

RePort

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The Newsletter of the Saint Paul Port Authority

Light Rail construction begins in earnest

Add a new phrase to that old saw about Minnesota having only two seasons – winter and road construction. For those in Saint Paul, add a third season for the next two years: Construction of the 11-mile Central Corridor Light Rail Transit Line (CCLRT) linking the Saint Paul and Minneapolis downtowns.

Work begins in March on two parts of the proposed line that is scheduled to open in 2014.

“The hardest part will be this year and next,” says Nancy Homans, policy director for Mayor Chris Coleman. “There will be two years of heavy construction, followed in 2013 with mostly technical work and then testing in 2014 before the line opens. Hopefully by then people will have forgotten the unpleasant bumps that always come with big transportation projects.”

The heavy construction work starting in March includes segments on Fourth Street and on the south side of University Avenue at Emerald Street. It’s part of the largest public works project in state history and it’s expected to create 3,400 jobs.

While the heavy construction launch is a milestone, an equally important hurdle passed in February when federal officials forwarded the Full Funding Grant Agreement (FFGA) to Congress, which commits the federal government to providing half of the \$957 million project cost. Congress already has spent \$145 million for design, property and preliminary construction.

Metropolitan Council Chair Susan Haigh says the FFGA approval, now expected in April, caps 30 years of planning to unite Saint Paul and Minneapolis by light rail and will come 10 years after a similar approval came for the Hiawatha LRT line between



Photo courtesy Metropolitan Council

Rose Jenkins of Saint Paul inputs information about her job skills into LRTWorks, a new database and email notification service designed to help match up job seekers and contractors working on the Central Corridor LRT Project. The Central Corridor Funders Collaborative funded creation of the website, which went live Nov. 12, 2010, during the Construction Career Expo at Local 110 of the International Brotherhood of Electrical Workers in Saint Paul.

the Mall of America and Target Field in Minneapolis.

The Hiawatha line now averages 30,500 riders every weekday and already has supported 7,700 new housing units, according to official studies. That number of new homes wildly exceeded predictions, which had expected only 7,150 new units by 2020.

Predictions are even bigger for ridership on the CCLRT – 41,000 daily riders by 2030. But plans also include a number of “city-building” and “place-making” initiatives, such as the planting of nearly 900 trees. Other plans include a “Creative Corridor” in the area near University and Hamline avenues that

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Industrial property and jobs key To sustainable and livable Saint Paul

From the President



Louis Jambois

When Port Authority staff hit the presentation trail, our first slide, regardless of the specific topic of the presentation, highlights our mission – create quality job opportunities, expand Saint Paul’s tax base, and advance sustainable development.

We accomplish our mission through a variety of means

including creative financing, recycling previously developed land, managing river shipping and providing customized job training. But all of those activities are dependent on a single critical ingredient. That ingredient is industrially zoned property.

From the mid-90’s until 2008, the real estate boom put industrial property in our nation’s core cities under pressure to convert to other land uses including commercial, residential, and mixed use. We all know now just how unsustainable the real estate boom was. But well before the real estate bubble burst, many core cities across the nation were awakening to the importance of industry to tax-base generation, municipal service provision, and neighborhood stabilization.

Since 2000, at least 15 cities – including Boston, New York, Philadelphia, Chicago, Detroit, Los Angeles, San Francisco, Portland, and Seattle – have conducted industrial land use preservation studies and/or enacted industrial land protection policies.

There are solid reasons for cities to focus on preserving industrial property. Contrary to conventional wisdom that suggests our nation’s industrial economy and jobs are shrinking, industrial jobs have remained constant since 1979.

The mix of jobs has changed – there are fewer

jobs in traditional manufacturing, but more in other industries – including technology, transportation, logistics, and assembly. This industry shift is reflected in the Port Authority’s business parks with companies like Internet Broadcast Systems at River Bend and HealthEast Medical Transportation at Beacon Bluff.

Industrial businesses still provide stable employment with the best wages and benefits when compared to other job types. And some studies suggest that industrial development provides excellent tax revenue to cities – especially when compared to the relatively low cost of providing municipal services to industry.

That means our industrial base is a significant financial supporter of Saint Paul’s essential services including police, fire, and parks.

Of course, the Port is not the only voice in support of industrial development in Saint Paul. Industrial land uses are actively supported by the Saint Paul and Midway Chambers of Commerce, by neighborhood groups, by Saint Paul Mayor Chris Coleman and his department heads, and by members of the City Council.

