net new revenue to the state and projects the number of tourists attracted to the mall. The statement also discusses the trade, exhibit and convention facilities proposed for the site and promotes the mall location as the type of facility likely to attract national conventions. With regard to retail activity, the corporation states that new major retail facilities do not over time adversely affect existing retail, including the downtowns. The retail element of the mall will not displace other businesses as would the alternative office/hotel proposals.

4. City of Minneapolis addresses a wide range of topics in its preliminary statement, including economic issues such as retail activity, tax revenues, tourism effects, a second convention center and financing of the project. Development issues are also addressed, such as transportation improvements and funding, air quality and noise impacts, airport use, and water and sewer issues. Minneapolis conducted several detailed analyses of the impact of the proposed development and uses the findings from these to challenge assertions made by the developer and by the city of Bloomington. Minneapolis concludes from its study of tourism that only ten percent of the new visitors trips projected from the development would occur. Minneapolis also challenges Triple Five Corp. forecasts of retail sales and estimates of per capita retail expenditures and concludes that the mall would have a major adverse impact on retail sales, employment and assessed valuation of other major regional shopping centers. The preliminary statement also concludes that the mall will draw sightseeing visitors away from existing sightseeing activities. Minneapolis estimates net new employment

from the mall at 600, far short of Triple Five's estimate of net new employment of more than 20,000. The city estimates the transportation improvements needed for the mall in the amount of $330 million. Minneapolis raises the issue of risk of failure and the likelihood of serious loss should the mall fail to perform as claimed by the developer.

5. City of Edina expresses its concern about the effect of the project on the regional transportation system and on existing retail activity.

6. Association of Metropolitan Municipalities supports the metropolitan significance review. The association states that the review should be conducted free of the influence of the administrative and legislative branches of the government. The association recommends that, following this significance review, the Council look at the adequacy of the metropolitan significance regulations and in the future review all proposed major projects in the region.

7. Metropolitan Waste Control Commission indicates that it has adequate capacity to serve the development but a comprehensive sewer plan amendment is needed from the city for commission review and approval.

8. Greater Minneapolis Chamber of Commerce commends the Council for initiating the review.

DESCRIPTION OF THE PROJECT

The Mall of America and Fantasyworld is a mixed use project to be enclosed under one roof on the 85-acre site formerly occupied by the Metropolitan Stadium (see Attachment 1). The project may also use an additional 40-acre parcel immediately east of the stadium property. The project consists of 10.5 million square feet including:

- five million square feet retail shopping mall (four million square feet of gross leasable area), including eight department and major food stores and about 800 shops

- one million square feet Fantasyworld including a water park, submarine lake, a space and science center exhibit, ice arena, Fantasyworld pavilion, roller rink and other amusement facilities

- 500,000 square feet convention center of which not less than 300,000 square feet would be utilized as an exhibit area. (The change from a one million square feet facility was communicated to the Significance Review Committee in an October 10, 1985 letter from Myron Calof, representing Triple Five.)

- two million square feet of hotel space, which represents 2,000 hotel rooms

- two million square feet of office space

The development projected for the Mall of America and Fantasyworld represents a significant change in use, intensity and staging for the stadium site from that found in the generic environmental impact statement (EIS) prepared for the Airport South District of Bloomington which includes the stadium site. The generic EIS was prepared based on the Bloomington Comprehensive Plan in response to the Council's recommendation in its review of the plan that additional land use and transportation analysis was needed to determine the impact on metropolitan systems. Tables 1 through 3 illustrate the differences between the generic EIS and the Mall of America/Fantasyworld projections.

The development proposed in the generic EIS for the stadium site was about four million square feet. (This is based on calculating hotel rooms at 700 square feet per room and housing units at 1,000 square feet per unit.) The mall complex is more than 2 1/2 times larger at 10.5 million square feet. The predominant land use proposed in the generic EIS was office (45 percent of all new development), whereas with the mall complex the predominant use will be retail (48 percent of all new development). The entire mall complex is scheduled to be built over a nine-year period to 1995; the generic EIS staged development on the stadium site over a 16-year period to the year 2000.

Analysis of Comprehensive Plan

The increase in size and the change in uses between the city's existing plans and the mall complex change the expected use of the regional highway and sewer systems as identified in both the comprehensive plan and the generic EIS. Based on the the regional trip model, daily trips from the entire Airport South area, including the mall complex, will be 274,000, substantially higher than the 173,000 daily trips projected in the city's comprehensive plan for the district. Based on the sewage flow figures in the EAW prepared for the mall complex, sewage flows from the Airport South District including the mall complex will be 27 percent higher in 1990 and 11 percent higher in the year 2000 than flows projected in the generic EIS.

Despite these differences in land use, land use intensity and development staging as well as projected use of the regional highway and sewer systems, the city of Bloomington asserts that the Mall of America and Fantasyworld project is consistent with its comprehensive plan. While the project is nominally consistent with Bloomington's designation of the stadium site as a high intensity mixed use area (Bloomington comprehensive plan, Airport South District Plan, page A2/9), the city has gone on to define what it means by high intensity mixed use in terms of its sewage flow projections, average daily trip estimates and land use projections. In these respects the project is not consistent with the city's comprehensive plan and is in conflict with metropolitan systems plans with regard to the use, extension or expansion of metropolitan systems.

The fact that the city considers the project consistent with its zoning does not make the project consistent with metropolitan system plans. The Council does not use local zoning to determine system impact or to determine plan consistency. Bloomington's comprehensive plan was found compatible by the Council with system plans based on the information provided in the plan with respect to planned levels of sewage flow, trip generation, and other system-related aspects of land use. To the extent that the Bloomington zoning allows uses in excess of system capacity, the city's ordinance is not consistent with the directive of the Metropolitan Land Planning Act which states that:

> A local governmental unit shall not adopt any official control or fiscal device which is in conflict with its comprehensive plan or which permits activity in conflict with metropolitan system plans (Minn. Stat. 473.865, Subd. 2).

In addition, when metropolitan systems plans are amended, the Act requires affected local governmental units to review their local comprehensive plans to

Table 1
STADIUM SITE - STAGING COMPARISON

	1984-2000	1991-1995	1996-2000
Airport South Generic EIS	1,410,000 sq. ft.[1]	1,550,000 sq. ft.	994,000 sq. ft.
	1986-1990	1991-1995[4]	
Mall of America and Fantasyworld[2]	7,500,000 sq. ft.[3]	3,000,000 sq. ft.	

[1] Assumes 700 square feet per hotel room and 1,000 square feet per housing unit.
[2] Source: Letters from Myron Calof, representing Triple Five, dated Aug. 25, 1985 and Oct. 10, 1985.
[3] Includes 5,000,000 square feet of retail, 1,000 square feet of entertainment and a 1,000-room hotel.
[4] Completion date as stated in the city of Bloomington's preliminary statement dated Oct. 21. 1985.

Table 2
STADIUM SITE - LAND USE COMPARISON

Land Use	Airport South Generic EIS	Mall of America and Fantasyworld
Retail/Recreation	900,000 sq. ft.	6,000,000 sq. ft.
Office/Other Commercial	1,766,000 sq. ft.	2,000,000 sq. ft.
Hotel	840 rooms	2,000 rooms
Residential	700 units	0 units
Convention Center	0 sq. ft.	500,000 sq. ft.

Table 3
STADIUM SITE
COMPARISON OF SEWER FLOW PROJECTIONS

	1990	2000
Airport South Generic EIS	1.133 mgd	1.836 mgd
Mall of America & Fantasyworld EAW	1.440 mgd	2.045 mgd

assess the need for amendments thereto to ensure continued conformity with the system plans. Where amendments are necessary, they must be prepared and submitted to the Council for review.

The act thus embodies a dynamic planning process whereby metropolitan systems plans are amended by the Council to reflect regional needs and local comprehensive plans in their turn are amended as necessary to maintain consistency with the evolving regional plans. The requirement that local offical controls and fiscal devices not be in conflict with local comprehensive or metropolitan systems plans is the final link which ensuresthat the planning process is not subverted by inconsistent development.

METROPOLITAN POLICY ISSUES

METROPOLITAN SYSTEMS

The following analysis of metropolitan system effects uses the developer's estimates of attendance at the mall, in essence, a worse case analysis of system effects.

1. Sewers

The city of Bloomington described the sewage service needs for the Mall of America development in its report of Oct. 8, 1985. The city has used a somewhat different method for estimating wastewater flow from that used by the Metropolitan Council and Metropolitan Waste Control Commission; however, the planned wastewater flow for the various years is very similar to the quantities used by the Metropolitan Waste Control Commission and the Council.

The city of Bloomington reports the current flow from the Mall of America site and related service area is presently 0.883 MGD. The Mall of America will increase this flow from 1.355 to 1.587 MGD by 1995 and from 1.987 to 2.298 MGD by 2005. Based on the 1990 sewage flow projections from the Mall of America and Fantasyworld Scoping EAW, the projected 1990 flows are in excess of the city's allocated capacity and represent the potential use of a metropolitan system in conflict with metropolitan system plans. However, as noted below, adequate physical capacity is available to serve the projected development and the addition of these flows to the Seneca Wastewater Treatment Plant will not significantly accelerate the schedule for expansion of the plant. The Water Resources Management Development Guide Plan provides for preliminary study of plant expansion in the 1995 to 1999 time period and expansion in about the year 2000.

There are several methods of service for this site. The present 36-inch pipe to the Seneca Wastewater Treatment Plant would reach from 60 to 71 percent of the pipe's capacity from this service area. The original 15-inch sewer line serving the Metropolitan Stadium is also available. This line is served by the Metropolitan Wastewater Treatment Plant. If both of these lines are used, the two sewers would use from 36 to 42 percent of their capacity. Keeping both sewer lines available for service would allow the Metropolitan Waste Control Commission to shift flow from Seneca to Metro if needed sometime in the future. Presently, the Seneca Wastewater Treatment Plant does have adequate capacity available for the entire development. The city of Bloomington will have to submit a comprehensive sewer plan amendment containing specific service plans to the Metropolitan Waste Control Commission for review and approval.

Council policy contained in the Metropolitan Development Framework states that growth greater than forecasted in the fully developed area is consistent with Council forecasts if system capacity is available or can reasonably be provided. The Council will have to amend its Water Resources Management Policy Plan to accommodate the higher growth projected by this development.

2. Transportation

Initial Findings of Metropolitan Significance

The basis for a transportation finding of metropolitan significance is threshold statement 4 contained in the Metropolitan Council's Rules and Regulations for the Review of Matters Alleged to be of Metropolitan Significance. Threshold statement number 4 states that the generation of 10,000 or more vehicle trips per day or 1,000 or more vehicle trips in any one hour and a substantial effect on a metropolitan transportation facility or on a plan for such a facility contained in a metropolitan system plan are grounds for a finding of metropolitan significance.

All parties who have addressed the issue (Metropolitan Council, Bloomington and Minneapolis) agree that both thresholds are substantially exceeded by the mall project proposed by the Triple Five Corp. Vehicle trip estimates from different sources for the proposed project range from 123,000 daily or 6,323 peak hour trips to 191,700 daily trips. This level of trip generation would have a substantial effect on the two metropolitan highways, Hwy. 77 and I-494, surrounding the proposed development site as detailed in the following discussion.

Transportation Analysis

This analysis is based primarily on the information contained in the Updated Transportation Plan for the Airport South area (prepared for Bloomington by BRW, Inc.). In addition to analysis done by Council and Regional Transit Board (RTB) staff, an independent review of portions of the Updated Transportation Plan was conducted by Richard Pratt, transportation consultant to the Council. Information submitted by Minneapolis and its consultant, Strgar-Roscoe-Fausch, in its preliminary statement was also considered. The mall proposal has been analyzed in the context of the overall development proposals for the entire Airport South area. In other words, this discussion centers on the proposed Triple Five Corp. development and on the existing and additional development proposed for the rest of the Airport South area. The Airport South study area is bounded by I-494 in the north, Hwy. 77 in the west and the Minnesota River in the south and the east (Attachment 2).

Trip Generation

In assessing the impact on the transportation system, the first thing to determine is the amount of travel or number of person trips generated to and from the project site and the Airport South area on both a daily and peak hour basis. Once the amount of travel generated is estimated, a modal split betweentransit and auto trips is determined including provisions for travel management techniques such as promoting sharing rides and staggering work hours. Then, Metropolitan Council and Mn/DOT forecasts of regional travel are used to determine the background traffic on the roadway system (traffic generated by the rest of the region). Finally, the traffic generated by the Airport South area is added to the background traffic to determine the overall impacts on the regional highway and transit systems. The number of visitors arriving in the Twin Cities by air and tour bus was also determined by Bloomington.

The most common method of forecasting trip generation is to assume trip generation rates similar to those actually measured for comparable land uses and development. The Institute of Transportation Engineers has produced a Trip Generation Manual (3rd edition, 1982) compiling trip rates measured at various land uses throughout the United States over the past 20 years. This manual is a widely accepted standard. However, the proposed Mall of America/ Fantasyworld, due to its size and mixture of land uses, is unique and it would not be reasonable to apply the standard Institute of Transportation Engineers rates developed for isolated, suburban developments without some adjustments. The Metropolitan Council staff and its consultant did use the Institute of Transportation Engineers rates, adjusted to account for the size and multi-use nature of the project, to forecast trip generation.

Bloomington's consultant used a different method and developed trip generation estimates for retail, amusement and convention center visitors based on Triple Five's expected annual patronage. Trip generation for retail, amusement and convention center employees was derived by using Triple Five's estimated number of employees. Office, hotel, and residential trips were estimated from rates in the Institute of Transportation Engineers manual and local studies.

The trip generation for an average day was factored to a design day (the peak day of the week for the peak month of the year). This was derived by applying relative daily and monthly factors for each day and month for each of the trip purposes. The factors were derived from West Edmonton Mall, the Center Companies (operators of the Dales), Institute of Transportation Engineers, and other sources. The design day for the Airport South area (8 percent greater than an average day) is a Wednesday or Thursday in July; the design day for the Mall of America itself is a July Saturday but this peak (resulting from increased retail weekend trips) is more than offset by the weekday peak from office uses in the remainder of Airport South.

The large amount of office use also determines the peak hour of the day in Airport South. The Updated Transportation Plan examined a weekday morning (8-9 a.m.) peak hour, a weekday afternoon (4-5 p.m.) peak when the background traffic is highest, a weekday evening hour (8:30 - 9:30) when the heaviest exit from the Mall of America/Fantasyworld is expected, and a Saturday afternoon hour (1-2 p.m.) to assess the weekened retail traffic. This analysis showed that the 4-5 p.m. period is the peak hour for both outbound traffic and total traffic for the total Airport South. The 8 to 9 a.m. weekday period had the heaviest inbound traffic due to office arrivals. These conclusions were also reached by Strgar-Roscoe-Fausch, who identified a summer weekday as the design day as well. Neither of these peak hours would be changed by an event at Met Center.

Table 4 shows the vehicle trip generation estimates made by Bloomington, the Council and Minneapolis for the entire Airport South area for the year 2005. The Council estimates indicate that about 17,800 vehicles would leave the Airport South area in the busiest hour of the day (i.e., the evening rush hour).

Table 4
AIRPORT SOUTH AREA VEHICLE TRIP GENERATION

	Bloomington	Metropolitan Council	Minneapolis
Daily veh. trips-A.S.	246,039	274,000	269-339,000
PM peak hour-total	22,060	26,769	26,100-31,800
PM peak hour-outbound	14,069	17,845	17,300-20,700

Table 5 shows trip generation broken down by land use for the entire Airport South area at full development in the year 2005. This shows how the number of trips generated by offices are a substantial component of traffic in the peak hour (about 63 percent), whereas the entertainment and retail component only accounts for 23 percent of the vehicles leaving the Airport South area in the evening peak hour.

Table 5
AIRPORT SOUTH AREA TRIP GENERATION BY LAND USE
(Council estimate)

Land Use	24 Hr. Vehicle Trips	Pk Hr Outbound Trips
Retail	85,000	3,265
Amusement	25,600	868
Mall Office	27,500	2,636
Other Office	74,083	8,649
Mall Hotel	17,360	577
Other Hotel	27,829	1,082
Convention	6,168	410
Housing	10,724	358
Total	274,264	17,845

The estimates of vehicle trips made by Bloomington and its consultant, as shown in Table 4, reflect a "moderate" use of transit and travel demand management (i.e., carpooling, vanpooling, staggered work hours). Bloomington developed a series of three scenarios (i.e., low, moderate and high) that detail how the number of peak hour vehicle trips and its impact on the system can be reduced through the use of transit and other strategies like vanpooling and staggered work hours.

These strategies were applied primarily to trips generated by office workers since these strategies are difficult to implement with retail shoppers or convention and hotel visitors. Office employees trips are also by far the largest component of peak hour traffic. These scenarios are presented in Table 6. On this table transit indicates the percentage of person trips in the peak hour using transit, vehicle occupancy or average number of people in each car rises as carpooling increases (reducing the number of vehicles), and percent of daily travel occurring in the peak hour drops due to staggered work hours. This last strategy will not reduce total daily travel but is a way to spread the trips out, thus reducing the usual peak hour demand.

Table 6
BLOOMINGTON TRANSIT AND TRAVEL DEMAND MANAGEMENT GOALS

Land Use	Low			Moderate			High		
	Transit	Veh. Occup.	Pk Hr % of Daily Travel	Tr.	Veh. Occ.	Pk Hr %	Tr.	Veh. Occ.	Pk Hr %
Office	0	1.1	15	2	1.2	13	5	1.3	12
Hotel	0	1.3	7	1	1.4	7	1	1.5	7
Residential	0	1.1	11	2	1.1	11	5	1.1	11
Retail/Annual Conv. Empl.	0	1.2	15	2	1.3	15	5	1.4	15
Retail/Amuse. Visitors	0	1.6	7.95	1	1.6	7.95	2	1.6	7.95

The high travel demand management (TDM) goals would be difficult to achieve. The auto occupancy of 1.1-1.2 for office use low and moderate seems reasonable, given that the Airport South Study measured current vehicle occupancy in the area of 1.18 and the 1982 Travel Behavior Inventory measured the regionwide average for home based work trips during 4-5 p.m. at 1.2. However, reducing the peak hour percentage of daily travel from 15 percent to 13 percent for office uses assumes a very good employer participation rate of 60 percent. In practice employee participation rates usually range from 11 to 26 percent so an office peak hour reduction from 15 percent (low) to 14.5 percent (moderate) seems more likely.

Transit

The 1982 travel behavior measured the regional average transit use for all trips at 3.8 percent and the transit use for work trips at eight percent. Regional Transit Board staff prepared an analysis of the number of routes and buses needed to serve the moderate and high transit levels projected by BRW (559 and 1,193 passengers in the peak hour) for all of the Airport South area. The daily and annual operating costs were also estimated. This analysis, shown on Table 7, includes the current situation on the top line.

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ANALYSIS OF TRANSIT SERVICES

	# of Routes	4-5 P.M. Peak Trips	# Buses P.M. Peak Hr	Daily Peak Miles (35% Tot.)	Daily Total Miles	Plat-form Hours[2]	P.M. Peak Ridership from Airport South	Avg. Daily Pass. Per Mile	Daily Opera-tions Cost	Annual Opera-ting Cost
CURRENT[1] 13,000 Employment Base 1% modal split 15 pass. per trip daily avg. from entire route(s). (Pk. for A.S. = 4 pass/trip) $25.21/hour $1.66/mile	7	25	25	1,168	3,286	180	106	.73	$1,400	$400,000
MOD TRANSIT USE 559 PM Peak Pass. from Airport South (BRW) 15 Pass per peak trip $25.21/hour $1.66/mile	10	37	37	3,330	9,514	521	559	.73	$28,928	$8.1 mil
HIGH TRANSIT USE 1,193 PM Peak Pass. from Airport South (BRW) 15 Pass per peak $25.21/hour $1.66/mile	22	79	79	6,241	17,831	977	1,193	.73	$54,230	$15.3

$25.21 Hour - MTC Projected 12 Month Costs, $1.66 Mile - August 1985

[1]MTC Routes # 15, 35P, 39, 50, 78, 88, 89, Jan. 1985 ridership and cost figures from Jan. 1985 route profiles

[2]Platform hours are total revenue and non-revenue scheduled hours on the route

Seven existing Metropolitan Transit Commission (MTC) routes connect the Airport South to downtown Minneapolis, the airport, and suburban residential areas to the west in Bloomington and to the south in Apple Valley and Eagan. Any expanded service to the Mall of America should connect to at least these same places.

Table 7 shows that the number of vehicles that could be removed from the metropolitan highway system by transit during the peak hour, even assuming a high transit use, is modest. Yet the operating costs for moderate transit use are very high ($8 million annually in 1985 dollars) and the number of buses required would be almost five percent of the total peak hour MTC fleet. Even though a large amount of employment is proposed for Airport South, the surrounding land use and potential transit market is low-density suburban residential which is difficult to serve and has few established routes. Therefore, the productivity of transit does not approach that of a downtown area which is the hub of many long established routes through high density residential areas with a large transit-dependent population.

Since the state currently subsidizes 10-20 percent of transit operating costs, providing transit to support the ridership levels proposed by Bloomington represents a substantial public subsidy not previously identified. If one assumes the additional buses to provide this service were purchased by MTC (rather than diverted from service elsewhere) capital costs could be estimated at $165,000 per bus or almost $2 million for 12 additional buses beyond the 25 currently in service in the area.

This transit analysis indicates that large investments in transit would not replace even larger investments to increase highway capacity.

Bloomington has not addressed the question of providing an internal transit circulation system within the Airport South area and possibly connecting to the airport or other hotels along I-494. Such a system could be provided by Triple Five Corp., as in Edmonton, or possibly by private providers. This system would relieve almost none of the peak hour traffic expected on the regional roadway system but it would improve internal traffic circulation within Airport South and possibly would provide better accessibility to the immediate surrounding area.

<u>Metro Highway System</u>

The remaining trips generated by the entire Airport South area after accounting for travel demand management and transit will have to be accommodated on the surrounding roadway system. Assumptions about how these trips will be distributed on the roadway system is shown on Attachment 3.

The major impact on the metropolitan highway system would occur during the evening rush hours. Not only are the greatest number of outbound trips generated by the Airport South area during this hour (about 17,800 vehicles) but the background travel generated elsewhere in the region on the regional highways is also at its peak. Therefore, this discussion will focus on the peak hour rather than total daily volumes.

Assuming that a freeway facility can carry up to 1,800 - 2,000 vehicles per lane per hour, there will be two elements of the metropolitan highway system severely impacted by the traffic generated by the Airport South area development. The first element is made up of the portions of Hwy. 77 and I-494 immediately surrounding the study area. The second element is constituted by the portions of I-494 west of 12th Ave. So.

In order to enable 17,800 trips to leave the Airport South area in the p.m. peak hour, improved access to the metropolitan highway system is needed at Killebrew Dr., and the Hwy. 77 at 24th Ave. So. and I-494 and the Hwy. 77/I-494 interchange should be rebuilt. These would have to be fairly elaborate interchanges involving directional ramps and a system of collector-distributor roads to improve the traffic flow without affecting the traffic on the main highways of Hwy. 77 and I-494. Consultants to both Bloomington and Minneapolis have prepared relatively similar layouts for those proposed improvements (Attachment 4, Bloomington proposal). Either of these layouts would be sufficient to provide access to the Airport South area while separating this traffic from the mainline of the regional highways. Bloomington estimated a cost for its proposed improvements to Hwy. 77 and I-494 of $72 million; Minneapolis cost estimate is $116 million for improvements in the immediate area. The Bloomington estimate does not include right-of-way or retaining walls. The Minnesota Department of Transportation has estimated total cost of immediate area improvements including right-of-way at approximately $116 million.

The above interchange improvements are consistent with the 1984 Transportation Policy Plan. The plan, however, did not envisage the magnitude and timing of those improvements as would be required by the proposed development. Table 12 of the plan, "Metropolitan Highway Needs" contains the following:

- I-494, Hwy. 77 to CSAH 1 (34th Av), Bloomington, Upgrade interchange area, to be further evaluated in Airport South Study.

- Hwy. 77, I-494 to E. 90th St., Bloomington, Construct new interchange segment from I-494 to E. 90th St. is deficient due to an at-grade intersection. Grade separation is assumed to provide capacity in corridor to help relieve I-35W.

Funding of these immediate area improvements is not currently programmed, with the exception of Hennepin County's improvements to the 24th/I-494 interchange which is in the 1986-87 Federal Aid Urban (FAU) program. However, these FAU funds (approximately $3 million) were approved for a specific design improvement and if the project is substantially altered, as is now being proposed, it could be treated as a change of scope and funding approval may be withdrawn. Bloomington has also requested FAU funding for the Killebrew Dr. interchange (application pending).

Bloomington did obtain authority in the last legislative session to issue bonds to finance improvements on Hwy. 77. The city would pay the interest on the bonds while Mn/DOT would repay the principal at the time they would have built the project if the normal programming process had been followed. When this legislation was passed there was no dollar amount included. Estimates of costs at that time were around $23 million. With those costs now increased four-fold, retirement of the bonds would impose a major constraint on Mn/DOT's long-range programming for regional and statewide projects.

In addition to FAU funds the proposed improvements could possibly be eligible for safety, major construction or Interstate 4-R funds. These funds are all limited (i.e., metro-wide FAU funds total $8 million per year) and projects are usually programmed 2-4 years in advance so any attempt to construct the I-494 and Hwy. 77 access improvements with money from existing highway funding sources would require a substantial reordering of regional and even state priorities. The city of Bloomington has suggested that these costs be funded by a direct appropriation from the state legislature, based on the amount of net new revenue generated by the project. With this approach, the construction of these improvements would not affect established regional priorities. This new revenue may or may not be available. Another trend recently occurring nation-wide is for the private sector to pay for the immediate area roadway improvements which benefit a development, either directly or indirectly through tax increment financing, tax-exempt bonds, etc. These options could also be considered by the city of Bloomington.

A final issue regarding the immediate area roadway improvements is that of timing. Bloomington has indicated that highway improvements should coincide with the opening of the mall project to the degree that they are necessary to maintain an adequate level of service on the regional highway system, provide reasonable access and ensure public safety.

It would be highly desirable that the immediate area improvements be completed by the time the Mall opens. To do so, however, would require an extraordinary effort on the part of several local, state and federal agencies, even if funding was secured, to finalize the design, prepare environmental statements, and secure right-of-way even before the commencement of construction. In order to expedite implementation schedules, efficient ways of dealing with right-of-way acquisition should be considered. This could include making the city of Bloomington responsible for this task.

In addition to these immediate area impacts, the analysis done for the mall project has shown that there would be substantial long-term impacts on I-494 and Hwy. 77 well beyond the site. Currently I-494 is four lanes west of Hwy. 100 and six lanes between Hwy. 100 and 24th Av. So. Hwy. 77 is six lanes south of I-494 and four lanes to the north.

The Transportation Policy Plan, completed in 1984, did identify deficiencies on I-494 or Hwy. 77 previously indicated in the immediate impact area and the need to widen I-494 west of Hwy. 100 to Hwy. 212/169. It did not identify a major deficiency on I-494 between Hwy. 77 and Hwy. 100. The analysis in the policy plan was based an older regional forecast. New regional forecasts have been developed since then based on more up-to-date information on auto occupancy and trips per capita. Region-wide this results in a forecasted increase of almost a million trips per day. It also means that even with no additional development in the Airport South area I-494 and Hwy. 77 would reach their practical capacities sooner than was anticipated in the policy plan and would eventually require a modification of the plan.

Because of the proposed Airport South development, the long-term growth expected elsewhere in the region and because I-494, Hwy. 77 and other regional freeways in the area would require many improvements to accommodate projected traffic. Hwy. 77 to the south and across the Minnesota

River should operated acceptably through the year 2000 with the elimination of the Killebrew Dr. intersection. Hwy. 77 to the north would require widening to six lanes as far as the 62nd St. Crosstown to accommodate demand. Projections of traffic desiring to go west on the Crosstown from Cedar also indicates a need to rebuild that interchange and possibly the Crosstown itself. I-494 to the east would also be above its capacity for a short distance until the interchange with Hwy. 5. Across the bridge and into Dakota County, I-494 traffic levels are projected to be lower than the theoretical capacity of the area. However, traffic going north on Hwy. 5 from I-494 to the airport and St. Paul will be congested. There especially would be a problem at the Hwy. 5 bridge over the Mississippi River. This is projected to be greatly over capacity and yet there are severe constraints on ever widening the four-lane bridge, as it passes under the historic Ft. Snelling area in a tunnel.

The major transportation impacts on I-494 would be felt west of Hwy. 77. West of Hwy. 77, traffic volumes on I-494 would be about 9,100 vehicles per hour in the evening rush hour when both full development of the Airport South area and regional growth expected by 2000 are taken into account. Of those volumes, about 45 percent (4,100 vehicles) would be generated by the Airport South area and about 55 percent (5,000 vehicles) would be generated elsewhere in the region. To accommodate the above traffic levels on I-494 west of Hwy. 77 would require a 10-lane section.

Preliminary analysis indicates that construction of a 10-lane freeway west of Hwy. 77 would be very difficult if not impossible due to operation, physical, environmental, economic and financial constraints. In addition, system-wide policy implications such as the impact of such widening on the rest of the freeway beltway (I-494/I-694) and on other radial freeways (I-394, I-35W) also advise against it.

Determining the long-term design for I-494 from the vicinity of the Airport South site to possibly Hwy. 55 in Plymouth to accommodate future growth would require a much more detailed analysis than can be performed in this metropolitan significance review. A comprehensive land use/transportation study of the entire corridor would be necessary to define an ultimate design concept which would allow for economic and orderly development in the south and southwestern portions of the region. This study would also look at a solution for the I-494 corridor which would be consistent and compatible with the needs of the entire metropolitan highway system. An eight-lane freeway design for I-494 should be initially considered for the purpose of this analysis based upon the previous discussion. Preliminary estimates developed by Mn/DOT for widening I-494 to eight lanes between 12th Avenue South and Hwy. 100 are $250 million including right-of-way acquisition.

The mall development proposal would account for about 40 percent of the vehicles leaving the Airport South area in the evening rush hour. A detailed review of the various factors that contribute to the traffic levels on I-494 indicates that a very large portion of the predicted volumes originated in the Airport South area would be attributable to the existing and proposed office space development. More than 60 percent of the evening rush hour outbound traffic volumes generated by the entire Airport South area would be due to the office space development including two million square feet proposed in the mall project.

By contrast, less than 25 percent of those outbound peak-hour volumes would be attributable to the proposed retail and entertainment components of the mall development. The very large peaking characteristics of office related travel are the reason for the great importance that office space development plays in the overall traffic generated at the Airport South area. In order to substantially affect traffic volume on I-494 and maintain them at level below the capacity of an eight-lane freeway, office space development in the Airport South area would have to be reduced by approximately 3,000,000 square feet. This would still leave approximately 5,000,000 square feet of office space in that site and would still allow the construction of the retail and entertainment component of the mall proposal and other ancillary components such as the hotels.

Effects on Other Municipalities

The traffic generated by the mall and all of Airport South will create congestion on the regional highway system in 2000 beyond the city limits of Bloomington and could constrain development in nearby cities. The major impacts will be felt by communities abutting I-494 such as Edina, Richfield, Eden Prairie and possibly Eagan. Richfield would also be affected by the increase in traffic on Hwy. 77 sufficient to warrant an additional lane in each direction north of I-494 and reconstruction of the Crosstown/Hwy. 77 interchange as well as possible reconstruction of the Crosstown west of Hwy. 77.

3. Airports

The number of air passengers generated by development of the mall are compared below with total annual air passengers at MSP International Airport. Generally, overall capacity appears more than adequate to handle the additional air traffic generated by mall visitors.

According to the Airport South EIS consultant, about one million total annual air passengers would be generated by the mall. This represents approximately eight percent of the total air passengers at MSP in 1984. To put this in further perspective, the growth in total air passengers at MSP in one year (1983 to 84) increased by about 410,000 representing over 40 percent of the total annual air passengers expected to be generated by the mall at full development.

Table 8
AVIATION ACTIVITY AT MSP INTERNATIONAL AIRPORT

	1973	1983	1984
Total(1) Passengers	6,217,725	11,563,072	11,973,000
Total Operations	120,725+	191,461	231,000

(1) This does not include general aviation air passengers using MSP.

Analysis of potential short-term impacts indicates substantial overall capability of aircraft and terminal facilities to absorb the projected numbers of Mall related air travelers. On a representative weekday at MSP the scheduled air carriers and regional commuters and air-taxi operators provided roughly 76,000 seats. If the daily seat capacity is annualized, and compared to the actual passenger traffic counts for 1984, the number of seats used would be under 50 percent. This relationship was also borne out when evaluating the potential impact on the airports terminal facilities. The average monthly and daily passenger activity at MSP is as shown below.

Table 9
MSP AVIATION ACTIVITY: 1984

Total Air Passengers	--------	11,973,000
Total Air Operations	--------	231,000
Average Total Passengers/Month	--------	997,750
Average Total Passeners/Day	--------	33,258
Average Total Operations/Month	--------	19,250
Average Total Operations/Day	--------	641
Average # Operations/Gate/Day	--------	12.8
Assumed # Available Gates	--------	50

These numbers indicate that the average number of passengers per-aircraft, per-day is 52, which again is only slightly over 50 percent of the average number of aircraft seats per aircraft at MSP. Thus, no additional flights should be needed to handle opening day mall travelers.

If the projected 961,647 annual air passengers generated by the mall are averaged across all 50 gates at MSP, they equal approximately 53 passengers per-gate, per-day, or an average of four passengers per aircraft. The 1976 MSP airport master plan estimated that at ultimate development the main (east) terminal complex could handle some 20,000,000 total annual passengers, double current levels of passenger demand.

While it is possible that some air-terminal gates could experience congestion on a peak-hour basis as a result of the added mall passengers, it does not appear too likely. This statement is based on the fact that markets with direct air-service from MSP are geographically dispersed and gate assignments for airlines serving these areas are well distributed throughout the terminal complex; therefore, incremental growth in passenger traffic on any one route would be dispersed through a number of gates and flights so that pressure on any single gate or airline would be minimal.

This viewpoint is further substantiated in the consultants estimates of the modal split for visitors to the mall which shows that the 200-mile limit is the point at which people would make a choice between driving or flying; the 200-mile distance breakpoint is also supported by Civil Aeronautics Board data. When reviewing the air-service map (Attachment 5) it is quite apparent that within the 200-mile distance limit, most service is provided by regional/commuter air-service. The cost of regional/commuter air-service is currently not competitive with the automobile at this distance, which would leave most mall air travelers orginating primarily from those markets in the 200-400 mile distance range of MSP.

Not only is there sufficient gate and aircraft capacity but there is still adequate physical (runway) capacity at MSP; existing capacity is estimated at 370,000 annual operations, with future capacity of 415-500,000 annual operations. The FAA is currently revising the methodology for calculating airport capacity, in effect increasing earlier capacity estimates by allowing higher levels of delay.

Another key variable, in addition to multi-year staging of the project, is which functions are constructed first. The majority of air trips to the Mall will be over 200 miles away, and primarily for purposes of attending a convention.

Table 10

Trip Purpose	Distance - Miles 0 - 100	100 - 200	200+
Retail	0%	3%	8%
Amusement	0%	5%	10%
Convention	0%	8%	75%

Source: BRW, Inc. Estimates - Bloomington Mall EIS.

If the convention facilities segment of the project is downsized or delayed, then the largest contributor to generation of air passenger enplanements will reflect a significant decrease in potential impacts on MSP. However, assuming the convention center is constructed and open in Phase I Development, it can be used as a benchmark to establish the potential impacts of aircraft noise.

Since existing aircraft capacity can handle the incremental addition of mall passengers there should be no impetus to add new air service. Furthermore, any incremental noise resulting from the additional mall passenger activity would occur primarily during the "closed-window" season, since the bulk of new travelers would be convention goers who's trip making is in the spring and fall as depicted in Attachment 6.

Actual air traffic levels occur in a manner counter to the convention cycle and actually reflects more nearly the amusement traffic volume profile, peaking in June, July, and August. Thus the mall generated air traffic would tend to balance aircraft load factors on an annual basis.

There are potential highway impacts of the mall generated traffic on ground transportation access to MSP. It should be recognized that commonality of roadway segments and similarity of peak traffic flows will require close monitoring to assure that interchanges and main roadway thru-lanes in the airport area continue to function effectively. If future time constraints are imposed upon aircraft operating hours at MSP for noise control purposes, it could result in sharply accentuated morning and possibly evening peak airport ground traffic demand on the adjacent regional highway system.

4. Parks

Local Resident Use

Local population use of the regional recreation open space system takes place during "disposable" or "discretionary" time for individuals, families and recreation interest groups. There is competition for that time between federal, state and regional recreation open space; local recreation programs; private sector recreation providers; existing shopping centers; special attractions, such as Valley Fair, professional sports events, zoos, museums; festivals, such as Winter Carnival and Aquatennial; and casual home-oriented recreation activities, such as reading and watching television.

Council and other studies of leisure in the Twin Cities Area show a strong and continuing interest in both the shopping-special attraction activities characteristic of the Fantasyworld/Mall of America, and the natural resource-based outdoor activities characteristic of the regional system. Further analysis of the data shows there are rather distinct groups of interests among the region's adult population. Those interested in activities characteristic of the Mall fall into one such group; those interested in natural resource-based recreation fall into several other groups. It is true there is more overlap between the groups in the Twin Cities than has been shown in other similar studies in other areas. This reflects the diverse opportunities available in the region, that is, there are a variety of places to satisfy one's basic interest in the outdoors, many of which can satisfy one's other interests as well. However, it is difficult to satisfy the interest in being outdoors with other kinds of activities.

Overall, given the described nature of attractions in the mega mall, it appears most likely to compete for time devoted to shopping and special attraction interest among local residents, both individual and families. There could be some effect on local use of the more "attraction-oriented" features of the regional system, such as the Como Zoo and Conservatory and the proposed water play area in French Regional Park. However, the location and unique features of these facilities plus well-established tradition (for many), assure a continued high use level. This leads to the conclusion, which we have applied in this study, that local residents' use of the regional recreation open space system and related open space recreation elements will not change markedly as a consequence of this project.

Tourist Use

The same presumption is not made for out-of-town visitors. Our conclusion is that if the increased tourism projected by the proposal occurs, there is a likelihood that use by tourists, both Minnesotan and out-of-state, will increase in federal, state, regional and local recreation areas in the Twin Cities. In some cases, nearby facilities will provide basic support services as in camping areas, picnic grounds, trails and exercise areas for persons staying at mall area accommodations. In other instances, use may be a consequence of the visitor's desire to see or learn more about the area.

The degree of effect at any given facility will likely be proportional to the current tourist use level at that facility. If the projected increase occurs, major effect will be felt at major attractions. Some of these attractions are in the regional system, such as Como Park complex, Minnehaha Falls, Minneapolis riverfront, Minneapolis chain of lakes and parks; some are provided by others: Historic Fort Snelling, Minnesota Zoo, Canterbury Downs, Guthrie Theater. Lesser effects will be felt at facilities with a smaller current tourist use component, such as general local and regional park facilities and nature centers.

Finally, some recreation facilities and programs are located nearby and increased use is likely to be a direct consequence of tourist presence in the southern Metropolitan Area. Examples include:

- Visits to the proposed Minnesota Holmenkollen ski jump, where a planned observation deck 70 meters above the highest point in the southern suburbs will be open year round.

- Visits to special jump events at the ski jump, ski competition events at Hyland Hills or Buck Hill, and major running or cross-country skiing events.

- Visits as part of local festivals which can expect larger draws from the tourism aspects of the mall. Winter Carnival and Aquatennial visitation from outside the area may be good examples, expansion of the Bloomington/Scott-Hennepin Park Reserve District joint "Winterrific" festival could follow.

Overall, the key item is the number of "new" tourist visits that will be created by the mall. New tourists will probably distribute their nonmall time according to proximity and strength of draw to other tourist attractions in the area. Attachment 7 in the attachments shows some of the potentially affected activities and facilities, along with general comments on the probable impact of increased tourist visitation if generated by the mall.

Summary of Effects

The effect of the mall on use of the regional recreation open space system by local residents will be negligible. There would be a positive and potentially major impact on the use of some facilities in the system if there is increased tourist visitation to the region. The net result would be an increase in use of the system. The increase would be concentrated in nearby recreation open space facilities offering basic recreation services or special events and in existing tourist attractions.

Regional facilities most likely to experience impacts that would require expansion are:

a. Lebanon Hills Regional Park campground.
b. Minnehaha Regional Park, all uses.
c. Hyland-Bush-Anderson Lakes Park Reserve, mostly for trail uses.

Other facilities that will be significantly impacted are:

a. Fort Snelling State Park
b. Minnesota Valley National Wildlife Refuge and Recreation Area
c. Historic Fort Snelling

Response Capability

The proposition that significant increased usership would be likely for some regional and metropolitan regional recreation facilities prompted examination of the response capability of the systems supporting those facilities. If there were a major increase in demand, could the system adjust?

In regional recreation open space, our conclusion is that the system could adjust to meet major use demands within an appropriate response time. There is some existing capacity in the system, though little in the specific parks named above. The possible responses to high user demand in facilities at or near capacity are two:

a. Upgrade developments on site to increase capacity. In general, the response in a development which experiences a sudden flood of usership involves provision of more parking, more service units (i.e., more picnic tables), more trails, increased turf management and waste pickup, more and better maintenance of vegetation and expansion of picnic shelters, service buildings and sanitary facilities.

b. Diversion of some of the overuse to other regional facilities which provide similar functions and are not currently overused.

The regional system components listed, Lebanon Hills Regional Park, Minnehaha Regional Park and Hyland-Bush-Anderson Lakes Park Reserve, can be dealt with by one or both of the above. Given that the Council's Development Guide chapter for Recreation Open Space provides for a biennial review of the capital improvement program and an annual review of the progress of development in the system, the potential response time appears feasible as long as funding can be achieved for the changes within the biennium succeeding the recommendation.