As many **RePort** readers probably know, the Mayor’s tag line is, “Making Saint Paul the Most Livable City in America”. Livability may be a subjective judgment, but in Saint Paul’s case it would certainly include strong neighborhoods, great cultural attractions, physical beauty, small town friendliness and charm, outstanding educational institutions, and a diverse, vibrant economy.

The development work that we do on our industrial property is not only central to our mission, it is key to a sustainable, eminently livable Saint Paul.

Community partners crack Down to reduce energy costs

In terms of population, Minnesota's ninth largest city with 63,753 residents is Eagan. But if measured in kilowatt hours, the state's ninth largest "city" is the amount of electricity used by the 86 buildings participating in Minnesota's first "Kilowatt Crackdown."

Xcel Energy and the BOMA (Building Owners and Managers Association) organizations of Saint Paul and Greater Minneapolis issued a challenge last year to enlist the business real estate community in a contest to reduce energy costs. The 86 buildings that were enrolled in the program before registrations closed in December currently use more than 500 million kilowatt hours of energy a year, according to Xcel.

"Somebody here calculated that if that amount of power was the same as the amount used by a city, it would be the ninth largest city in the state," says Xcel Account Manager Sue Goldstein, who adds that the buildings also represent more than 33 million square feet of space.

The Saint Paul Port Authority is poised to be involved in the Kilowatt Crackdown contest through its revolving Trillion BTU program that provides low-interest loans for projects that are repaid and replenished through energy savings. **(Related Story on page 5)**

Here's how the contest works:

- Participants have until April to benchmark their energy use in 2010 using the Energy Star rating system from the Environmental Protection Agency. Xcel Energy is providing free benchmark consultation.
- Starting immediately, participants have all of 2011 to implement energy savings initiatives using a variety of funding sources, such as Trillion BTU loans, stimulus dollars, efficiency rebates from Xcel and other sources.
- Based on energy improvement benchmarks for 2011, winners in multiple categories will be announced in May 2012.

"There will definitely be prizes, though we're still working on what they are," says Pete Klein, the Port's vice president of finance.

But Klein and Goldstein say any prizes will pale in comparison to the anticipated impacts of the program. These include increased energy savings for BOMA members, meeting state energy-conservation requirements for Xcel, potential rental savings for building tenants, and a cleaner environment.

And there's a certain amount of glory involved, Klein says, in being cited for operating a clean, efficient building.

The Kilowatt Crackdown contest is modeled after one that was developed in Seattle and has been replicated in other U.S. cities.

Winners will be divided into categories based on square footage – from 30,000 square feet to 500,000 square feet or more. In each size category, first, second, and third prizes will be awarded for the highest performing buildings and for the buildings that show the greatest percentage gain in energy savings.

In addition, a "Kilowatt Cup" will be awarded to the single property or team that achieved superior accomplishments in energy efficiency. Another award for "Most Valuable Tenant" will acknowledge the tenant showing leadership and enthusiasm for reducing energy consumption. Nominations for that award will be made by contest participants. In all, 20 winners will be named.

"There is no downside to this program," Goldstein notes. "The benefit for Xcel is the help we get meeting goals for our conservation improvement program. BOMA wins by improvements in buildings for its members and we have a community win because we will have more energy-efficient buildings."



Remember the Whole of Sustainability



Monte Hilleman

The Saint Paul Port Authority recently revised its mission statement to include the action phrase, "...advances Sustainable Development". But what is it. What has it been? And what can it be?

Balancing the environment, economy and social equity in a way that does not impede future generations' ability to provide for themselves is the foundation of sustainability. My indoctrination to those concepts came through the environmental movement in the early 1990's, and excited my thinking to believe that my dreams of an urban utopia could come true if only the world would understand the crucial balance of these three items.

However, I was lying to myself. What I really thought was that only if these capitalist pigs would begin full-cost accounting of their environmental degradation would they be held accountable for their sins against Mother Ear... Wait a second. That doesn't sound very balanced.

The balance often seems lost in the din of the clash of market supporters and environmental ideologues. Sustainability strategies have taken root on environmental grounds, with maybe some lip service to the greater economic good somewhere down the road. Yet for more than a decade, I watched and participated in the ongoing hand wringing over "the cost of green building". And I watched these concepts languish in the perpetual hell of pilot projects, demonstration projects, and government-sponsored good-intentions.

As U.S. HUD Secretary Shaun Donovan told a packed house at the ever-growing Green Build conference in Chicago in November, "we must continue to prove these technologies pay for themselves in order to foster broader adoption in the private marketplace."