Implementing agency operating budgets are considered annually and can also adjust adequately. The difficulty, if any, lies in the capacity of implementing agency funding to meet expanded budgetary need. Currently, a state grant to the Council is distributed to each implementing agency to supplement approximately 10 percent of operation and maintenance costs in the regional facilities each operates. The formula for distribution is adjusted annually by factors including the past year's operating costs, hence there is some adjustment in this system as well. Again, this adjustment is feasible only if legislative approval of recommendations occurs. Note, too, that the current operation and maintenance funding program sunsets in FY 1987, thus will not be in existence unless renewed or expanded.

The other facilities, Fort Snelling State Park, Minnesota Valley National Wildlife Refuge and Recreation Area and Historic Fort Snelling do not work under the same system. The operating agencies for these do have somewhat equivalent procedures and can make some CIP adjustments. Diversion from these three non-regional facilities probably would entail diversion to regional facilities because there are no state or federally operated alternative sites near enough to be feasible. In our opinion, that problem can also be dealt with by the regional system, using the same adaptive mechanisms outlined above.

METROPOLITAN DEVELOPMENT AND INVESTMENT FRAMEWORK POLICIES

The area of Bloomington in which the Mall of America and Fantasyworld is proposed to be located is categorized in the Council's Metropolitan Development Framework as the fully developed area. The planning emphasis of the fully developed area is on maintenance, rehabilitation and redevelopment. Growth in the fully developed area through infill and reuse is encouraged by the Metropolitan Development Framework, which states that its forecasts of population, household and employment growth on which system plans are based should not be viewed as limiting growth in the fully developed area where system capacity is available or can reasonably be provided. As noted in the systems analyses above, the regional transportation system does not have capacity to handle the trip generation from the mall. The fully developed area gives regional priority for investment in this area second only to the metro centers.

The mall development also falls within the second level of priority in the ranking of investment policy in the investment framework. The first priority is maintenance of existing systems followed by "extension of a metropolitan system where growth projected in the Metropolitan Development Framework is limited by a shortage in the service."

The Council is currently engaged in the process of revising its Metropolitan Development Framework and investment framework and consolidating them into a single document, the Metropolitan Development and Investment Framework. At this time, the policies in the Metropolitan Development and Investment Framework have no official standing, but it may be useful to review them as indicators of the Council current thinking on regional development and investment.

In the Metropolitan Development and Investment Framework as in the Metropolitan Development Framework and investment framework, the stadium site is a second level priority. The category in which it has been placed has changed from fully developed area to that of regional commercial-industrial concentration. The Metropolitan Development and Investment Framework states that additional growth and increased densities are desirable in these concentrations provided that the changes are planned and coordinated with the provision of supportive regional facilities and services.

Because of the importance to development of an adequate transportation system, the Metropolitan Development and Investment Framework also proposes measures to protect the regional transportation system. These range from requiring traffic management measures by local governmental units to requiring changes in the location, size or scale of proposed developments. The Metropolitan Development and Investment Framework also states that, if necessary, the Council will proceed to stop development if accord cannot be reached on ameliorative action.

Investment priorities in the Metropolitan Development and Investment Framework are ambiguous with regard to the mall development. While the first priority (following mandated investments) is to provide metropolitan systems needed to support redevelopment, the Metropolitan Development and Investment Framework's third and last priority is to provide new or increased levels of metropolitan systems that will support major additions to the Metropolitan Area economy. The mall arguably may be viewed both as redevelopment and as a major addition to the regional economy.

The Metropolitan Development and Investment Framework has incorporated a major new element which provides for an economic development review of major new proposals. That review which encompasses a review of economic impacts (employment, income, tax revenues), a fiscal alternatives analysis and a consideration of cost-sharing arrangements is much the same as the sections of this report analyzing the economic and fiscal impacts of the Mall of America and Fantasyworld.

The cost-sharing discussion in the Metropolitan Development and Investment Framework is particularly relevant to the project under review here and draws on the Council's experience with other transportation improvements. Cost-sharing is defined as a mechanism whereby a local governmental unit assumes the burden of financing a transportation improvement in order to accelerate the timing of construction or to influence the size or design of a facility. The Bloomington preliminary statement indicates that the city plans to ask for a special legislative appropriation to fund the transportation improvements needed by the mall.

OTHER METROPOLITAN POLICY ISSUES

Housing

The Mall of America and Fantasyworld proposal raises the question of affordable housing close to employment opportunities. The development may generate over 27,000 full time equivalent jobs. These jobs will be largely low wage part-time work in the employment areas of retail, convention center/hotel, amusement, and office. The industry average income (blending full and part-time incomes) of all persons employed in these particular industries ranges from a high of $13,519 in the furniture and home furnishing end of retailing to a low of $5,778 for those working in catering and drinking establishments.

The developer asserts that many of these jobs will draw workers from the unemployed and from adults not currently employed or actively seeking employment. However, a portion of these jobs may be filled by head of household primary wage earners.

Most housing that lower-income households can afford is located in the two central cities. Yet the bulk of new jobs over the past decade has occurred in the suburbs. The mall is yet another example of this trend. Given this situation, the Council adopted Housing Policy 18: "The Metropolitan Council supports policies, plans and programs to increase affordable housing opportunities throughout the area and, particularly, close to employment opportunities for people with lower incomes."

This means that communities close to the mall site should consider reviewing housing plans and programs for adequacy in addressing the provision of housing opportunities for lower income households. These communities include Bloomington, Edina, Richfield, the south neighborhoods of Minneapolis, southwestern neighborhoods of St. Paul, Mendota Heights, Eagan and Burnsville. The numbers of persons employed at the mall and looking for housing close to employment may also place pressure on the existing housing stock, particularly low-cost rental housing.

ECONOMIC AND FISCAL ANALYSIS

The major issues in this review is how the proposal will impact the region and the state as a whole. Certainly it has major impacts and benefits for Bloomington, but it is important for the Council to look at the net regional and state impacts. In some instances, the analysis will focus on net state impacts, because that is the way both the data and models for estimating economic and fiscal impacts are available. It should be kept in mind, however, that the bulk of "net state impacts" will accrue to the Metropolitan Area.

As noted in the key assumptions analysis that follows, the two most important assumptions with respect to this whole project are the tourist assumptions (how many new tourists will the project attract?) and the expenditure assumptions (how much will the tourists spend?). This is because new tourists to the state spending new money is the only way the project can generate net benefits to the state. The spending generates the net new jobs. All other spending at the mall represents a capturing of growth that would have occurred within the state or region with or without the mall. The new tourist numbers are multiplied by the spending levels to get receipts. Receipts are then translated into jobs. The tourists and expenditure assumptions are also used to calculate new tax revenues for the state. Therefore, it should be kept in mind that much of the analysis flows from the first two assumptions.

KEY ASSUMPTIONS

Tourist Projections

The developer has provided projections of tourists, expenditures by these tourists and jobs created by the expenditures. The projections are included in Tables 11, 12 and 13. In addition, the Council contracted with the Harrison Price Company for a review of the developer's projections and of the assumptions on which they were based.

The Harrison Price report concluded that the mall would not increase the number of tourists to the region over the present level when normal growth is considered. Harrison Price estimated that 15 million to 17 million people would visit the Mall annually but these would be local visitors and tourists who would have come to the region even if the mall were not located here.

The conclusion in the Harrison Price report is based on experience at the West Edmonton Mall, a similar facility owned by Triple Five, and at other major shopping-entertainment centers. The Harrison Price findings tend to be supported by a 1977 to 1978 study of Minnesota tourism conducted by Professor Uel Blank and by a more recent Blank study prepared for the city of Minneapolis in its analysis of the mall.

The Triple Five Corp. contends that there are no comparable centers to use for a study, that its approach is unique and that the West Edmonton Mall is too new (Phase Three was opened in Sept. 1985) to base any conclusive judgement on. Triple Five noted that the West Edmonton Mall was constructed in a time period when Edmonton was in a severe recession. The Harrison Price report does suggest that the West Edmonton Mall may have been beneficial to Edmonton during its slump.

Council staff has included in the appendix an extensive analysis of the developer's projections, the Harrison Price report and other sources on tourism.

Table 11
1995 VISITS
MALL OF AMERICA - FANTASYWORLD
ANNUAL VISITS (TURNSTILE CLICKS AND PEOPLE)

	Tourists Out of State		Total Tourists		In-State Visitors		Total Visits	
	Turnstile Clicks	People	Turnstile Clicks	People	Turnstile Clicks	People	Turnstile Clicks	People
Trade and Convention	2,400,000	600,000	2,400,000	600,000	800,000	200,000	3,200,000	800,000
Retail	3,400,000	3,400,000	6,900,000	6,900,000	12,000,000	12,000,000	18,900,000	18,900,000
Amusement	2,100,000	2,100,000	2,300,000	2,300,000	3,700,000	3,700,000	6,000,000	6,000,000
TOTAL	7,900,000	6,100,000	11,600,000	9,800,000	16,500,000	15,900,000	28,100,000	25,700,000

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Table 12
1995 RECEIPTS (MILLIONS 1985 DOLLARS)

	Total On-Site Receipts	Net Mall Induced Receipts: On-Site Out-of-State	On-Site Residents	Bloomington	Metropolitan	Remainder of State	Total
Trade and Convention	$ 54.8	$ 54.8		--	--	--	$ 315.0
Retail	1,200.0	425.0		--	--	--	425.0
Amusement	90.0	32.0	29.5	--	--	--	311.0
Total Direct	$1,334.8	$511.8	$29.5	$196.6	$250.7	$62.4	$1,051.0
Indirect	--						315.3
TOTAL	--						$1,366.3

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Table 13
1995 EMPLOYMENT - OPERATION

	FTE Employment at the Mall of America	Net New FTE Employment to Minnesota
Hotel	2,000	--
Convention	740	5,645
Retail	13,330	4,722
Amusement	2,000	5,990
Office	9,300	--
Total Direct	27,370	16,357
Indirect		13,086
TOTAL		29,443

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A reasonably accurate estimate of tourists is essential to estimating whether or not the mall will generate new employment and new state tax revenues that would not have come to the state without the mall.

Tourist Expenditures

Based on the Harrison Price report and on the 1978-1979 Convention Expenditure Survey conducted by the International Association of Convention and Visitors Bureaus, it can be concluded that the $150 per day per delegate estimate from Triple Five is reasonable. Retail expenditure estimates from Triple Five also seem reasonable based on an updating of a 1979 University of Minnesota study.

The Harrison Price study concludes that the $15 per visit used by Triple Five for amusement expenditures is not reasonable, noting that $15 on-site exceeds all comparable experience except the Disney parks, which have a much greater capacity and entertainment value. Nevertheless, for the analysis of the developer's proposal, this figure was used.

Sales per Square Foot of Gross Leasable Area

According to Harrison Price, the $300 per square foot of gross leasable area used to calculate retail sales in the Mall is acceptable, assuming that the mall is comparable to the upper two percent of all super-regional malls in the U.S.

Sales Per Employee

Triple Fives uses $90,000 sales per employee to calculate retail employment. This figure is low for the type of facility planned. Census data on retail sales provides a more realistic number of $180,000 per employee. Using the higher ratio results in fewer retail employees generated by the mall.

The $45,000 per employee for all other sectors is slightly high. Census data on service industries results in a $35,000 per employee.

The net effect of changing the ratios is that the total number of new jobs remains the same but fewer of them are located at the mall.

Employment Multiplier

The employment multiplier of 1.6 used by the Minnesota Department of Energy and Economic Development in its preliminary analysis of the Triple Five employment projections was an average for the U.S. economy. The multiplier was based on 1977 data and should be updated to 1.3 based on changes in the economy since 1977 and a more careful look at the occupations present at the mall and in the Minnesota economy.

Economic Analysis

The analysis is divided into three sections: benefits, costs and sensitivity. The base data from the developer is contained in Tables 11, 12, and 13, which present visits, receipts and employment, respectively. The tables are simplified versions of the information submitted by the developer. The actual tables and additional explanatory materials from Triple Five are included in the appendix to this paper. For the purpose of this analysis, it is assumed that the Mall of America will be fully operational in 1995 and all estimates are for that year. Receipts and revenues are for 1995 but in 1985 constant dollars.

BENEFITS

The benefits from the Mall of America project fall into three distinct categories: receipts from tourist expenditures, new jobs (both construction and operations) and new tax revenues. In order to have some way of comparing the impact of these benefits, we have calculated baseline estimates have been calculated for retail sales and jobs in 1995 (see Table 14). The analysis uses a baseline because the regional markets are currently growing. The economic issues related to the mall are how much of this growth is the mall capturing and how much new growth will the mall induce? Rather than analyzing all receipts in the estimated baseline, the work that follow concentrates on retail sales because they represent the largest segment of the proposal and that is where competition with other businesses in the area is likely to occur. To calculate the 1995 retail sales baseline estimate, 1982 regional retail sales per household were adjusted to 1985 dollars, then adjusted for income growth between 1985 and 1995, and finally multiplied by the Council's 1995 household forecasts (interpolated). Employment estimates are also interpolated from the Council's forecasts. Unemployment in 1985 is taken from the Department of Economic Securities data. The 1995 estimate for unemployment assumes a constant ratio between the unemployment numbers and total employment from 1985 to 1995.

Table 14
BASELINE ESTIMATES

	1985	1995	Growth
Retail Sales	$ 13.9 billion	$ 20.8 billion	$ 7.1 billion
Employment	1,187,500	1,350,000	162,000
Unemployment	47,356	53,836	--

Receipts

The analysis begins with Table 11 (1995 Visits). The first column of Table 11 represents new tourists brought in by the Mall of America. It is used to calculate net new receipts and jobs to the region and state. The last column of the table presents total attendance to the mall and is used to calculate what the Mall of America itself will generate in terms of receipts and jobs. These provide the basis for Table 12 (1995 Receipts).

Triple Five has broken visitors down into three categories based on the primary purpose of their visit. The categories are trade/convention, retail and amusement. The developer then proceeds to estimate what each group of visitors will spend: convention goers will spend $150 per day in the region, retail tourists $125 per day and amusement goers $17 to $80 per day depending on how far away they come from. These amounts are what they will spend in the region or state, not necessarily just at the Mall of America. The first column of Table 12 indicates what the developer projects will be spent at the site in total. For example, the $1.2 billion in retail sales is based on an estimate of $300 per square foot multipled by four million square feet. The remaining columns of that table indicate the spending that will be induced by new tourists to the state or new spending by existing tourists and residents, that is, Mall of America induced expenditures.

The first column of the table and the last columns should be viewed in two different ways. The first column represents what is being spent on those services in the mall. The latter columns represents what is being spent by the visitors whose primary purpose falls in each of those categories, but not necessarily what is being spent in the particular category. The developer does not appear to have double counted expenditures but has not broken the expenditures out completely. For the retail visitors, only retail expenditures have been estimated. For the other two categories, total expenditures are estimated.

What does Table 12 tell us? In total, Triple Five expects the Mall to induce $1,366.3 million in new spending in the state and the region: $541.3 million on-site and $825 million off-site. Retail sales is the largest component of the new on-site expenditures, amounting to $425 million. However, the developer expects to have $1.2 billion in total retail sales at the mall. This means that $775 million will be sales captured from expected growth in the rest of the region. The developer argues that this is compensated for by the off-site and indirect sales ($825 million) generated elsewhere by the mall tourists.

Looking back at the baseline figures, the region can expect $7.1 billion growth in total retail sales by 1995. Triple Five expects the mall to add $425 million to that total and to capture $775 million of the $7.1 billion or approximately 11 percent. Looked at in a slightly different context, the major retail centers and the central business districts of the two central cities accounted for 33 percent of total retail sales in 1982. If major retail centers and central business districts were to capture the same share of the $7.1 billion estimated growth, they would realize $2.3 billion in new retail sales. The Mall of America, as a new major retail center, would be competing for a piece of this $2.3 billion. If the mall captures $775 million of the expected growth, it represents 33 percent of the growth estimated going to major retail centers and the central business districts. For total retail growth in the region, the mall is estimated to capture 27 percent.

Employment

Construction

The Department of Revenue has used its Minnesota Forecasting and Simulation Model to estimate the jobs created by the Mall of America construction phase (1986-1993). Detailed numbers are available in the Nov. 4, 1985 memorandum entitled Impact of Megamall on Minnesota Economy (see Appendix). Essentially, most jobs are created in the first three years (4,551 in 1986, 11,715 in 1987, and 8,683 in 1988). The number of construction jobs created after that drop off significantly. Construction is to be completed in 1993.

Operations

Using the developer's approach to calculating employment, Table 13 presents the jobs at the mall and the net new jobs to Minnesota created by the Mall of America. Jobs are calculated by looking at ratios of sales per employee or square footage per employee. In column one, the developer assumes one job per room for hotels; one job per $90,000 in sales for retail; one job per $45,000 in amusement; and one job per 215 square foot for office space. The bases on which these are applied are in the earlier tables. The second column is based strictly on sales ratios and the expenditures expected from the new tourists to Minnesota (the last column in Table 11). Indirect jobs are calculated using an employment multiplier of 0.8.

The two columns in Table 13 need to be looked at in the same manner as Table 12. The first column represents employment in specific sectors; the second represents employment generated by the spending of tourists whose primary purpose is convention, retail or amusement. At full operation, the Mall of America will employ 27,370 full-time equivalent. Direct net new jobs to Minnesota will be 16,357 and indirect jobs will be 13,086. Of the net new jobs, approximately 7,000 will be in the retail sector (based on the developer's footnotes) and most of the rest will be in the service sectors. If the mall is creating 13,300 retail jobs and inducing only 7,000, then the remainder are from expected regional growth and could have occurred anywhere in the region.

For purposes of this analysis, the Department of Revenue model to calculate new jobs to Minnesota for the operational phase of the project in 1995 was run. The model estimates 27,539 new jobs for the state given the developer's assumptions on tourism. This falls somewhere between the developer's estimate of 29,443 with a 1.8 multiplier and the 21,263 generated when using a 1.3 multiplier (discussed in the Appendix). With the model, indirect employment is calculated as part of the model.

Tax Revenues

Construction

The revenue department model estimates that the total taxes generated from the construction-related expenditure of the entire construction period (1986-1993) will be $121 million ($59 million income taxes, $51 million sales taxes and $11 million corporate income taxes).

Operations

The revenue department model was also used to calculate taxes collected in 1995 during the full operation phase. It is estimated that annual collections will total $91 million ($48 million individual income taxes, $37 million sales taxes and $6 million corporate income taxes). Bloomington and the Metropolitan Area will also collect property taxes (discussed separately). The taxes projected by the model are all state taxes which get redistributed throughout the state. The property taxes benefit Bloomington and the Metropolitan Area. How much each receives will depend of the final resolution of the fiscal disparities question.

Sensitivity and Summary of Benefits

Table 15 below shows a summary of the benefits from the Mall of America proposal and how sensitive these benefits are to the tourist assumptions. In column 2, the tourist figures have been reduced to reflect some of the questions raised in the tourist section above and to show how benefits are affected by the assumptions. Trade and convention tourists have been reduced to 135,000 to reflect the competitiveness of the industry and the fact that Minneapolis is going ahead with its convention center. Retail tourists have been cut in half--to 1,700,000 to partially take into account the Harrison Price concern that not many new tourists will be attracted to the state. The amusement tourists have been reduced by one million because of the Harrison Price conclusion that the facility is not large enough for the total six million. The new figure for out-of-state amusement tourists is 1,100,000.

Column 3 has been added to illustrate that if there are no new tourists to the state or region there are no net benefits.

Table 15
BENEFITS CREATED BY THE MALL OF AMERICA

	Developer's Assumptions	Reduced Tourists	No New Tourists
Tourists	6,100,000	2,935,000	0
Receipts	$1.4 billion	$601 million	0
Employment	27,539*	9,803*	0
State Taxes	$91 million*	$34 million*	0

*From the Minnesota Forecasting and Simulation Model.

COSTS

Convention Center

Both the Metropolitan Development Framework and the Metropolitan Development and Investment Framework give priority to maintaining the metro centers as the eefocus of the region's commercial, institutional, cultural and entertainment facilities. Based on that priority, the Council found Minneapolis a more appropriate location than Bloomington for the state convention center. That policy position is supported by the economic analysis of the proposed mall convention center provided below in this report.

The 800,000 projected delegates are categorized as 200,000 local and 600,000 out-of-state. According to the developer, the 200,000 delegates would be "drawn from existing facilities elsewhere in the Twin Cities area" (undated submission by Nichols Applied Management, page 2). The 600,000 other delegates are "new" convention and trade show attendees from out of state. All delegates are assumed to attend events four times over 3.5 days.

The convention center facility was analyzed from the following perspectives:

- Reasonableness of the projected delegate attendance.
- Impact on existing attendance given that 200,000 delegates will be attracted to the new facility from existing facilities in the region.
- Potential impact if both the Bloomington and Minneapolis facilities are built.
- Council policy position on the location of a convention center.

Reasonableness of the Developer's Delegate Projections

No market feasibility study has been done by Triple Five on its proposed convention center. Other studies have been reviewed in an attempt to determine how realistic the developer's projections might be. In 1984, the firm of Coopers and Lybrand conducted a market feasibility and economic impact study of the proposed Minnesota Convention Center for the Minnesota Convention Facility Commission. In part, the assignment given to Coopers and Lybrand by the commission was to estimate the type and number of events that could be attracted to the proposed facility and prepare 10-year estimates of the number of events, attendance, and revenue generated by the proposed facility.

The Coopers and Lybrand study recommended a convention center be built that would have 400,000 square feet of exhibition space and 50 to 55 meeting rooms. Triple Five plans a 500,000 square foot convention center at least 300,000 square feet would be in exhibition space. The developer has not provided any information on meeting rooms or other ancillary facilities.

In Table 16 the projection of events and out-of-state delegates from the study is recorded along with the estimate of out-of-state delegates from the developer. The tenth year of operation shows an estimated 271,000 delegates in 1994 from Coopers and Lybrand as compared to Triple Five's estimate of 600,000 in 1995.

The question that these estimates raise is why Triple Five's projection is 220 percent higher than the Coopers and Lybrand study. The only explanation offered by the developer is that the convention facility would be unique given its location within the Mall of America and Fantasyworld complex. We have no data to prove or disprove this contention. Based on a review of the convention commission study, one can conclude that the delegate attendance estimate made by the developer is higher than can reasonably be expected.

Table 16
CONVENTION CENTER EVENT AND ATTENDANCE PROJECTIONS
NEW OUT-OF-STATE DELEGATES

Coopers & Lybrand for Convention Commission (1984)			Triple Five	
Year of Operation	Events*	Delegates	Events	Delegates
1	13	70,000	?	?
3	21	141,000	?	?
10	29	271,000	?	600,000

*New conventions and trade shows that are not currently held in Minnesota.

Impact on Existing Convention-Type Facilities in the Region

The developer has stated that 200,000 persons who now attend convention or trade show events would be attracted to the Bloomington convention center if it were built. In 1984, the Minneapolis convention center had a turnstile count of 1,323,344 for all events, including conventions, conferences, trade shows and consumer shows (Minneapolis Planning Department transmittal, Oct. 25, 1985. For the same year, the St. Paul civic center reported total turnstile counts at all events of 1,939,000, for a combined total turnstile count of 3,262,350 (Civic Center Authority of the City of St. Paul, Minnesota, Annual Financial Report for the Fiscal Year Ended Dec. 31, 1984. April 9, 1985.

As noted above, the developer is projecting a total turnstile count at the convention center of 3,200,000, which is equivalent to the 1984 turnstile counts of both the Minneapolis convention center and the St. Paul civic center. The developer has also said 200,000 delegates (or people) would be attracted away from events presently held in the area. These 200,000 people represent 800,000 turnstile counts. If 800,000 turnstile counts were taken out of the local attendance at the Minneapolis and St. Paul facilities, they would experience a 24 percent reduction in total attendance. This obviously would have an impact on the revenues of these facilities.

As part of an analysis of the mall project, the Minnesota Department of Energy and Economic Development commissioned a study by Coopers and Lybrand entitled Projected Results of Operating Two Major Convention Facilities in the Metropolitan Area of Minnesota, Aug. 23, 1985.

The study assumed a convention center with 300,000 square feet of exhibition space in Minneapolis and 500,000 square feet in Bloomington. The study drew on the work Coopers and Lybrand did for the Minnesota convention facility commission in 1984. As noted above, the study for the Convention Center Commission records annual projections of events and out-of-state delegate attendance for a 10-year period. These estimates were used in the Department of Energy and Economic Development analysis.

The original work done for the convention commission reported a 10-year operating deficit with one convention facility of $10,000,000. The operating deficit for two facilities over a 10-year period ranges from $66,000,000 to $161,000,000.

Table 17
PROJECTED OPERATING LOSSES: OPERATION OF TWO CONVENTION CENTERS
(in millions of dollars)

EXPENSES APPROXIMATING THOSE AT MINNEAPOLIS CONVENTION CENTER AT PRESENT

	50/50 Split of Events		75% of Event in Mpls. 25% in Bloomington		25% of Events in Mpls. 75% in Bloomington	
Rental Rate	Low Estimate of Events	High Estimate of Events	Low Estimate of Events	High Estimate of Events	Low Estimate of Events	High Estimate of Events
.40/sq. ft.	92	69	96	72	89	66
.20/sq. ft.	104	86	107	89	100	83
.10/sq. ft.	109	94	113	98	106	91
INCREASE EXPENSES BY 20 PERCENT						
.40/sq. ft.	140	114	143	117	137	111
.20/sq. ft.	151	131	115	134	148	127
.10/sq. ft.	157	139	161	143	154	136

Source: Coopers and Lybrand projected results of operating two major convention facilities in the Metropolitan Area of Minnesota.

Our conclusion is that two state-level centers will generate significantly higher operating losses than if only one were in operation. The amount of loss will be directly related to the number of events that can be attracted to the two facilities.

In addition to operating cost, the cost for debt service needs to be taken into account. Coopers and Lybrand suggested this might range from $125 million over 10 years for Minneapolis to $180 million for the Bloomington project. If the Bloomington center were completely funded by Triple Five, all losses from the mall center would be its responsibility. Public money would have to make up the larger deficit that would result in Minneapolis.

Two convention facilities could attract more events than one new large convention facility. Two conventions centers would provide capacity at critical times of the year that would not be provided by one facility, and they would be expected to spend more time and money promoting events.

In an attempt to fully understand the economic impacts if two convention centers are built, the potential impacts were analyzed assuming two centers attracted 50 percent more events and delegates than the estimate made by Coopers and Lybrand for the convention commission. This would result in 135,000 more delegates.

In light of two basically new convention centers competing for the delegates, the total of 400,000 delegates were assumed to be evenly split between the Minneapolis and Bloomington convention facilities. The Minneapolis convention center would sustain a loss of 40,000 delegates while Bloomington would realize a total attendance of 200,000 new delegates to convention and trade show events.

Both the Metropolitan Development Framework and Metropolitan Development and Investment Framework give priority to maintaining the metro centers as the focus of the region's commercial, institutional, cultural and entertainment facilities. Based on that priority, the Council found Minneapolis a more appropriate location than Bloomington for the state convention center when this was being debated by the convention facility commission. Council action taken at that time states:

> Both Bloomington and Minneapolis sites for the convention center are consistent with the Metropolitan Development Framework, with the Minneapolis location more supportive of Metropolitan Development Framework policy 8 concerning reinforcement of development in the metro centers.

Public Subsidies

The costs of the project include direct subsidies of tax revenues and indirect subsidies in the form of regional public services. From a public policy perspective, there are several considerations regarding subsidies. For example, does the development inject new income into the regional economy? Do these subsidies provide benefits that would only materialize with public assistance? Do these subsidies provide assistance to developments that compete with existing businesses?

In recent years, a large proportion of the new development in the region received some form of public assistance. While this should not justify continuation of subsidies, it is an important consideration to weigh. The Bloomington proposal is somewhat unique insofar as part of the subsidy goes directly to the development for operation and maintenance expenses and most of the subsidy burden falls away from the city.

The development agreement between the city of Bloomington and Triple Five Corp. includes the following public assistance:

> Tax increment financing of $140 million to pay for a parking structure ($84 million) plus a required bond reserve ($56 million).
>
> The exemption of the Triple Five development from the fiscal disparities legislation and an additional two percent hotel/motel tax and five percent on-sale liquor tax, both to be levied throughout Bloomington to raise $15 million annually to cover the operation and maintenance of public and private improvements.
>
> Funding for state and regional infrastructure, specifically transportation improvements.

Fiscal Disparities

The Fiscal Disparities Act is based upon the proposition that, in many respects, the Metropolitan Area is a single community, and that, in large measure, commercial-industrial development in the seven-county area is regional in nature: it occurs in part because of the proximity of the metropolitan population, and it tends to serve, and depend upon, an area far beyond the borders of the municipality in which it happens to locate. Very large commercial-industrial developments, whether large factories, regional shopping centers, industrial or office parks, locate in a metropolitan area by reason of the fact that it is a metropolitan area because of the presence of a market and such metropolitan resources as transportation facilities. By their very nature, such developments occur in limited numbers. The act assumes that it is more fair for each city to share a portion of its commercial-industrial growth with the rest of the Metropolitan Area than it is to maintain a system where the particular municipality which happens to attract such a development receives the entire windfall of the value of the development.

The Council has supported the fiscal disparities program since its inception. Most recently, in its Aug. 23, 1984 review of proposals for the state convention center, it found that the use of fiscal disparities as a method to finance or insure financing for the convention center is inconsistent with the fiscal disparities law.

Bloomington is proposing to raise approximately two-thirds ($8.5 to $10 million) of the operating subsidy by exempting the mall project from the fiscal disparities contribution levy. This method of financing a subsidy would have significant regional effects.

The exemption from fiscal disparities would affect every community in the Metropolitan Area. Under existing law, 40 percent of new commercial-industrial development is shared among all communities. For taxes payable in 1985, the shared tax base ($1,264 million) represented about eight percent of the Metropolitan Area tax base. Bloomington estimates the market value of the Triple Five project for tax purposes is $465 million (1985 dollars) when completed. This translates into an assessed value of $200 million and a fiscal disparities contribution (40 percent) of $80 million in tax base.

The fiscal disparities law gives all communities a share in the tax benefits of new development throughout the region. A project of this size located elsewhere in the region would generate a sizable tax benefit to all other communities. Bloomington is instead proposing to capture this tax benefit to finance the subsidy to Triple Five. In other words, tax revenues ticketed under present law to lower taxes in other metropolitan communities is rebated to the development project.

Upon completion, the Triple Five project is expected to generate property taxes of approximately $20 million annually (1985 dollars), including a contribution levy to the fiscal disparities program of $8.5 to $10 million. This implies an area-wide mill rate of 106-125 mills using the area-wide tax base for taxes paid in 1985.

The Bloomington exemption would be in effect through the year 2012, the term of the tax increment district encompassing the project. If the district is terminated before this date, it is not clear how the fiscal disparities exemption is affected.

The primary effect of the exemption is to reduce the areawide shared tax base and the resulting tax revenues to local governments (municipalities, counties, school districts). Local governments would have $8.5 to $10 million less than if the tax base were shared. There would also be a much smaller effect on property tax-related state aids (e.g., homestead credits, school aids). The Minnesota Department of Revenue estimates that there would be a savings in state aids of $2.2 million if the fiscal disparities law were not changed and the project were tax increment district.

There are exemptions currently under the fiscal disparities program. These are somewhat different from the Triple Five proposal in that the tax dollars generated are used to finance public improvements in the tax increment district. No revenues are rebated to the development directly. No new exemptions have been allowed since the original legislation was passed. In addition, the exemption of a development like the Triple Five project seems contrary to the basic concept of fiscal disparities to spread around the tax benefits of regional-scale developments.

If a fiscal disparities exemption is not allowed, another source will be needed for approximately $10 million. Various alternative sources of funding are available, involving either state, regional or local financing. Bloomington is considering a one cent sales tax or its equivalent at the project site. The Council's regional finance study recommended that a regional sales tax be reserved for general, not specific, purposes. If a sales tax were to be earmarked for the project subsidy, it would be preferable to limit the tax to the project or to Bloomington. However, this may have the effect of discouraging sales in Bloomington.

The operating subsidy is a mix of three sources: the fiscal disparities exemption, a hotel/motel tax and an on-sale liquor tax. One risk is that the taxes do not generate the necessary amount of revenue. If there is a shortfall in revenues, there is no requirement in the development agreement that the taxes be extended outside Bloomington or that the shortfall be made up by non-Bloomington sources. Any deficiency in one year is to be made up in future years using the same revenue sources. If a shortfall remains after 2012, Bloomington has to make up the deficit within six years. It is not clear what happens in the event that the taxes raise more than the $15 million committed to Triple Five.

Local Hotel and On-Sale Liquor Taxes

Both the hotel/motel tax and the on-sale liquor tax would be levied throughout Bloomington. These two taxes are expected to raise approximately $5 million when the development is completed. This assumes that the project is operating at full capacity.

Bloomington currently levies a three percent tax on sales of transient lodging. The city would increase the hotel/motel tax an additional two percent, a total of five percent. The state taxes transient lodging six percent and on-sale liquor 8.5 percent. The Bloomington proposal would raise these to 11 percent and 13.5 percent respectively.

One advantage of a hotel/motel tax is that it is paid by visitors to the Bloomington. To the extent that visitors generate the costs related to public services and the public subsidies, the tax is levied on beneficiaries. From an equity criterion, beneficiaries should pay the costs generated.

From an efficiency perspective the issue is whether these taxes discourage consumption. The tax raises the price of the taxed product. The effect on consumption depends upon how sensitive demand is to the change in price. It is doubtful that the taxes would have a serious effect on businesses in the project area. It may be a problem, however, for on-sale liquor businesses in other parts of Bloomington.

One risk is that the tax does not generate the necessary amount of revenue. If there is a shortfall in revenues, there is no requirement in the development agreement that the taxes be extended outside Bloomington or that the shortfall be made up by nonBloomington sources (see fiscal disparities discussion).

Tax Increment Financing

Tax increment is a financing method used by cities in which the increase in taxable value for a parcel of land is set aside and used to pay for improvements to the site rather than being used to contribute to general property tax revenues. The notion is that because the improvements attract development that would not otherwise occur, no revenues to units of government are lost and jobs are created. When improvements are paid for, the increment returns to the general property tax base.

Bloomington proposes to issue $140 million of tax increment bonds. Of this amount, the largest portion (about $80 million) will be used to construct a parking garage for the project. About $30 million will be used to pay bonds in the first two years when no revenue is yet generated. The remainder will be used to fund other eligible costs such as site preparation, roads and streets, and bond reserves. An estimated $15 million will be needed annually to pay off the bonds. The bonds would mature in 22 years.

The latest property tax information from the Minnesota Department of Revenue shows a total assessed valuation for the city of Bloomington of $848,777,898 for taxes payable 1985. The mall would add an estimated $200 million in assessed valuation. The total levy in Bloomington is $8.9 million. Not all of the property tax raised, however, goes to the city. The school district receives 45 percent; the county, 25 percent; and the city about 15 percent. An issue with tax increment is that additional tax base is pre-empted from not only the city but also the school district and county which have larger levies than the city. The counter argument is that the additional tax base would not occur without the incentives provided and so no revenue is lost to these governments.

Tax increment financing does shift costs. With all of the tax increment dedicated to paying off bonds, increased service costs to the mall must be spread to the remainder of the tax base. In the case of the city itself, costs for police, fire, street repair, etc., would be spread to the remainder of the city. Regional costs for the Metropolitan Transit Commission and Metropolitan Council or other areawide units would be spread across the metropolitan area. A characteristic of tax increment financing is that any general increase in service costs can not be passed on to tax increment districts. For example, if city costs for 1986 go up five percent, the five percent share that applies to a tax increment district would be spread across the remainder of the city.

The major regional shift associated with the Mall concerns regional transit. The Regional Transit Board estimates that a moderate level of transit service to the mall will cost $8.1 million in annual operating costs. A portion of the costs is recovered in fares but an estimated average of 38 percent ($301 million) is funded by the regional transit property tax levy. Since the mall is excluded from the taxing district, this portion would not be paid by a levy on the mall but would be distributed to the remainder of the transit taxing district. A levy on the Bloomington mall for regional transit would, absent a tax increment district, be expected to yield $600,000 ($200 million assessed value X 3.0 mills).

The Regional Transit Board is limited in the amount of levy it can impose. In order to fund the added transit costs for the Mall, the legislature will have to allow for an increased levy or directly appropriate funding for the increased service. If neither of these occur, any transit service to the mall will be implemented at the cost of cutbacks in service to other areas in the region.

Another issue is how the amount of the tax increment compares with other cities. Hennepin County has prepared a table for cities in Hennepin County that shows the relative portions of tax base in tax increment districts (see Appendix). Bloomington currently has 2.5 percent in tax increment. With the mall, Bloomington's base in tax increment would be increased to 16 percent. This would be a higher percentage than other cities in Hennepin County. Eden Prairie, the next highest, currently has 7.9 percent; and Minneapolis, 7.3 percent. Hennepin County uses a guideline recommending no more than six percent of assessed value be in tax increment for larger cities such as Bloomington and Minneapolis. Several cities are already above this guideline. The chief impacts would be that at higher percentages a smaller portion of the city's tax base bears the load of what might otherwise be covered by a tax increment district. At higher percentages, the marketability of tax increment bonds would also be affected if they are general obligation bonds. If revenue bonds, this would not necessarily be true and marketability would be more dependent on the perceived economic soundness of the proposal. Bloomington has indicated they will probably use revenue bonds for the mall.

Funding of Regional Services

Based on the analysis above in the metropolitan systems section of the report, three regional services are likely to experience increased capital and operating costs if the mall project is constructed.

Transportation costs for highway improvements are the most significant, with immediate costs for serving the mall estimated at $116 million. Approximately $250 million in improvements to I-494 are necessary to serve all development along that corridor.

Transit costs include both capital and operating. Approximately $2 million in capital costs for buses will be needed but a large share of that is funded by federal grants. Operating costs of $8 million for transit service will be partially funded through passenger fares and state and federal operating grants but $3.1 million of operating costs must be funded within the region through the transit levy or by comparable level cutback in service to other parts of the region.

The third system likely to experience increased costs is the regional recreation open space system which anticipates increased use of regional parks by tourists. The increased use is directly tied to increased numbers of tourists. To the extent that the developer's projections of new tourists are accurate, increased use of the parks will result. Virtually all rregional park capital funding is provided by the state legislature. Operating costs are local.

The city of Bloomington and Triple Five Corp. have suggested that net new state revenues generated from the mall are a resource for funding transportation improvements. If the Harrison Price assessment of tourist projects is correct and the developer's projections are extremely high, the mall will not generate substantial new revenues. As pointed out in Table 15 of the benefits section above, if net new tourists are half the number projected, net new revenues to the state fall from $91 million to $34 million. If no new tourists are attracted to the state, new taxes will not exist.

EFFECTS ON OTHER LOCAL GOVERNMENTS

Convention Center

As noted above in the economic analysis of the convention, a second convention center of the size projected for the mall would substantially increase the operating deficits for both convention centers. A single convention center can be expected to experience an annual deficit of $10 million for operating costs alone, whereas operating deficits for two convention centers would range from $66 million to $161 million. The increased deficit for the Minneapolis convention center would be a public liability, anticipated at this time to be borne by the Minneapolis residents. It constitutes a substantial effect on a planned development in a local governmental unit other than the city of Bloomington.

Fiscal Disparities

Exemption of the Mall of America and Fantasyworld would have an adverse impact on other local governmental units in the region. As pointed out above under public subsidies, the $8.5 to $10 million retained by Bloomington through an exemption is revenue lost to other cities in the region. While the effect on a single governmental unit may not be substantial, the sum effect on all local governments in the region is substantial and has the potential to lead to other exemptions from fiscal disparities, further eroding a program that contributes substantially to equalizing tax base among Metropolitan Area communities. In addition, such an exemption could result in the termination of the fiscal disparities program all together.

POSSIBLE MODIFICATIONS TO ALLEVIATE ADVERSE EFFECTS

MODIFICATIONS TO METROPOLITAN SYSTEM PLANS

Although no substantial effect has been established on the regional sewer system, 1990 flow allocations in the regional sewer system plan will have to be amended by the Council to accomodate the increased flow projected for the Mall of America and Fantasyworld.

Modifications to the regional recreation open space system plan may be necessary if tourist visits occur in the magnitude projected. The biennial capital improvement program is flexible enough to accomodate necessary improvements to facilities. Funding for capital improvements is provided by the state through legislative appropriations.

The regional transportation plan needs to be amended to address the magnitude and timing of the immeediate area highway improvements needed to serve the development of the Mall of America and Fantasyworld. New funding sources will be sought in order to not alter other regional priorities and state priorities and schedules in the region.

MODIFICATIONS TO THE PROPOSED PROJECT

Two modifications to the developer's proposal are necessary to alleviate the adverse effects of the proposed project on other local governmental units:

- o Elimination of the convention center from the Mall of America and Fantasyworld.
- o Participation by the project in contributing to fiscal disparities.
- o In order to substantially affect traffic volume on I-494 and maintain it at level below the capacity of an eight-lane freeway, office space development in the Airport South area needs to be reduced by approximately three million square feet. This would still leave approximately five million square feet of office space in that site and would allow the construction of the retail and entertaiment component of the mall proposal and other ancillary components such as the hotels.

<u>SYNOPSIS OF REPORTS OR FINDINGS OF OTHER PUBLIC AGENCIES</u>

No other public agencies with the exception of the city of Bloomington have taken final action on the proposed development. The city has rezoned the site and entered into a development agreement with the Triple Five corporation.

<u>SUMMARY OF FINDINGS</u>

DESCRIPTION OF PROJECT

1. The proposed project, the Mall of America and Fantasyworld, is not consistent with those elements of the Bloomington comprehensive plan subject to modification by the Council and is in conflict with metropolitan systems plans with regard to the use, extension or expansion of metropolitan systems. The differences in land use, land use intensity and development staging change the expected use of the regional highway and sewer systems as identified in both the comprehensive plan and the generic environmental impact statement for the Airport South District.

2. The Metropolitan Land Planning Act embodies a process whereby local comprehensive plans can be amended and whereby such plans must be amended to ensure continued consistency with evolving metropolitan system plans.

3. The Metropolitan Land Planning Act limits local ordinancing to prohibit official controls and fiscal devices in conflict with local comprehensive and metropolitan system plans.