As a community organizer I fought for these ideas with little understanding of the difficulty involved in financing construction projects with green-design

elements. My Port predecessor once sat me down with an appraiser, lender, and developer to walk me through the challenges of valuing, financing and constructing green buildings. As the scales fell from my eyes, I knew I had to temper my idealism with realism.

Recently, a colleague working on energy issues and I discussed the coordination of our sustainability initiatives. I explained the process and rationale of our efforts to develop performance metrics for Port redevelopments, including the actual tracking of building energy (and carbon) performance over time, a first in the nation for an economic development agency. I explained the concept of Architecture 2030 (www.architecture2030.org) and the design professions' goal of carbon neutral buildings by the year 2030. And then I heard him say, "I don't buy it."

"So why," I asked, "are you working on energy and sustainability issues with such commitment?" He replied that he "learned enough about energy issues to know we are running out of fossil fuels, and the result will be a devastated dysfunctional ruin of an economy."

Huh? I thought. Here's a colleague every bit as determined as I to further goals that can only be considered sustainable, and yet with no hint of environmental ideology. He's not alone.

Today's champions of sustainability can be found in corporate boardrooms across the spectrum. Wal-Mart CEO Lee Scott, for example, announced the company's Sustainability 360 initiative by stating, "Sustainability 360 takes in our entire company – our customer base, our supplier base, our associates, the products on our shelves, and the communities we serve. And we believe every business can look at sustainability in this way. In fact, in light of current environmental trends, we believe they will and soon."

Like Scott, we must embrace and not seek fault or guilt in those who seek shared goals but justify their conscientious actions through a different, profit motivated, or economically driven paradigm. They surely have realized an un-sustainable future is also one devoid of profits. A green future cannot be truly sustainable unless all shades of green are equal voices at the table.

Port and HealthEast partnership

Deeply rooted in community service

What does it take to save more than 12 billion BTUs of energy a year?

HealthEast Care System say that's the anticipated energy savings after major lighting and air-conditioning upgrades are completed at St. Joseph's Hospital in Saint Paul and St. John's Hospital in Maplewood. Funding for the upgrades are the latest projects in the Port Authority's "Trillion BTU" fund that provides low-interest loans that essentially pay for themselves through energy savings.

The conservation project is in the initial stages. But the Port Authority expects to kick off the second year of its Trillion BTU Fund loan program with a \$2.3 million loan to HealthEast for energy-saving installations at the two hospitals. In 2010, the Port issued 12 Trillion BTU loans totaling \$6.8 million. Recently, the Port approved three more Trillion loans, which fully deployed its initial \$5 million federal stimulus grant. When matched with other funds, a total of \$11.5 million in Trillion BTU loans are active.

"Since this is a revolving loan fund, it doesn't really end," said Port Vice President of Finance Pete Klein, who manages the program for the Port.



Port Photo by Debra Forbes

The HealthEast loan, meanwhile, is a natural extension of the long-term partnership between the Port, HealthEast and St. Joseph's Hospital. It began in 1977 when the Port issued the hospital \$10.3 million in revenue bonds to finance an addition to the hospital. Then in 2005, the Port issued \$40 million in tax-exempt bonds to purchase the old Midway Hospital building from HealthEast and then leased it

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Disruption will give way to more efficient travel

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is already teeming with artists and a "World Heritage District" amid the highly diversified neighborhoods on the eastern end of University Avenue.

For the traveling public, however, there's going to be some aggravation during the next two years. On University Avenue, construction will progress in one-mile segments, causing one-lane traffic in each direction and restrictions on turns. The tentative start dates are in early March from Emerald to Hampden, late March from Hampden to Aldine, and April from Aldine to Hamline. Once started, heavy construction on those segments should continue through the rest of the year.

Downtown, construction on Fourth Street begins

on March 21 from Wacouta to Broadway streets. Sometime in late April or May, workers will begin working from Robert to Sibley streets and a few weeks later from Minnesota to Robert streets. Work between Sibley and Wacouta streets is expected to start in July.

When the pain ends, Saint Paul, the University of Minnesota and Minneapolis will be linked. And there are dreams for more. Homans recalls that the trolley system 60 years ago carried people all the way from Stillwater to Lake Minnetonka.

"Someday, people may be able to take the same LRT train from the East Side of Saint Paul to Eden Prairie," Homans says. "There's serious talk about it."

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Manufacturing on rebound; jobs follow

"The reports of my death are greatly exaggerated."

Mark Twain, American Author and Humorist

We're back! Manufacturing is leading the country out of recession, Scott Anderson, Wells Fargo Corp. Senior Economist, recently told an audience at the Economic Development Association of Minnesota's (EDAM) Winter Conference in Minnetonka.

Joining him in that outlook were U.S. Sen. Al Franken and Mark Phillips, the new commissioner of the Minnesota Department of Employment and Economic Development.

"Minnesota's unemployment rate was down to seven percent in December," Phillips said. "We also saw a decline in new unemployment applications – to the lowest level since May 2008. Temporary hires were up 14 percent in the past year. Manufacturing outpaced all other sectors in 2010 – adding 10,700 new jobs, which is the highest increase since 1996."

To continue that momentum, Phillips will engage the business community in economic development efforts. His mantra, he said, could be summed up in a line from former Minnesota Gov. Rudy Perpich: "Never confuse efforts with results."

Franken, DFL-MN, praised EDAM for its hard work in boosting Minnesota's economy during the worst recession in memory. "You didn't sit by; you sprang into gear. You support business growth and job

creation," he said. "I'm your partner. If you need anything let me know."

To that end, Franken also pitched his work in Washington. He helped pass the Small Business Lending Program, which pumped \$30 billion into small community banks so they could help businesses expand.

"We have tremendous assets in Minnesota," he said, adding that the state needs to employ them.

Anderson agreed, noting:

- The bank's fourth quarter customer survey reported a huge jump in small business optimism. Historically this sector creates half the jobs in the United States. Business inventories are back to normal, and the stock market continues on a tear, climbing to 90 percent above its March 2010 level.

- Minnesota's yearly job numbers are just below 2000 levels. But the state is outperforming the nation in job growth – 1.7 percent compared to 0.7 percent – mostly due to manufacturing, health services, and the hospitality/leisure industry.

- Resolving bank credit problems continues to be a slow grind. It will take 5-10 years to extricate us from this crisis, but debt levels are coming down.

- The housing market is close to bottoming out. Demand is stabilizing but flat. And there could be another five percent price decline nationally in 2011.

Conservation program a natural for HealthEast

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back to the company, which they continue to use for its corporate headquarters. The financing enabled HealthEast to underwrite the \$102 million expansion project at St. Joe's. And, as recently as last August, the Port helped HealthEast open a \$5.1 million medical transportation facility in the Port's Beacon Bluff Business Center on Saint Paul's East Side. That facility is part of the Port's initiative to redevelop the old, 46-acre 3M Campus.

"It's been more than a good relationship over the years," says Mike Nass, who recently capped a 27-year career at HealthEast by becoming its Chief Financial Officer. "The assistance of the Port Authority has helped put us in the position we're in today – able to tackle the things that have been deferred too long."

The Trillion loan will be used to upgrade energy systems at the two hospitals. The majority of the funding – about \$1.45 million – will be used at St. Joseph's. Projects include efficiency upgrades to the chilled water systems at both hospitals, plus a huge variety of lighting improvements ranging from high-efficiency lights in St. Joseph's parking ramp to occupancy sensors to turn off lights in rooms when they're not needed.

The upgrades should also reduce maintenance costs and improve the reliability of the systems at both hospitals. And when completed, the improvements are expected to save a total of 12.671 billion BTUs per year. Convert most of those BTUs to kilowatt-hours and the energy savings is the equivalent of leaving 6,610 old-fashioned light bulbs on for a year.

"It's a campus-wide retrofit," said Jed Field, HealthEast's systems director of engineering.

And the cost?

"The energy savings and maintenance savings nearly pay for the cost of the loan over the five years it's being paid back," Field said, noting that the savings also include energy-conservation rebates from Xcel Energy. "Once the loan is paid off, we go significantly positive because of those savings."

The Port will use the loan repayments to finance new energy-saving projects and the result will be an



TRILLION BTU
ENERGY EFFICIENCY IMPROVEMENT PROGRAM

ever-expanding program of energy conservation.

Field points out that the energy-saving programs served by the Port's Trillion BTU fund ultimately saves a fortune for the entire community. "It costs roughly one-fourth as much to conserve as it does to build facilities to generate more power," he says.

There is also, he added, something deeply satisfying about maintaining and improving an institution like St. Joseph's -- a hospital that dates back to 1853, five years before Minnesota statehood.

"Hospitals are institutions, not commercial buildings," Field said. "We have to think forward quite a bit and that can be hard because of the financial pressures. We often never get to the things we'd like to do because we're focused on projects we have to do. Without a loan program like the Trillion BTU, we might never get to those "like-to-do projects" – even though they have such big long-term benefits."

The Saint Paul Port Authority creates quality job opportunities, expands the tax base and advances sustainable development

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Saint Paul Port Authority
1900 Landmark Towers
345 Saint Peter Street
Saint Paul, MN 55102