METROPOLITAN SYSTEMS ISSUES

<u>Sewers</u>

1. Wastewater flow projections provided by Bloomington are very similar to wastewater flow projections made by the Metropolitan Waste Control Commission for the Mall of America development. These flows will cause Bloomington to exceed its 1990 allocated capacity in the regional sewage system.

2. No substantial effect on the regional sewer system plans is anticipated from the increased flow because the regional system has the physical capacity to accomodate the flow and Metropolitan Development Framework policy provides that growth in the fully developed area in excess of forecasts will be accommodated if system capacity is available or can reasonably be provided. Therefore, the Mall of America and Fantasyworld do not cause a substantial effect on the metropolitan sewer system or or system plans.

Transportation Findings

General

1. The mall project is of metropolitan significance since the traffic generated by the site substantially exceeds the threshold levels of 10,000 vehicle trips per day or 1,000 vehicle trips per hour. Low estimates are 123,000 trips per day or 6,323 trips per hour.

2. The impact on the transportation system has been analyzed assuming full implementation of the Mall of America/Fantasyworld project as well as proposed development for the remaining portion of the Airport South area.

3. Significant transportation impacts in the immediate vicinity of the Airport South area would occur if the proposed development for the entire Airport South area were fully implemented on the site.

4. The transportation impacts in the immediate vicinity of the Airport South site would require major improvements in the following metropolitan highways:

   Hwy. 77 between Killebrew Dr. and I-494

   I-494 between 24th Av. So. and 12th Av. So. including interchanges

   Hwy. 77 between I-494 and Hennepin County Road 62

5. The Transportation Policy Plan does show the need to replace the Killebrew Dr. at-grade intersection with Hwy. 77 with a grade-separated interchange and the need to upgrade the interchange areas on I-494 from Hwy. 77 to 24th Av. The plan, however, did not envisage the magnitude and timing of those improvements.

6. None of the immediate impact area improvements is currently scheduled in either the 1986-87 Highway Improvement Program or the 1988-1991 Highway Improvement Work Program developed by Mn/DOT. Although it would be highly desirable for these improvements to be completed by the opening of the Mall, it would be difficult to achieve. One expediting measure could be that Bloomington acquire any necessary right-of-way.

7. The total cost of these immediate area improvements including construction and right-of-way acquisition is estimated to be $116 million, which Bloomington proposes be paid by a legislative appropriation based on the new tax revenues to be generated by the project. Existing funding sources are limited and would require a drastic revision of regional and state-wide priorities.

8. Because of the overall regional growth expected by the Year 2005 and assuming full implementation of the proposed Mall of America/Fantasyworld and other Airport South development, capacity up to 10 lanes of traffic and increased interchange capacity would be necessary on I-494 between 12th Av. So. and Hwy. 100.

9. The above long-term capacity needs on I-494 west of 12th Av. So. would exceed the capacity levels (six freeway lanes) envisaged in the current Transportation Policy Plan.

10. Preliminary analysis indicates that no more than eight freeway lanes should be considered on I-494 between 12th Av. So. and Hwy. 100 because of physical, operation, environmental, economic, financial and system-implication constraints.

11. The preliminary estimate for upgrading I-494 to eight freeway lanes between 12th Av. So. and Hwy. 100 is $250 million including construction and right-of-way acquisition.

12. No funding has been identified at this point to finance the potential upgrading of I-494 outside of the immediate impact area (i.e., west of 12th Av. So.) nor is it scheduled in any of the Mn/DOT plans.

13. The inclusion of either the short-term immediate impact area improvements or the long-term improvements on I-494 in Mn/DOT programs would drastically alter regional and/or state-wide priorities and schedules.

14. Development proposals for the entire Airport South area would have to be scaled down to ensure that long-term peak-hour traffic volumes on I-494 would not exceed the capacity of an eight-lane freeway.

15. In addition to I-494 upgrading, due to overall regional growth and to the existing and proposed development for the Airport South area, effects on metropolitan highways such as Hwy. 77 north of I-494, the Crosstown and Hwy. 5 could require additional long-term improvements.

Travel Demand

16. The existing and proposed development for the entire Airport South area would generate, if no constraints are imposed, about 274,000 vehicle trips per day on an average weekday.

17. During the worst hour of the day, the evening rush hour, the entire Airport South development would generate 30,000 vehicles per hour if no constraints were imposed. About 10,000 vehicles would go into the area (inbound) and 20,000 would exit the area (outbound).

18. Aggressive travel demand management techniques (i.e., transit service, ridesharing, staggered work hours, etc..) would reduce the number of vehicles in and out of the area, particularly during peak periods.

19. Public transit would play a modest role in the provision of accessibility to the Airport South area. A moderate goal of about 550 riders per peak hour would have a minor impact on the roadway system needs. The cost of providing the service necessary to attract those riders could approach $8 million per year. The cost-effectiveness of providing those services and

availability of funding would have to be established by the Regional Transit Board prior to implementation.

20. An internal transit circulation system in Airport South would improve traffic conditions on the local street system but would not have a significant impact on the regional system. The cost effectiveness of an internal circulation system, however, has not been established.

21. The 20,000 outbound unconstrained peak hour vehicle trips generated by the entire Airport South area could be reduced to about 17,800 trips if aggressive travel demand management techniques were implemented.

22. The Updated Transportation Plan for Airport South prepared by the city of Bloomington, concludes that on unconstrained number of 19,214 outbound evening peak hour vehicles could be reduced to a range between 14,100 and 16,750 outbound vehicles depending on how successful travel demand management techniques were.

23. Transportation Impacts of the Mall of America and Fantasyworld, prepared By the City of Minneapolis estimates that the outbound traffic generated by the entire Airport South development during the evening peak hour would be between 17,300 - 20,700 vehicles.

24. The mall proposal at full development would account for about 40 percent of the vehicles leaving the Airport South area in the evening rush hour in 2005.

25. According to Council staff estimates, of the evening rush hour traffic volumes generated by the Airport South area about 60 percent would be attributable to the existing and proposed office space development (including the 2,000,000 square feet proposed by the Triple Five Corp.). Less than 25 percent would be attributable to the proposed retail and entertainment components of the mall development.

26. The 17,800 outbound vehicles leaving the site on the evening peak hour would distribute themselves in the following manner:

I-494 (westbound)	-	4,100
I-494 (eastbound)	-	4,900
Hwy. 77 (northbound)	-	3,200
Hwy. 77 (southbound)	-	2,300

27. A total of 9,100 evening rush hour vehicles (well above the capacity of 4 freeway lanes) would use I-494 in the westbound direction (west of Hwy. 77) when background traffic generated elsewhere in the region (5,000 vehicles per hour) is added to the traffic generated by the entire Airport South.

28. A reduction of approximately three million square feet of office space in the Airport South development proposals would be one of the possible mitigating measures to maintain long-term traffic peak-hour volumes on I-494 below the capacity of an eight-lane freeway.

Airports

1. Analysis of potential short-term impacts at the Minneapolis-St. Paul International Airport indicates substantial overall capability of aircraft

and terminal facilities to absorb the projected number of mall air travelers.

2. The potential highway impacts of mall-generated traffic on ground transportation access to the airport are addressed under effects of the mall on transportation.

3. The Mall of America and Fantasyworld does not cause a substantial effect on the regional air transportation system or on system plans.

Parks

1. The proposed Mall of America and Fantasyworld may have a substantial effect on the regional recreation open space system and on certain other state and federal recreation open space facilities. A substantial increase in tourist visitation would result in sharply increased user demand by nonresidents of the Metropolitan Area.

2. The Council's capacity to adjust the system in response to such demands is adequate given an appropriately flexible capital improvement program process, an operation and maintenance budgeting process and adequate funding to meet the new priorities. The capital improvement program process recommended in the newly revised Recreation Open Space Development Guide/Policy Plan has the needed flexibility. Decisions about funding rest finally with the state legislature.

3. The Mall of America and Fantasyworld do not cause a substantial effect on the regional recreatiion open space system or on system plans.

METROPOLITAN DEVELOPMENT FRAMEWORK

1. The proposed project is located in the fully developed area. Growth in the fully developed area through infill and reuse is encouraged by the Metropolitan Development Framework which states that its forecasts of population, households and employment growth on which system plans are based should not be viewed as limiting growth in the fully developed area. Growth in excess of forecasts in the fully developed area is consistent with Metropolitan Development Framework if regional system capacity is available or can reasonably be provided.

OTHER METROPOLITAN POLICY ISSUES

Housing

1. Communities such as Bloomington, Edina, Richfield, the south neighborhoods of Minneapolis, southwestern neighborhoods of St. Paul, Mendota Heights, Eagan and Burnsville should consider reviewing housing plans and programs for adequacy in addressing the provision of housing opportunities for lower income households likely to be employed at the Mall of America and Fantasyworld.

ECONOMIC AND FISCAL ANALYSIS

KEY ASSUMPTIONS

1. The most critical data in the economic analysis of the Mall of America and Fantasyworld are the estimates of new tourist visits from outside the state of Minnesota and how much they will spend. Tourist visits and the resulting expenditures provide new income to the state that in turn generates new jobs and increased tax revenues.

2. The developer has not provided any detailed studies to support the projected attendance. Without new tourists from out of state, there are no positive economic benefits to the region or state.

3. Estimates of receipts, employment and revenues generated by the Mall of America vary depending on the assumptions made regarding the number of new out-of-state tourists and the level of their expenditures. Using the developer's estimates of attendance, the Mall of America project would stimulate significant numbers of new jobs and produce new state taxes primarily because the developer estimates that the project will attract a significant number of new out-of-state tourists to the region.

4. Harrison Price Co., the Council's consultant, has concluded that, while the project may attract between 15 and 17 million people annually to the site, the project will not increase the number of tourists coming into the state. The Harrison Price analysis is supported by data from an earlier study of Minnesota tourism conducted in 1977 and 1978 by Professor Uel Blank. Blank analyzed this project under contract to the city of Minneapolis and reached the same conclusion as the Harrison Price study.

5. The following conclusions apply generally to all estimates:

   The mall will capture a share of growth in the region. The fewer the tourists the larger share of the regional market it must capture to meet the developer's sales projections.

   As projected net new employment goes down, Bloomington captures more of what has been created and the remainder of the region gains less.

6. If no significant numbers of new out-of-state tourists are attracted to the region, the retail sales and amusement expenditures at the mall capture growth in regional disposable income. The Harrison Price report indicates that the mall can capture its projected receipts totally from a share of regional retail growth without adversely affecting existing retail operatiions.

Tourist Expenditure Estimates

1. The expenditure estimates for those tourists whose primary purposes are trade and convention and retail shopping appear to be reasonable. The estimate for expenditures at the amusement park are high given the size of the amusement proportion of the proposed facility.

BENEFITS

Receipts

1. Based on the developer's assumptions, the mall will generate approximately $1.4 billion in new expenditures in the region: $541.3 million on-site and $825 million off-site.

2. Based on the developer's assumptions, the mall will generate $1.2 billion in retail sales of which $425 million comes from new tourists--the remainder ($775 million) from growth that would accrue to the region with or without the mall.

3. Based on the developer's assumptions, the mall will capture 33 percent of the 1995 projected baseline retail growth that would accrue to major retail centers and the central business districts. This is off-set by the $825 million spent off-site in other services if the tourist projections are correct.

4. If the developer's assumptions are reduced by 50 percent, the mall will generate $601 million in new receipts to the region and state. Fewer induced expenditures means the mall would capture a larger share of expected retail growth.

Jobs

1. Based on the developer's assumptions and using the Revenue Department's Minnesota forecasting and simulation model, the mall will create 4,551 construction jobs in 1986, 11,715 in 1987, and 8,683 in 1988. Additional construction jobs will continue through 1993.

2. In 1995, when the mall is fully operational, the developer estimates 29,443 new jobs created in the region, of which, 27,370 full time equivalent will be at the mall. The Revenue Department's model estimates 27,539 new jobs for the region and the state. If an employment multiplier of 1.3 is applied to the developer's assumptions, the new jobs to the region and the state are reduced to 21,263.

3. Based on reduced tourist assumptions, the Revenue Department's model estimates 9,803 new jobs to the region/state. If there are no new tourists, there will be no new jobs.

Tax Revenues

1. Construction of the mall will generate approximately $121 million in state taxes ($59 million personal income, $51 million sales tax and $11 million corporate income).

2. In 1995, the operations phase of the mall will generate $91 million state taxes, given the developer's assumptions. With reduced tourist assumptions, the mall will generate $34 million. Again, with no new tourists, the mall will generate no new taxes.

COSTS

Convention Center

1. In reviewing proposals for the location of a state convention center, the Council found Minneapolis a more appropriate location than Bloomington based on Metropolitan Development Framework policy giving priority to maintaining the Metro Centers as the focus of the region's commercial, institutional, cultural and entertainment facilities.

2. No market feasibility study has been done by the Triple Five Corp. on its proposed convention center.

3. Development of a convention center in Bloomington is not likely to generate the new convention and trade show delegates estimated by the developer which are 220 percent higher than the attendance projected for the new state convention center in a study commissioned by the state convention center commission.

4. If two state-level convention centers are built, significant competition between Minneapolis and Bloomington for events is likely to result in significant operating losses for the Minneapolis convention center, which will have to be made up from public funds.

5. The operating losses constitute a substantial effect on planned development in the city of Minneapolis.

Public Subsidies

Fiscal Disparities

1. The Council has supported the fiscal disparities program since its inception and has opposed the granting of exemptions. In reviewing the proposals for the state convention center, the Council recommended against the use of fiscal disparities exemption as a means of financing the convention center.

2. The proposed exemption from fiscal disparities would result in $80 million in tax base being exempted from the fiscal disparities pool. The primary effect of the exemption is to reduce the areawide shared tax base and the resulting tax revenues to municipalities, counties and school districts. Local governments would have $8.5 to $10 million less than if the tax base were shared.

3. The effect of the exemption is to shift the subsidy of Triple Five to other local governments by raising taxes in nonexempt cities.

4. Exemption of the project from fiscal disparities would cost the state $2.2 million in state aids.

5. The proposed fiscal disparities exemption is different from other exemptions in that it is rebated to the developer directly. Other exemptions in the law are used to finance public improvements in tax increment districts. No new exemptions have been allowed since the original legislation was passed.

6. Tax increment financing in the amount of $140 million is proposed to fund the parking structure and site improvements for the Mall of America and Fantasyworld.

7. Tax increment financing shifts costs of serving the proposed development onto other taxpayers. For this development the most likely increased costs are for local services such as police, fire, street repair, etc. and regional costs for transit service.

8. The additional local costs will be paid by city taxpayers located outside the mall property; the additional regional costs for transit will be levied on all regional taxpayers outside the mall property.

9. The major tax increment financing shift associated with the Mall of America and Fantasyworld concerns regional transit which is estimated to cost $8.1 million. Costs estimated at $3.1 million annually will be levied on the remainder of the region provided that the Regional Transit Board is authorized by the legislature to increase its levy.

10. If the transit levy is not increased, increased transit service to the mall must be funded by a legislative appropriation or by cutbacks in service in other areas of the region.

11. The proposed hotel/motel sales tax is consistent with Council policy on revenue contained in the Regional Service and Finance Study in that beneficiaries of a service pay the costs generated. To the extent that visitors generate the costs related to public services and public subsidies, the hotel/motel tax will be levied on the visitors as beneficiaries.

POTENTIAL EFFECTS ON OTHER LOCAL GOVERNMENTAL UNITS

1. A second state-level convention center in Bloomington would have a substantial adverse effect on the planned convention center in Minneapolis. It would increase the operating deficits for the Minneapolis center and is likely to draw attendance away from the planned Minnneapolis state-level center.

2. The proposed state-level convention center at the Mall of America and Fantasyworld meets the criteria in the metropolitan significance rules to make a determination that a proposed project is of metropolitan significance based on its substantial adverse effect on a planned land use or development in a local governmental unit other than the city of Bloomington.

3. An exemption from fiscal disparities would affect every community in the metropolitan area. If the proposed project contributes to fiscal disparities, property taxes paid in all other communities are lower. If it is exempted, taxes are higher. In this sense, the subsidy to the developer is shifted to other local governments.

4. Exemption of this project may set a precedent that results in significantly lower tax revenues for some metropolitan area communities.

5. The proposed exemption from fiscal disparities meets the criteria in the metropolitan significance rules to make a determination that a proposed project is of metropolitan significance based on its substantial adverse

effect on an existing or planned land use or development in local government units other than the city of Bloomington.

RECOMMENDATIONS

That the Council determine that the metropolitan significance regulations apply to the proposed Mall of America and Fantasyworld.

That the Council determine that the proposed Mall of America and Fantasyworld causes the effects set forth in Minn. Rules 5700.0400(D) and 5700.0500.

That the Council determine that the proposed Mall of America and Fantasyworld is of metropolitan significance.

That the Council determine that the proposed Mall of America and Fantasyworld meets the metropolitan significance standards for transportation system impacts set forth in Minn. Rules 5700.0400(D) but is not appropriate for the exercise of the power of suspension.

That the Council determine that procedures should be initiated to amend the regional transportation plan to address the magnitude and timing of the immediate area highway improvements in conjunction with the development of the Mall of America and Fantasyworld. New funding sources will be sought in order not to alter other regional and state transportation priorities and schedules in the region.

That the Council institute a study to determine an ultimate design concept for the I-494 corridor to accomodate regional growth, to be undertaken by the Council in cooperation with the Minnesota Department of Transportation and affected local communities. The study could lead to a modification of the metropolitan transportation system plan.

That the Council use the local plan amendment process under the Metropolitan Land Planning Act to accomplish the following:

> Development proposals for the entire Airport South area should be scaled down to maintain long-term traffic volumes on I-494 below the capacity of an eight lane freeway.
>
> Because of its large peak-hour trip generation characteristics, office space development for the entire Airport South area should be considered as a prime candidate to be reduced or converted to a land use that generates fewer peak-hour trips.
>
> Aggressive travel demand management techniques should be implemented in conjunction with the proposed development for the entire Airport South area. Transit options should be closely evaluated by the Regional Transit Board prior to implementation to determine their cost-effectiveness.

That the Council determine that the proposed Mall of America and Fantasyworld meets the metropolitan significance standards for substantial effects on planned development in local governmental units set forth in Minn. Rules 5700.0500 but is not appropriate for the exercise of the power of suspension or amendment.

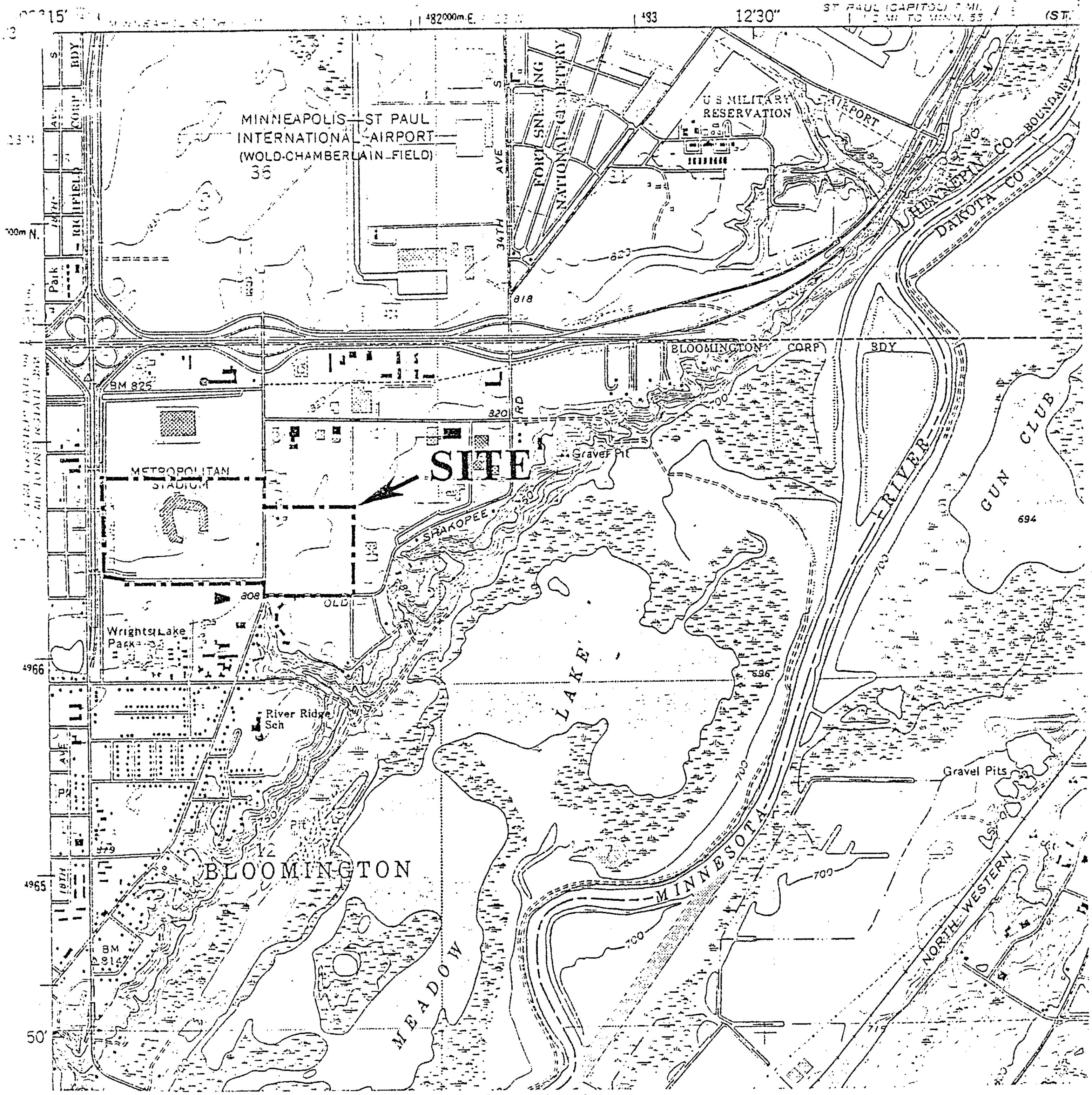
That the Council determine that only one new state-level convention center can be accomodated in the Metropolitan Area, and the location most supportive of Council policy is in the metro center of Minneapolis.

That the Council reaffirm its long standing commitment to the fiscal disparities program and its opposition to exemptions from the law.

PP000/PROTX3

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

ATTACHMENT 1



SCALE 1:24000

1 MILE

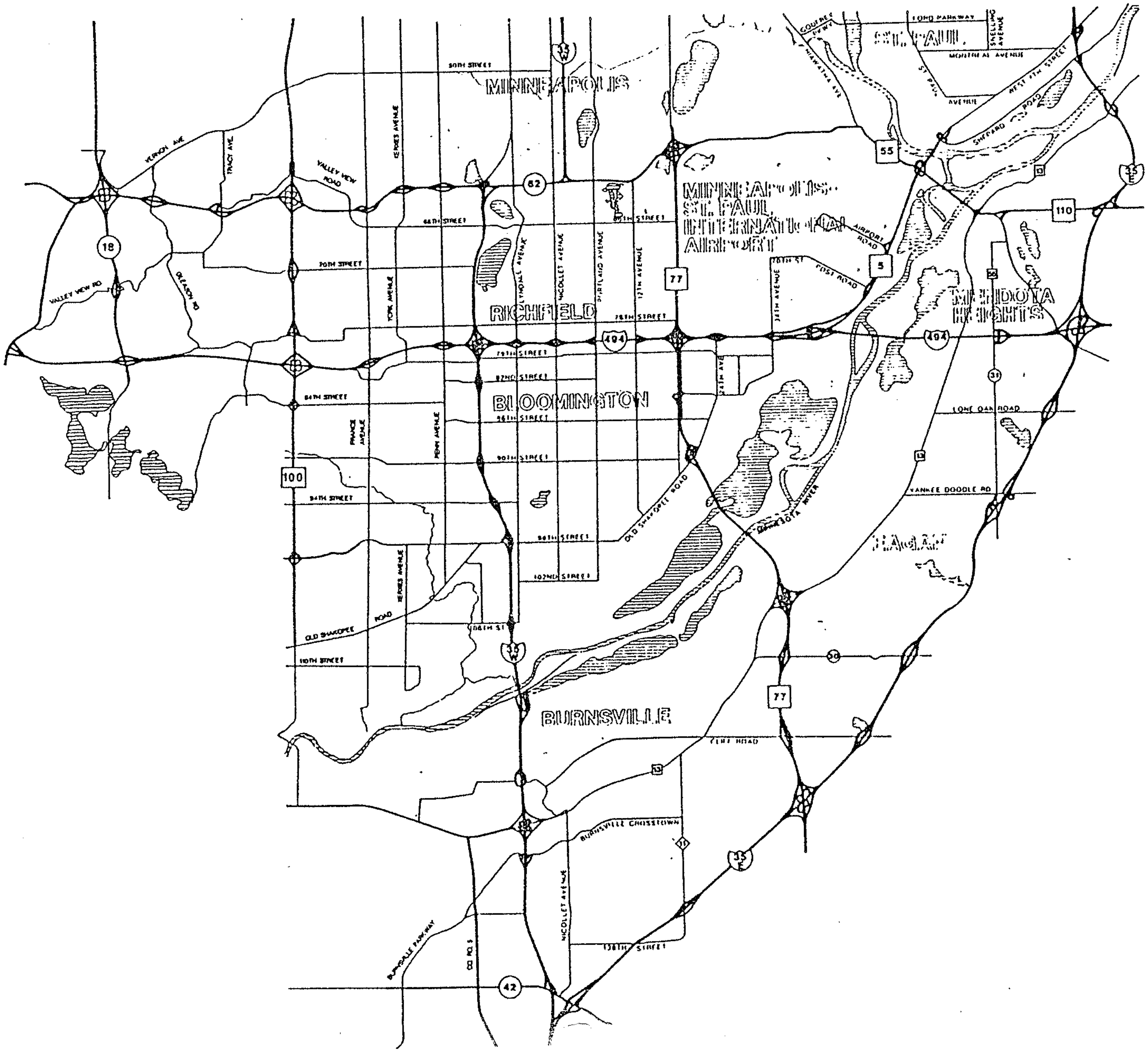
1000 0 1000 2000 3000 4000 5000 6000 7000 FEET

1 KILOMETER

MN
GN
5½°
98 MILS

CONTOUR INTERVAL 10 FEET
DATUM IS MEAN SEA LEVEL

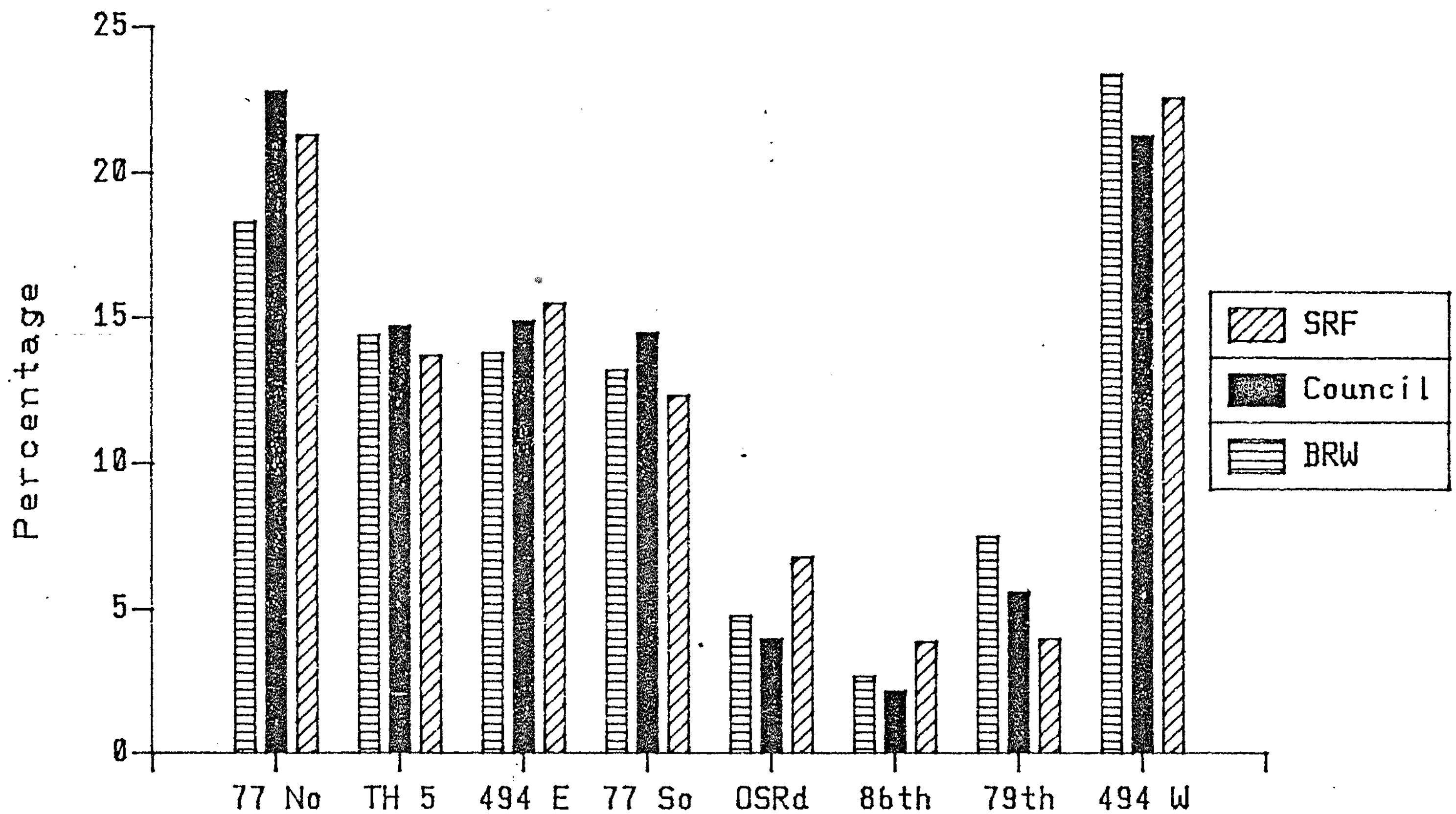
TRANSPORTATION ANALYSIS AREA



ATTACHMENT 3

TABLE 5

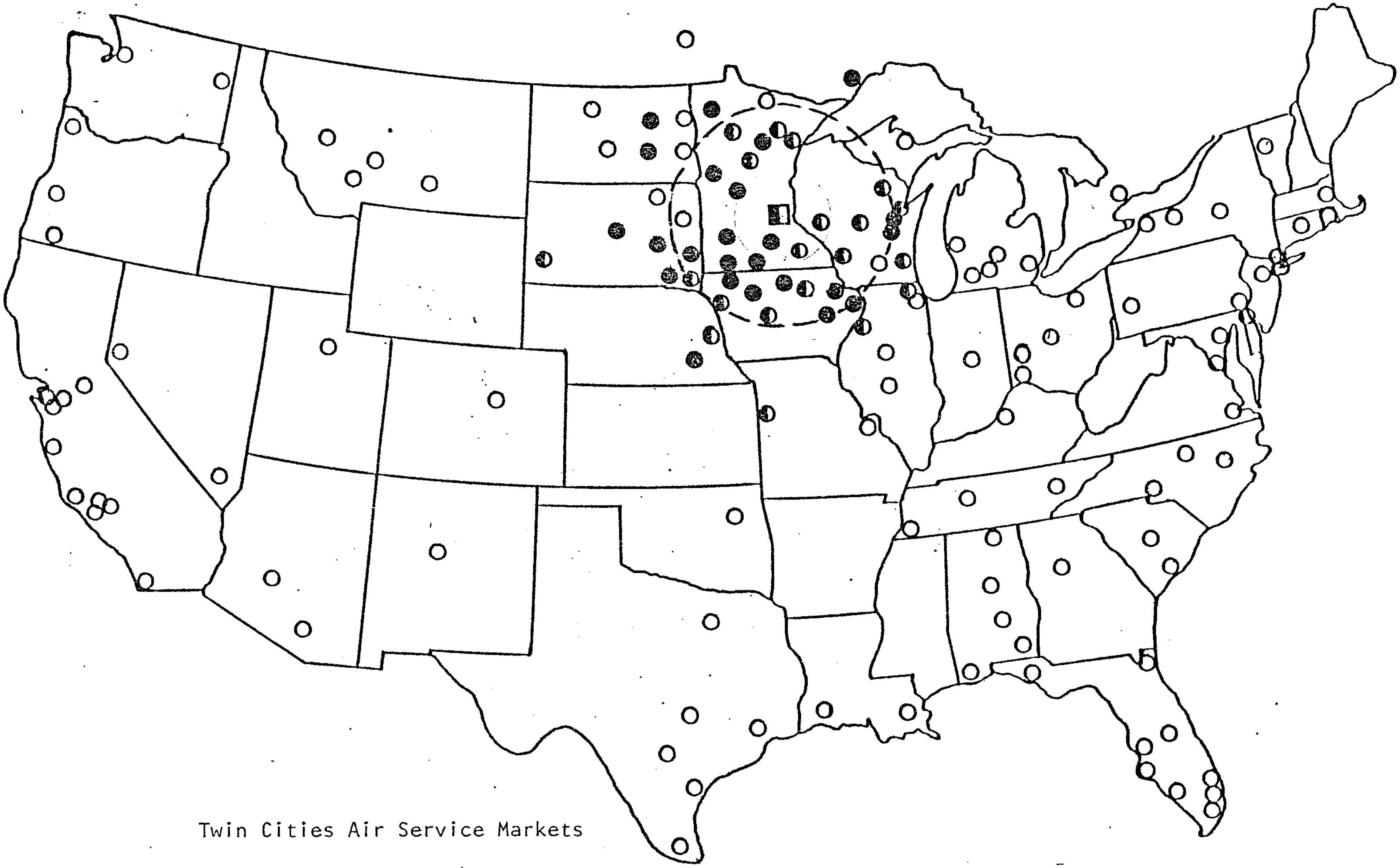
MEGA MALL TRIP DISTRIBUTION



ATTACHMENT 4

DRAFT

PROPOSAL 8



Twin Cities Air Service Markets

- Cities served from MSP by Air Carrier only
- Cities served from MSP by Regional/Commuter only
- Cities served by both
- MSP Intl airport
- Approximate 200 mile distance from MSP (Mega-Mall)

Source: Consolidated Airline Schedule, MSP, 1984

ATTACHMENT 6

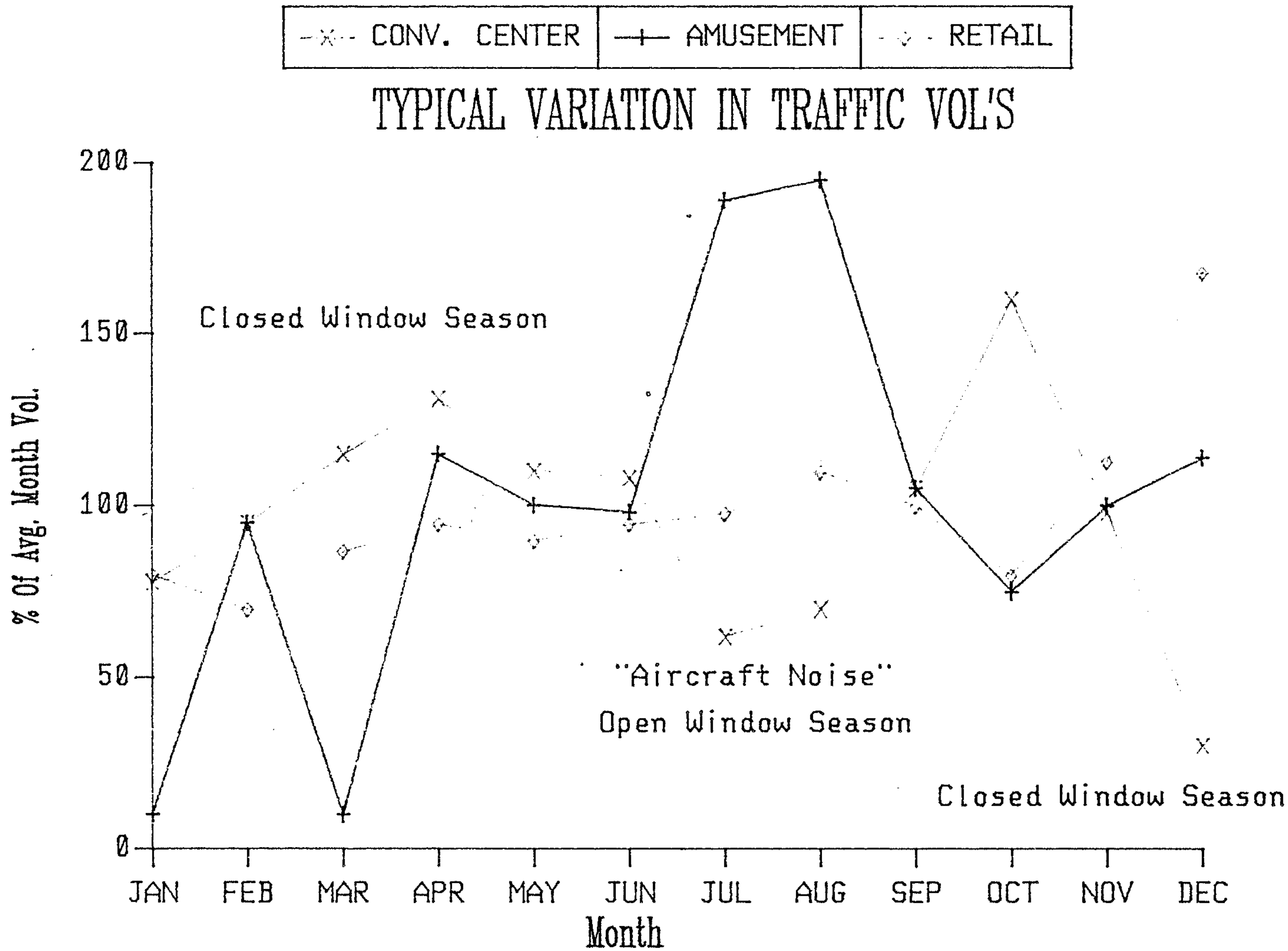


Table 1
ESTIMATED IMPACTS OF FANTASYWORLD/MALL OF AMERICA
ON USE OF SELECTED RECREATION FACILITIES AND PROGRAMS

Nature of Use	Potential Sites[1]	Current Peak Capacity[2]	Current Peak Use[3]	Degree of Impact	Comments
1. Camping	Lebanon Hills RP	40	25	Major	Although this campground has only been open for one year, it has already had a few capacity weekends. It will be the closest campground to the mega-mall, with excellent access to the state zoo as well. 1986 expansion is planned and funded.
	Valley Fair	100	67	Intermediate	Reasonably close to mega-mall, but run by a major competitor.
	Jordan KOA	135	110	Major	A bit more distant but well-publicized.
	Carver PR	50	20	Intermediate	Only open for part of one season, but is expected to be heavily used by metro residents. Relatively convenient to mega-mall.
2. Picnicking/ Swimming	Hyland-Bush-Anderson Lakes PR				
	- Hyland Lake	450	200	Intermediate	Local use expected to fill capacity here soon due to new attractions. Could be some potential capacity problems.
	- Mt. Normandale	100	70	Intermediate	Relatively minor but highly visible facility.
	- Bush Lake	200	160	Intermediate	Major new facilities expected to approach capacity with local use. Attraction of good beach could cause capacity problems here.
	Fort Snelling SP	1,200	900	Major	Variety of attractions and close by. Would experience a major surge in use, perhaps straining current capacity. Charge for day use may constrain short-term visitors, and encourage them to go elsewhere.
	Wood Lake MP	100	75	Intermediate	Small capacity, not readily visible to visitors.
	Bloomington MPs	100	N/A	Intermediate	Close by, and would be heavily promoted.
	Hidden Falls-Crosby Farm RP	500	100	Intermediate	Not as obvious to visitors as Fort Snelling. Local use expected to increase.
	Minnehaha RP	1,100	900	Major	Major attraction and close by. Already over capacity in main use area. Impact could be significant, but more of a problem for casual sightseeing than picnicking.
3. Summer Trails (bike, hike, jog, fitness)	Hyland-Bush-Anderson Lakes PR	700	400	Major	Close to high concentration of transients; attractive natural area.
	Wood Lake MP	120	100	Minor	Relatively small and remote.
	Bloomington MPs	1,500	N/A	Major	Close by and promoted; good easy connections possible.
	MVNWRRA	300	75	Major	Close by and attractive. Facility capacity is there. Environmental capacity more questionable.
	Fort Snelling SP	600	200	Major	Close by with extensive capacity.
	Hidden Falls-Crosby Farm RP	400	200	Intermediate	Close by; local use expected to increase significantly in future years. If promoted, could be heavily used. Free access.
	Mississippi Gorge RP	400	100	Intermediate	Close by. In process of redevelopment which should bring local use close to capacity. Quite visible and attractive. Provides natural trail loop.
	Minnehaha RP	80	250	Major	A lot of visitors drawn in to see falls will also walk trails, which are very busy now.
	Minnehaha Parkway RT	700	650	Intermediate	Parkway sightseeing should increase; trails here are not a big tourist draw now.

Table 1 (Continued)

Nature of Use	Potential Sites[1]	Current Peak Capacity[2]	Current Peak Use[3]	Degree of Impact	Comments
4. Winter Trails (cross-country skiing)	Hyland-Bush-Anderson Lakes PR	750	750	Major	Very attractive; rentals available; close to transient population; extensive system; fee charged, artificial snow-making possible.
	Wood Lake MP	120	150	Minor	Small system; isolated.
	Fort Snelling SP	950	400	Major	Close by; extensive capacity; easy courses; no rentals at present; fee charged.
	Hidden Falls-Crosby Farm RP	300	150	Intermediate	A bit more isolated; easy course; free.
	Bloomington MPs	150	N/A	Minor	Isolated, small system.
5. Downhill Skiing	Hyland Hills	?	?	Minor	Few tourists likely to come here to ski.
	Buck Hill	N/A	N/A	Minor	Few tourists likely to come here to ski.
6. Sightseeing/ Interpretation	Hyland-Bush-Anderson Lakes PR				
	- Richardson Nature Ctr.	125	75	Minor	Impact depends on program emphasis. Other centers better positioned to provide large-scale cultural and environmental overviews desired by tourists.
	- Holmenkollen Ski Jump	?	N/A	Major	Major impact on summer sightseeing use if observation deck and elevator are included. Good view, very obvious feature in busy area.
	Wood Lake MP	150	125	Minor	Impact depends on program emphasis.
	MVNWRRA	?	-	Major	Well positioned for broad environmental overview of area; likely to be promoted heavily; close by.
	Pike Island Nature Ctr.	75	50	Intermediate	Close by; but not as likely as MVNWRRA to attract large crowds, may receive some fall out from increased use of historic fort; cooperative approach could make it a one-stop cultural-environmental center for entire region.
	Historic Fort Snelling	1,200	1,000	Major	A major tourist attraction already; proximity will mean heavy impact.
	Minnehaha Park	500	750	Major	A major tourist attraction already; proximity will mean heavy impact. Capacity difficult to expand.
7. Special Events	Winterrific	N/A	N/A	Major	Close by; interesting; will be heavily promoted.
	Holmenkollen ski jumping		N/A	Major	Very interesting; close by; unique; heavily promoted.
	Hyland Hills ski meets	N/A	N/A	Minor	Relatively local interest; could be more impact depending on publicity.
	Buck Hills ski meets	N/A	N/A	Minor	Relatively local interest; could be more impact depending on publicity.
	Cross-country ski events	N/A	N/A	Intermediate	Depends on level of competition, promotion and visitor convenience/comfort. Could be important.

1. RP - Regional Park; PR - Park Reserve; RT - Regional Trail; SP - State Park; MP - Municipal Park; MVNWRRA - Minnesota Valley National Wildlife Refuge and Recreation Area.

2. Peak expressed as number of people that facility can handle at one time according to current regional system guidelines, on average peak weekend day in season; with exception of campgrounds, where peak capacity is the number of sites. N/A means data not available.

3. Peak use expressed as the number of people using the facility at peak time on an average peak weekend day in season; with the exception of campgrounds, where peak use is the number of sites occupied on an average summer weekend. N/A means data not available.

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APPENDIX 1

ANALYSIS OF VISITOR PROJECTIONS

The developer has provided projections of tourist visits which this report analyzes. In addition, the Council contracted with Harrison Price for a review of the developer's projections and the assumptions on which they were based. (Attached to this Appendix is a letter from the Harrison Price Co. which clarifies and supplements the report done for the Council.)

Triple Five projects that the project will attract 25,700,000 people annually. When multiple event attendance is included for convention center delegates, the total turnstile count is 28,100,000. With the exception of convention center delegates, each visitor to the retail and entertainment complex generates one turnstile count so, for those activities, person and turnstile clicks are the same. Only the convention delegates have multiple visits, estimated at four days for each delegate, so the 800,000 people generate 3,200,000 turnstile counts.

In addition to new out-of-state tourists, existing tourists who extend their stay and expend more money also add to the state's jobs, income and revenues. The table addresses the contribution of these tourists by including a calculation of these visits in days, rather than in numbers of persons.

The total tourists are estimated by the developer to be 9,800,000. The convention center attracts 600,000 people, the entertainment complex, 2,300,000, and the retail mall 6,900,000. The total tourist estimates are further segmented into in-state (nonlocal) and out-of-state tourists. The total out-of-state tourist estimate is 6,100,000 people. Therefore, the in-state tourists equal 3,700,000 people.

The developer was asked to segregate new tourists from existing tourists. According to Triple Five, the convention center will attract 800,000 delegates a year, 200,000 or one-quarter of which is local and would be attracted away from existing convention facilities in the region. The remaining 600,000 people are from out of the state and are new convention or trade show participants.

The retail complex and amusement center are projected to attract 5,500,000 out-of-state tourists. The developer has stated that 60 percent (3,300,000 persons) of these tourists would be new and induced by the project. Another 30 percent or 1,650,000 persons who presently come to the region as tourists from out of the state would increase their stay here for the purpose of going to the mall for shopping or amusement. Finally, the developer says 10 percent of the 5,500,000 out-of-state tourists would shift from other activities to go to the mall. These are not new tourists so they do not generate any benefit to the state; any shift in spending benefits only Bloomington.

The developer did not do a market feasibility study to generate these projections. The Council did not have sufficient information from the developer to assess the accuracy of these projections. Therefore, the Council conducted its own research and contracted with the firm of Harrison Price to analyze the material presented by the developer and estimated the annual attendance the project might generate. The Council staff also extensively used the study: Minneapoplis-St. Paul Travel-Tourism, People, Dollars and Activities in the

Metropolitan Area, Uel Blank, Michael Petkovich, University of Minnesota, Oct. 1979.

Staff analyzed the projection of tourist visitors for the retail mall and amusement complex from two viewpoints:

1. How do the attendance projections compare to known visitors to the region?

2. How do the attendance and facility compare to other facilities around the country?

The most comprehensive study of visitors to the region was done in 1979 by Uel Blank who at that time was a professor at the University of Minnesota. Tables 1 and 2 record data from that study, along with some additional material provided by staff. Table 1 records the purpose of all trips to the region. Council staff has increased these estimates by 10 percent based on two factors: 1) the population of the region increased by 6.5 percent from April 1, 1978 to April 1, 1985 and). employment increased by 16.7 percent.

Table 2 records the distance of the home location of visitors by the various trip purposes. These totals have also been increased by 10 percent. The columns do not add across due to rounding of the percents to whole numbers in the original report.

The developer projects 12 million visits will be generated from within an area of 50 miles from the project. The Minnesota and Wisconsin population in this area now is approximately 2,285,000 people. Every person in this area would have to make 5.25 trips each year to realize these projections.

The developer assumes the retail segment of the project will attract 3,500,000 visitors within Minnesota but beyond 50 miles of the mall and 3,400,000 visitors from out of state. When the Minnesota population within 50 miles of the project is subtracted from the total state population, the remaining number of residents is 2,100,000. Thus, Minnesota residents outside the region are projected to shop at the mall about 1.6 times a year.

The developer projects 3,400,000 out-of-state people will come to the mall to shop each year. As noted above, 60 percent are new tourists (2,040,000), 30 percent would extend their stay to shop at the mall (1,020,000), and 10 percent (340,000) result from tourists in the area who shift to the mall from other activities.

The Uel Blank study estimates 567,000 visitors came to the area to shop from beyond 100 miles. If this number is increased by 10 percent, 633,000 people would now be coming to the region in 1985 to shop. The developer is therefore suggesting the mall would attract over three times the people who live 100 miles from the area that now come to the region to stay.

The developer also is projecting that the mall will induce 160 percent of the present tourists that come to the region to shop to extend their stop. This, of course, is not possible, since the greatest possibility is to induce all, or 100 percent of the prresent tourists to extend their stays.

Amusement

The developer projects the amusement complex will attract six million visitors annually. The local share of these visits, which in this case is defined as coming from within 100 miles of the site, will produce 3,700,000 visits. The population within this area is approximately 4,365,000. Therefore, 85 percent of these people are expected to visit the entertainment complex annually. If we assume these people are from within 100 miles, but in Minnesota, a possibility given the confusion over the developer's numbers, each Minnesota resident that lives within 100 miles of the project would have to visit the amusement center 1.2 times a year.

The developer's projection calls for the remainder of Minnesota residents to produce 200,000 visits to the entertainment complex. Therefore, about 20 percent of the population in the remainder of the state are projected to come to the entertainment area each year.

Table 1
TOURISTS-VISITORS TO REGION

	1977-78*	10 percent Increase	Estimated 1985
1. Visit to friends and relatives	6,804,000	680,400	7,484,400
2. Work or business	4,284,000	428,400	4,712,400
3. Personal business	3,780,000	378,000	4,158,000
4. Recreation, sightseeing, entertainment	2,016,000	201,600	2,217,600
5. Shopping	1,764,000	176,400	1,940,400
6. Conference and convention	1,260,000	126,000	1,386,000
7. Travel Node, no special reason to be in TCMA	4,536,000	453,600	4,989,600
8. All others	756,000	75,600	831,600
	25,200,000	2,520,000	27,720,000

*Minneapolis-St. Paul Travel-Tourism People, Dollars and Activities in the Metropolitan Area, Executive Summary, Uel Blank, Michael Petkovich, University of Minnesota, Oct. 1979.

The developer's projections of visitors to the amusement facility state 2,100,000 visitors would come from outside the state. Again, they assume 60 percent are new visitors (1,260,000), 30 percent would extend their stay to go to the project (630,000), and 10 percent would shift from other entertainment activities (210,000).

Table 2

PURPOSE OF TRAVEL TO THE TWIN CITIES METROPOLITAN AREA BY DISTANCE FROM HOME

Purpose for Trip	Over 100 Miles		10 Percent Increase	Under 100 Miles		10 Percent Increase	All Distances		10 Percent Increase
	Percent	Number	Number	Percent	Number	Number	Percent	Number*	Number
Work	16%	2,304,000	2,534,400	10%	770,000	847,000	14%	3,094,000	3,403,400
Convention/ Conference	6	864,000	950,400	4	308,000	338,800	5	1,105,000	1,215,500
Shopping	4	576,000	633,600	16	1,232,000	1,355,200	8	1,768,000	1,944,800
Recreation, Sightseeing Entertainment	8	1,152,000	1,267,200	10	770,000	847,000	9	1,989,000	2,187,900
Visit Friends and Relatives	36	5,184,000	5,702,400	20	1,540,000	1,694,000	31	6,851,000	7,536,100
Travel Mode	14	2,016,000	2,217,600	12	924,000	1,016,400	13	2,873,000	3,160,300
Other	3	432,000	475,200	4	308,000	338,800	3	663,000	729,300
TOTAL	100%	14,400,000	15,840,000	100%	7,700,000	8,470,000	100%	22,100,000	24,310,000

Source: Minneapolis-St. Paul travel and tourism and the Metropolitan Council, Uel Blank.

*Totals do not add across due to rounding of percent to nearest whole number.

Based on the Blank study (increased by 10 percent), we find 1,267,200 people from beyond a 100-mile area come to the region for recreation or sightseeing. Thus, the developer is projecting an increase of 100 percent in this volume of tourists. Fifty percent of the visitors that come for recreation (1,260,000) would have to extend their stays to visit the project to meet the developer's projections. Seventeen percent of visitors who come to the area for recreation would have to shift from other activities to the mall.

The Harrison Price study looked at the same issue by comparing the project to market penetration rates for other well known projects in the country. After reviewing the project against festival retail centers such as Harbor Place (Baltimore), Faneuil Hall Market Place (Boston), Ghirardelli Square (San Francisco), and amusement and water parks such as Disney World, Disneyland, Valleyfair, River Country (Orlando), the Harrison Price study concludes:

> Until concrete documentation of attendance performance at West Edmonton Mall is made available to provde otherwise, there is little alternative but to conclude that attendance forecasts for Minnesota International Center appear very optimistic and are perhaps grossly overstated. To the extent that experience at leading festival centers, Disney World and other partly comparable attractions is applicable, Harrison Price Co. considers a combined retail and amusement visitor volume in the range of $15 million to $17 million to be generous, giving Minnesota International Center an overall market penetration rate of 60 to 70 percent. This is about midway in the performance range between Disney World and the most successful festival centers and concedes that a development of the unique concept and magnitude proposed will have an above-average impact on the available market.

How does the Amusement Center Compare to Known
Recreation Attendance in the Region

- In fiscal year 1985, the attendance at all Minnesota State parks, which number 64, was 6,600,000.

- The busiest state park, Ft. Snelling, attracted 610,000 visitors.

- In 1982, the Minnesota Zoo attendance was 855,823.

- The arts/entertainment attendance for the region in 1984 was estimated at 5,528,000 by Council staff. This includes all ticketed entertainment, including movies, theaters, popular music concerts, opera/musicals, classical music, dance and visual. Included in this group are the 116 fine arts organizations in the region, which include the Guthrie, the Symphony, St. Paul Chamber Orchestra, Minneapolis Art Institute and the Walker.

- In 1981, a study was done of of the 10 major cultural facilities in the region. (Economic Impacts of Arts and Cultural Institution National Endowment for the Arts, Research Division, Jan. 1981). The total attendance for the 10 facilities included was approximately 2,390,000. When the nonlocal attendance, with the sole reason to visit the specific facility was reviewed, it was found only 4.6 percent or a total of 109,940 people came to the region to attend these facilities

Comparison of Fantasyworld to Other Amusement Parks

As a method to understand this facility better, four other amusement facilities in the Upper Midwest were contacted, and various data requested. Table 3 records this informatiion. As the table shows, Fantasyworld is equal in size to Adventureland in Des Moines, Iowa as far as acreage is concerned, and basically equal as far as rides. All the other parks are significantly larger in acreage, although Valleyfair and Six Flags have fewer rides.

All the other parks are seasonal, operating during the summer on a daily basis and on weekends before Memorial Day and after Labor Day in most cases. It should be noted due to the focus on children and young adults, this is the peak season since they are out of school and can attend on weekdays. The Fantasyworld complex would operate year-round.

The admission cost for the four parks is a one price, one ticket structure. This means that for one price a visitor can ride as many rides as they want during the one-day visit. The Fantasyworld pricing structure is for individual rides. The developer estimates each visitor will spend $15 per day. In Edmonton, the submarine ride cost is $6 Canadian, about $4.50 in U.S. currency.

The attendance figures illustrate that none of these fair parks approach the six million projected by the developer. This could be because of the seasonal nature of these parks, but this factor is offset by the higher number of rides and activities, and lower costs if the $15 average expenditure is assumed at Fantasyworld.

How Unique is Fantasyworld?

The total number of parks and attractions may be estimated by the membership of the International Association of Amusement Parks and Attractions. While there are five categories of members, the only one of relevance is the Park and Attraction members. There were 572 members in 1984. Therefore, 572 parks and attractions can be assumed. These also include members from other countries, so it is not fair to assume all parks are in this country. Fantasyworld, West Edmonton Mall, is one such member.

All parks are not described in detail so it is not possible to know which ones would be on a par with Fantasyworld. Nevertheless, this illustrates amusement parks and attractions are fairly common. This is reconfirmed by the index of Amusement Parks of America published in 1980. (Jeff Ulmer, Deal Press, New York, NY) This identifies 319 U.S. attractions.

An article in the U.S. Water News, Sept. 1985, reports that there are now 55 major water parks across the country, up from 29 parks nation-wide in 1983. To be considered a "major" park, the amusement center must have one large pool and at least three other water attractions. As examples of the largest parks, the article describes Water World in Denver, which has two wave pools creating five-foot waves, 14 water slides, an innertube ride and a speed slide. Wet 'N Wild, the largest water park, is located in Arlington, Texas. This park includes a 76-foot high slide with a 70 degree angle, and a figure-eight slide that winds through a cave with strobe lights. The largest park in the western U.S. is in San Diemas, California, which has 44 acres of water activities.

Table 3
COMPARISON OF FANTASYWORLD WITH OTHER AMUSEMENT PARKS

Name and Location	Acreage	Rides	Admission Cost	Length of Season	Attendance	Comments
Fantasyworld - Bloomington, MN	23	23 Rides 5 Activities - ice arena rollerskating rink, water park, space and science center, sports hall of fame 28	$15.00 (Estimate of daily expenditures by complex visitor)	365 days	6,000,000 (estimate)	
Valleyfair - Shakopee, MN	57	18	$10.50	118 days	850,000 (1985)	Stage shows Aquatic/marine shows Camping
Adventureland - Des Moines, Iowa	23	25	$10.95	115 days	500,000 (1985)	Stage shows Aquatic/marine shows Camping
Cedar Point - Sandusky, Ohio	364	54	$13.95	116 days	2,500,000 to 3,000,000 (1984)	One-mile swimming beach 750-slip marina 100+ years in operation 6 roller coasters
Six Flags Over Mid-America - St. Louis, Missouri	200	21	Adult: $13.50 Age 3-11: $9.95	126 days	1,200,000 (1985)	One park in a system of parks throughout the southern states Stage shows Annual shows Screamin' Eagle roller coaster

Source: Telephone conservations with park managers, Nov. 6 and 7, 1985.

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In response to questions from Council staff, Harrison Price provided some comparative material on the hourly ride capacity of major parks in the country. This is provided below:

Disney World (Magic Kingdom)	100,000+
Disneyland	100,000
Knotts Berry Farm	50,000
Cedar Point	95,000
Fantasyworld (Harrison Price Co. Estimate)	10,000

In comparison to the largest parks in the country, Fantasyworld is in fact not a very large park.

Following are exerpts from the Harrison Price study. The material in parenthesis has been added by Council staff.

- Harrison Price Co. considers a combined retail and amusement visitor volume in the range of 15 million to 17 million to be generous (and sensitive to the notion that the unique project concept and sheer scale of development will generate an above-average public response), giving the Minnesota International Center an overall market penetration rate of 60 to 70 percent.

- Experience with massive development projects in other locations, including Edmonton, suggests that little or none of this visitation and associated spending will be "new," or induced by the project. Whatever does occur will likely be limited to the first year or two of operation, when public curiosity is at its peak.

  (This conclusion obviously contradicts the major contention of the developer. It should be noted that in the work by Uel Blank, commissioned by the city of Minneapolis concerning this project, he reaches basically the same conclusion. "Can the Triple Five project attract the expenditures projected? The achievement of the developer's projections would require a major shift in travel and expenditure patterns. While the year-to-year travel patterns may shift, the tendency is to return to the long-time trend in subsequent years. The opening of the project would attract many who wish to see it if traffic conditions will permit. The strength of this initial surge is in part a function of marketing; however, no marketing plan is provided by the developer. There are many competing shopping and amusement features in the Twin Cities Metropolitan Area, and once the initial curiosity is satisfied, there will be an almost certain return to other places of convenience and services." Evaluation of Impacts of the Mall of America and Fantasyworld on Tourism, Recreation and Livability, prepared by Uel Blank, Oct. 8, 1985, p. 5.)

Tourist Expenditure Estimates

Trade and Convention Center Tourists: Triple Five estimates $150 per day per delegate. This does not seem unreasonable. Most researchers use the 1978-1979 Convention Expenditure Survey conducted by the International Association of Convention and Visitors Bureaus. Data from that survey updated to 1985 numbers estimates that convention delegates spend on average $450 per event. Trade shows bring in $575 per delegate per event. Dividing these numbers by the 3.5 days used by the developer gives a range of expenditures per delegate per day of approximately $130 to $165.

Retail Tourists: The Harrison Price study cites a University of Minnesota study in 1979 which estimates tourists spend $137 per person per trip in the state (in 1984 dollars). That study also estimates what this amount was spent on. The retail and food and drink expenditures constitute 72 percent of these expenditures. Allowing for a real growth in buying power of three percent, the expenditures per person per trip in 1995 would be $190 (in 1985 dollars). Seventy-two percent of that is $137. The $125 used by Triple Five appears reasonable.

Amusement Tourists: The Harrison Price study concludes that $15 per visit used by Triple Five for amusement expenditures is not reasonable. The study notes that the "$15 on-site exceeds all comparable experience except the Disney parks, which have a ten-fold greater capacity and hence entertainment value." The other expenditures associated with amusement tourist visits do not seem out of line.

Sales per Square Foot of Gross Leasable Area

The developer uses a figure of $300 per square foot of gross leasable area to calculate total receipts of $1.2 billion in retail sales in the mall. That figure is, in turn, used to calculate retail employment at the mall. The $1.2 billion is based on four million square feet of leasable area at an overall sales ratio of $300 per square foot. The Urban Land Institute, in its Dollars and Cents of Shopping Centers survey conducted every three years, reports that the upper two percent of all super-regional malls in the U.S. currently achieve sales ratios of $233 per square foot for department stores and $331 per square foot for mall specialty stores. If these ratios are applied to the planned mix at the mall (1.4 million square feet in department stores and 2.6 million square feet in specialty outlets), the resulting overall sales ratio would be $297 per square foot.

Sales Per Employee

The developer uses ratios of sales per employee to calculate retail employment, hotel employment and amusement employment. The $90,000 per employee for retail sales seems to be low for the kind of retail facility Triple Five is proposing. In the Census of Retail Sales for 1982, establishments with high sales volume did $124,030 sales per employee. When that number is adjusted to FTE employees and for inflation between 1982 and 1985, the number is closer to $180,000 per employee. Therefore, the Triple Five numbers would appear to overstate the potential retail employment at the mall. However, for retail sales off-site, the $90,000 would appear to be a reasonable average. The effect of making these adjustments is to reduce retail employment at the mall while changing the retail number for the state as a whole only slightly.

In addition, the $45,000 used for all other sectors appear to be slightly high. Using numbers from the Census of Service Industries and adjusting in similar manners, $35,000 would appear to be a better number. The net effect of all of these adjustments is to leave the new jobs virtually unchanged (30,670 now instead of 29,443) but reducing jobs at the Mall of America to 21,284. This means that the same number of jobs will be created but they will be more dispersed throughout the region with more in services and fewer in the retail sector.

Employment Multiplier

The multiplier of 1.6 provided to Nichols Management by the Department of Energy and Economic Development is a weighted average of all industries in the U.S. Department of Commerce 83 sector input/output table. That input/output table is based on 1977 data and was released in 1984. It is reasonable to assume that the employment multiplier used for the mall would be lower for several reasons. While the revenue to employment ratio for the direct jobs created by the mall is high (retail trade, eating and drinking, amusement, etc.), ratios in the indirect sectors are a conservative 20 percent lower (transportation, public utilities, manufacturing, etc.). Second, unlike the U.S. economy, the Minnesota economy would lose jobs out of state--for example, the production of plastic cups used in the mall. Finally, because foreign trade is a larger factor in the economy than it was in 1977, the multipliers would also tend to be lower. An estimate of 1.3 may be more reasonable than the 1.8 used by the developer or the 1.6 weighted average used in the preliminary Department of Energy and Economic Development analysis.

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11.08.85

HARRISON PRICE COMPANY

November 6, 1985

Mr. Carl Ohrn
Metropolitan Council
300 Metro Square Building
7th and Robert
St. Paul, Minnesota 55101

Dear Carl:

In response to our telephone conversation today, this letter contains supplemental information requested by your office relative to our recently submitted report on the proposed Minnesota International Center.

Impact of EPCOT on Central Florida

With reference to the revised version of Table 22 forwarded to you last week, the following additional text applies:

"Table 22R also shows net total visitation to all major Central Florida attractions, including the Disney operations, after factoring out the high incidence of visitation shared by Disney World-Magic Kingdom and EPCOT (most visitors to the Disney complex enjoy both attractions). As indicated, addition of unduplicated attendance at the two Disney facilities to aggregate attendance at the 10 other major attractions yields a total regional park volume dropping from a pre-EPCOT level of 20.4 million to 17.8 million as of 1984. The 2.6-million visit differential over this period was a gain for EPCOT at the expense of all other parks."

Data Sources

Certain tables in our report carry the source notation "Harrison Price Company" and no other. In most of these cases, for examples Tables 11 through 16, data shown are extrapolations or projections by HPC and we are properly credited as the sole source. There are two instances, however, where data have been drawn in part from external sources not cited. Attendance and market penetration data for selected attractions, as presented in Tables 21 and 22 have been obtained by HPC directly from management of the facilities named over a long period as a result of our association with these companies. Theoretically, the figures shown are verifiable by contacting the individual attractions listed; however, these attractions historically have tended to be reluctant in releasing publicly what they consider to be proprietary information. Tourist market size figures shown in Table 21 were derived in two ways: either directly from local tourist authorities where official estimates are available (as in San Diego or Orlando), or extrapolated by HPC based on past work we have conducted in these areas (as in Baltimore and Boston).

Ride Capacities

In response to your request for comparative ride capacity information as a supplement to our discussion of Tables 12 and 13 in the report, the following should give you an idea of the disparity between the amusement operations at MIC versus major free-standing parks:

	Total Hourly Ride Capacity (persons per hour)
Disney World (Magic Kingdom)	100,000+
Disneyland	100,000
Knott's Berry Farm	50,000
Cedar Point	95,000

The 10,000 or so hourly units estimated for MIC clearly fall well short of existing parks in the 3 million-plus annual attendance range.

* * * *

We hope that these comments will be helpful. Please let us know of other questions as they arise.

Sincerely,

Nick Winslow

Nicholas S. Winslow
President

Shari Dalrymple

Sharon J. Dalrymple
Vice President

NSW:SJD:su

Table 22
(revised)

ATTENDANCE TRENDS AT CENTRAL FLORIDA ATTRACTIONS
1979-1984

	Total Attendance (thousands)					
	1979	1980	1981	1982	1983	1984
Disney World (Magic Kingdom)	13,800	13,800	13,200	12,600	11,500	10,700
EPCOT	---	---	---	*	11,300[1]	10,500
Total Disney Parks	13,800	13,800	13,200	12,600	22,800	21,200
Unduplicated Attendance at Disney Parks[2]	7,900	7,900	7,500	7,200	6,700	6,200
Ten Other Major Central Florida Attractions	12,000	12,600	12,900	12,600	11,800	11,600
Total All Major Attractions	19,900	20,500	20,400	19,800	18,500	17,800

[1] First full year of operation (opened October 1982).
[2] Total attendance is divided by average visitor length of stay on-site (1.75 days from 1979 to 1982 and 3.4 days thereafter).

Source: Harrison Price Company.

IMPACT OF MEGAMALL ON MINNESOTA ECONOMY, NOV. 4, 1985

Analysis of Benefits Created by Megamall Development (Developer's Assumptions)

	Employment[1]		Taxes[4] (millions)					
			Individual Income Taxes		Sales Taxes		Corporation Income Taxes	
	Construction Period[2] by Year	Fully Operational[3]	Construction Period[2] by Year	Fully Operational[3]	Construction Period[2] by Year	Fully Operational[3]	Construction Period[2] by Year	Fully Operational[3]
1986	4,551		$ 5		$ 5		$ 1	
1987	11,715		14		15		3	
1988	8,683		11		12		2	
1989	2,151		5		3		1	
1990	3,385		6		4		1	
1991	3,514		6		5		1	
1992	3,459		6		5		1	
1993	1,884		5		2		1	
1994			1					
1995		27,539		$48		$37		$ 6
Total			$59		$51		$11	

2-1

Analysis of Benefits Created by Megamall Development (Reduced Tourist Numbers)*

	Taxes[4] (millions)		
Employment[1]	Individual	Sales[5]	Corporation
9,803	$18.0	$14.0	$2

*All numbers for 1995 since only operational phase affected by reduction in tourists.

[1] Total wage and salary employment increase (full time jobs) due to building of project. Note that jobs in years cannot be added since in each year the number of jobs is the difference between the control forecast and the simulation.

[2] 1986-1993

[3] 1995

[4] Based on year collected.

[5] Includes tax on motor vehicles.

Source: Minnesota Department of Revenue
Research Office

Percent of Daily Tourist Expenditures Spent Across Various Sectors Assumed by Minnesota Forecasting and Simulation Model

Sector	SIC	Visitors - Commercial Lodging	Visitors Making 1 Day Trips
Food	20	1.96%	2.04%
Tobacco	21	.55	1.53
Apparel	23	.78	2.16
Chemicals	28	1.06	2.89
Petroleum Products	29	3.90	7.39
Insurance	63 & 64	1.51	3.82
Eating & Drinking (markup)	58	28.69	28.52
Rest of Retail (markup)	52-57,59	7.93	18.76
Wholesale (Markup)	50,51	3.58	6.96
Hotels	70	41.20	3.95
Personal Services	72,76	1.41	3.86
Amusement & Recreation	79	2.96	6.66
Medical Services	80	1.69	4.63
Other		2.78	6.83

Note that expenditures in Eating and Drinking and Rest of Retail and Wholesale are only markup; rest of money expended accrues to producer sector.

Source: Minnesota Department of Revenue
Research Office
November 4, 1985

Appendix 3

Table 1

Out-Of-State Tourists

	Total Out-Of State Tourists	Of Which:		
		New To Minnesota	Tourists Extending Stay	Tourists Shifting from Other Activities[a]
	-millions-	-millions-	-millions-	-millions-
Visitors	6.13	3.92[b]	1.66[c]	0.55[d]
Visitor-Days	11.53	7.76[b]	2.83[c]	0.94[d]
Clicks:				
Hotel	x	n.a.	n.a.	n.a.
Convention	x	2.40[e]	-	-
Retail	x	2.04[f]	1.02[f]	.34[f]
Amusement	x	1.28[g]	.64[g]	.21[g]
Expenditures (1985 $)				
Out-of-State Convention Delegates	315.0[h]			
Out-of-State Retail Visitors	425.0[i]			
Out-of-State Amusement Visitors	281.4[j]			
Total	1021.4[k]			
Distribution of Out-Of-State Expenditures:				
On-Site				
Hotel		54.8[l]		
Convention		-[m]	-[m]	-[m]
Retail		255.0[n]	127.5[n]	42.5[n]
Amusement		19.2[o]	9.6[o]	3.2[o]
Sub-total		329.0	137.1	45.7
Off-Site		459.4[p]	49.8[q]	.4[r]
Total (on and off-site)		788.4	186.9	46.1

See footnotes on following page.

Source: Nichols Applied Management

Footnotes to Table 1

a. Although it is likely that some tourists may shift activities to the Mall, it is expected that much of the expenditures related to that shift will result in new incremental income to the state.
b. Out of state convention delegates plus 60% of amusement and retail tourists.
c. 30% of amusement and retail tourists.
d. 10% of amusement and retail tourists.
e. 600,000 new delegates @ 3.5 days = 4 clicks.
f. Out of state retail visitors = 3.4 million. Allocated 60%, 30%, 10% to the three columns.
g. On the basis of 6 million visitors with amusement as primary purpose, 2.13 million will be out-of-state.
h. 600,000 @ 3.5 days @ $150.
i. Refer to June report for calculation. Includes no provision for away-from-site expenditures by out-of-state visitors and therefore may understate income impact to state.
j. Excludes $29.5 million attributed to avoided out-of-state expenditures by Minnesota residents.
k. Excludes indirect income generated by new tourism activity and "import substitution" effect of avoided out-of-state expenditures by Minnesota residents.
l. On-site hotel capacity is far short of new tourism-induced requirements. Hotel revenues based on 2,000 room @ 75% utilization @ $100 per room night @ 365 days per year.
m. Most of revenues accruing to convention facility will be derived from event organizers. No provision has been made for these receipts in the income impact to the state.
n. Based on distribution of 60%, 30%, 10% to three tourist categories.
o. Based on 2.13 million out-of-state visitors @ $15 per mall visit. Allocated 60%, 30%, 10% to three tourist categories.
p. Residual convention-related expenditures net of on-site hotel receipts plus 80% of off-site amusement-related expenditures net of footnote 17.
q. 20% of off-site amusement-related expenditures, net of footnote 17.
r. Assumes $2.00 spent off-site by tourists shifting from other activities.

Source: Nichols Applied Management

Table 2

Receipts (millions 1985$)

	Total On-Site	Net Mall Induced Receipts: On-Site: Out-of-State[e] Visitors	On-Site: Residents	Bloomington	Metro	Remainder of State	Total
Hotel	54.8[a]	54.8	-	-	-	-	
Convention	-[b]	-	-	-	-	-	-
Retail	1,200.0[c]	425.0	-	-	-	-	
Amusement	90.0[d]	32.0[f]	29.5[g]	-	-	-	-
Direct	1,344.8	511.8	29.5	196.6[h]	250.7[i]	62.4[j]	1051.0
Indirect							315.3[k]
Total							1366.3

a. See Table 1, footnote l.
b. See Table 1, footnote m.
c. 4 million sq.ft. @ $300/sq.ft. The latter figure is consistent with West Edmonton Mall estimates and the performance of the better super-regional shopping centers in the U.S.
d. 6 million visitors @ $15 each.
e. Includes receipts of tourists shifting from other activities. It is assumed that the activities replaced imply low tourism expenditures and that much of the expenditures will comprise incremental income to the state.
f. Refer to footnote o, Table 1.
g. Assumes entire net income benefits related to avoided out-of-state expenditures by Minnesota residents accrues to Mall.
h. Includes 60% of net convention income ($315 million) less amount spent on-site ($54.8 million) plus one-quarter of amusement income exclusive of on-site receipts.
i. Includes 40% of net convention income, plus one-half of amusement income exclusive of on-site receipts.
j. Includes one-quarter of amusement income exclusive of on-site receipts.
k. Indirect income multiplier of 0.3.

Source: Nichols Applied Management

Table 3

Mall of America - Employment Generation Estimates

	Gross Expenditure Activity Generated by Mall Tourism Functions ($millions)	Net Expenditure Activity Generated by Mall Tourism Functions ($millions)	Employment at the Mall of America (FTE)	Net Employment to Minnesota (FTE)
Hotel	-	-	2,000[g]	-
Convention	420[a]	315[d]	740[h]	5,645[l]
Retail	1,200[b]	425[e]	13,330[i]	4,722[m]
Amusement	381[c]	311[f]	2,000[j]	5,990[n]
Office	-	-	9,300[k]	-
Total Direct	$2,001	$1,051	27,370	16,357
Total Indirect				13,086[o]
Total				29,443

a. 800,000 @ 3.5 days @ $150. Excludes expenditures by convention organizers.
b. 4 million sq.ft. @ $300. Excludes off-site expenditures by out-of-state tourists visiting the mall.
c. Based on 6 million visitors. Origin of visitors 0-50 miles, 50%, 50-100 miles, 15%; 100-200 miles, 10%; more than 200 miles, 25%. Expenditures per day $17, $50, $75, and $80 respectively. One incremental day assumed for all visitors within 200 mile radius, two days for visitors beyond 200 miles.
d. 600,000 @ 3.5 days @ $150
e. Retail sales attributable to out-of-state residents. Includes no provision for off-site transportation, accommodation, food service, and other expenditures by out-of-state residents.
f. Net of redistribution of state household expenditures. Only a portion of these net expenditures accrue to Mall of America.
g. 1 FTE per hotel room.
h. Estimate, based on examination of other convention facilities.
i. Based on $1.2 billion in sales, $90,000 receipts per employee.
j. 6 million visitors @ $15 per visit. Sales per employee $45,000.
k. 2 million sq.ft. @ 215 sq.ft. per employee.
l. Net convention-related income of $315 million allocated as follows: 38.7% retail, 61.3% services. Assumed receipts per employee, $90,000 and $45,000, respectively.
m. Based on net retail sales of $425 million. Assumed sales per employee, $90,000.
n. $311 million net income allocated approximately as follows: amusement $49.2 million; retail $83.0 million; other, $178.9 million. Receipts per employee assumed for the three categories: $45,000, $90,000, $45,000, respectively.
o. Assuming employment multiplier of 0.8. DEED and Metropolitan Council have applied figures of 0.6 and 1.0, respectively. A figure of 1.0 was used in earlier Nichols report.

Source: Nichols Applied Management

Question 4: A series of survey summaries prepared by R.W. Urban Consultants have been supplied to the Council. We would like to get copies of the survey forms used, a description of the survey methodology used, and printouts of the raw data.

Response: The survey methodology involved interviewing (ie. intercepting) a total of 1,294 individuals present in the mall during the period August 3 to 5, 1985. These individuals were randomly selected by the interviewers without any stratification or quotas set.

The survey responses were keyed into an IBM-PC and analyzed using programs developed by R.W. Urban Consultants. These programs produced the tabulation printouts (provided earlier) directly; hence, no "raw" printouts can be provided. Copies of the questionnaires will be forwarded to the Council in the near future.

Source: Nichols Applied Management

NICHOLS APPLIED MANAGEMENT

1100 A. E. LePage Building, 10120 - 103 Street, Edmonton, Alberta T5J 3N9 Telephone (403) 424-0091 Telex 037-2969

October 16, 1985

Mr. Robert Hoffman
Larkin, Hoffman, Daly & Lindgren
7900 Xerxes Avenue S.
Bloomington, Minnesota 55431

Dear Bob:

Re: Metropolitan Council Information Requests

Enclosed are further responses to the footnote questions in Tables 1 to 3 of the Metropolitan Council letter. I believe the unanswered footnotes are covered in the details to the tables sent to you earlier.

Obviously, if we've missed answering any questions, the Metro Council or your staff can call us by telephone.

We are moving on to the other areas of research and hope to begin sending our analyses to you early next week.

It would be helpful to me, in terms of my own scheduling, if you could indicate whether I might be required to be in attendance in Minnesota in the future, and at what approximate times.

Yours very truly,

for

Peter C. Nichols
Partner

PCN/11

Encs.

Metropolitan Council Requests For Information
-Mall of America Project-

Notes to Table 1

Question: What is the basis for the tourist estimates?

Response: 1. Convention

- examined existing convention activity in Minnesota and Twin Cities, and the current penetration of the convention market.
- reviewed activity levels of other selected convention facilities.
- based on above, assessed the potential market capture for the proposed facility, recognizing the unique marketing features of the Mall of America.

2. Amusement

- reviewed attendance of major amusement and theme parks in North America, and of other attractions in Minnesota.
- reviewed available tourism data pertaining to West Edmonton Mall.
- analyzed visitor geographic distribution of selected tourism facilities and events.
- judgmental extrapolation of visitor draw to the Mall of America, with consideration for the population size and distribution of the region, the uniqueness and year-round nature of the Triple Five facility, and the complementary nature of the adjacent retail and convention facilities.

3. Retail

- reviewed available visitor and expenditure data for West Edmonton Mall.
- examined regional market potential in the Twin Cities, Minnesota, and out-of-state areas.
- estimated total retail sales potential for the facility.
- disaggregated sales by geographic area.
- divided sales for each geographic area by estimated sales per

Question: Where will the tourists come from?

Response: The visitor figures provided are shown in terms of both in-state and out-of-state tourists. The latter estimates have not been further disaggregated by origin.

We would expect the majority of out-of-state visitors to be drawn from traditional sources of tourism and primarily from the mid-west states. Probably in the order of two-thirds to three-quarters of out-of-state visitors will originate from within a 500-mile radius of Bloomington. However, the world-scale nature of the Mall of America and the attendant marketing promotion will serve to extend the geographic reach of tourists to Minnesota.

Question: Will they spend differently depending on where they come from?

Response: The analysis assumes the following expenditure patterns for the visitors to the retail and amusement components:

Amusement	Total Expenditures Per Visitor-Day	Visitor-Days
0-50 miles from Bloomington	$17	1 day
50-100 miles from Bloomington	$50	1 day
100-200 miles from Bloomington	$75	1 day
More than 200 miles from Bloomington	$80	2 days
Retail		
In-state tourists (50-200 miles from Bloomington)	$50 per visit[a]	
Out-of-state tourists	$125 per visit[a]	

Information available from surveys carried out at West Edmonton Mall does not provide sufficient detail to ascertain statistical differences in spending for various tourist origins. However, on the basis of these surveys, it is evident that total on-site tourist spending exceeds that of local-area visitors by 50% to 100% and that off-site spending of Mall tourists exceeds that of local residents by a factor of roughly 3.5 to 5.0.

---

a. Expenditures at the Mall of America site. No provision included for off-site expenditures.

Question: One of our assumptions is that new out-of-state tourists and out-of-state tourists spending an extra day account for the net new expenditures to Minnesota. Is that correct?

Response: The allocation of net new expenditures to Minnesota is as follows:

Tourists	($ millions)
New spending by out-of-state convention delegates	315.0
New retail spending by out-of-state visitors	425.0
New spending by amusement-oriented out-of-state visitors	
-spending one day in Minnesota	41.4
-spending two days in Minnesota[a]	240.0
Sub-total	1,021.4
Non-Tourists	
Avoided out-of-state expenditures by Minnesota residents	29.5
Total Net Direct Expenditures to Minnesota	1,050.9

a) Tourists more than 200 miles from Bloomington are assumed to spend two incremental days in Minnesota.

Notes to Table 2

Question: What are your estimates as to the potential for growth in receipts to Minnesota without the tourist expenditures to be induced by the Mall? What are your related assumptions for population, household, and personal income growth rate?

Response: No macro-economic projections of activity for the State of Minnesota have been carried out.

However, the consultants are currently reviewing the outlook for retail sales activity in the Metro area and the State, on the basis of historical changes in retail sales (constant and current dollars) and population. On the basis of available data, it is our understanding that real retail sales in Minnesota over the periods 1972-1984, and 1980-1984 have increased by about 5.4% and 5.8% annually. Retail sales (again in real terms) for the Minneapolis-St. Paul SMSA have increased by 3.4% annually over the period 1980 to 1984. Population growth projections for the nine counties in the metropolitan area prepared by the Minnesota State Demography Unit convert to annual growth rates of 0.84% for the period 1980 to 1990. The consultants expect to relate historical increases in retail sales per capita (in real terms) to those population growth rates to yield projected retail sales expressed in constant dollars.

Question: What are the sales per square foot assumptions (by SIC) used to calculate the total on-site receipts?

Response: An overall figure of $300 sales per square foot has been assumed for the shopping mall. The figure is based in part on the experience of West Edmonton Mall and other super-regional malls, and the market potential of the Minnesota region.

The retail space distribution by detailed SIC is being re-examined but realizable sales per square foot (GLA) by SIC are shown below.

SIC NO.	SIC MAJOR GROUP	Sales Per Square Foot ($)
52	Building materials	91.06
53	General merchandise stores	255.24
54	Food stores	480.18
55	Automotive dealers and gas	275.21
56	Apparel and accessory stores	336.28
57	Furniture, home furnishings & equipment	383.64
58	Eating and drinking places	358.93
59	Miscellaneous retail	307.47
72	Personal services	321.52
73	Business services	333.88
78	Motion pictures	83.81
79	Amusement and recreation services	113.66
80	Health services	304.96
89	Misc. services (travel agencies)	2,322.98

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FACSIMILE COVER PAGE

DATE....October 16/85..

TO...Bob Hoffman..

FROM. Peter Nichols..

TOTAL NUMBER OF PAGES INCLUDING COVER PAGE.....8..............

SPECIAL INSTRUCTIONS..

ANY PROBLEMS PLEASE CALL (403) 421-0329 (FAX PHONE) or (403) 421-8359 835-5102

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