

**Link Rapid Transit Project
Rochester, Minnesota
Small Starts Project Development
(Rating Assigned November 2022)**

| Summary Description | |
|---|--|
| Proposed Project: | Bus Rapid Transit 2.9 Miles, 7 Stations |
| Total Capital Cost (\$YOE): | \$143.37 Million |
| Section 5309 CIG Share (\$YOE): | \$84.92 Million (59.2%) |
| Annual Operating Cost (opening year 2026): | \$4.95 Million |
| Current Year Ridership Forecast (2019): | 5,900 Daily Linked Trips 1,800,400 Annual Linked Trips |
| Horizon Year Ridership Forecast (2040): | 12,800 Daily Linked Trips 3,909,500 Annual Linked Trips |
| Overall Project Rating: | Medium-High |
| Project Justification Rating: | Medium |
| Local Financial Commitment Rating: | Medium-High |

Project Description: The City of Rochester (City) proposes to implement bus rapid transit (BRT) along 2nd Street SW in downtown Rochester. The project connects Saint Marys Hospital, the Mayo Clinic Downtown Campus, the Mayo Civic Center, the University of Minnesota-Rochester, the Downtown Transit Center, and the Rochester-Olmsted Government Center to established urban neighborhoods, a proposed 13-acre transit-oriented development (TOD) referred to as the West Transit Village, and the proposed Downtown Waterfront Southeast TOD site. The project is planned to operate in business access and transit lanes along more than half of the alignment (1.8 miles). The project includes transit signal priority; off-board fare collection; level boarding platforms; real-time arrival, schedule, and route information; Americans with Disabilities Act accessibility; an addition to the existing bus maintenance facility; electric bus charging infrastructure; and 12 electric buses. On weekdays, service is planned to operate between 5:00 a.m. and 12:00 a.m. with service every five minutes during peak hours and every 10 minutes at other times. On weekends, service is planned to operate every 15 minutes between 8:00 a.m. and 12:00 a.m.

Project Purpose: As the area’s first planned BRT line, the project is intended to provide high-quality public transportation for residents, commuters, students, and visitors and to accommodate transit demand arising from an anticipated 65 percent increase in downtown employment and 30 percent increase in downtown population over the next 20 years. The project corridor is already one of the most heavily-used transportation corridors in the City, with more than 40 buses operating in the corridor during peak hours. The project converts existing traffic lanes into dedicated BRT lanes, thereby substantially improving transit service in the corridor.

Project Development History, Status and Next Steps: The project entered Small Starts Project Development in February 2020. The City selected the locally preferred alternative in May 2020 and it was adopted into the region’s fiscally constrained long range transportation plan in September 2020. The City expects to complete the environmental review process with

receipt of a Categorical Exclusion in May 2023, receive a Small Starts Grant Agreement in April 2024, and open for revenue service in March 2026.

Significant Changes Since Last Evaluation (November 2020):

The City revised the project scope and cost estimate in June 2022 to reflect advanced design and incorporate public input. Revisions included modifying the eastern end of the alignment and station locations, adding bike lanes, reducing the maintenance facility scope, and reducing transit signal priority scope due to completed improvements. These changes increased the project length from 2.6 to 2.9 miles, increased the length of dedicated guideway from 1.3 to 1.8 miles, increased project cost from \$114.54 million to \$143.37 million, increased the requested CIG amount \$56.09 million to \$84.92 million, and increased the CIG share from 49 percent to 59 percent. Scope revisions and delays in the environmental review process have delayed receipt of a Categorical Exclusion and Small Starts Grant Agreement by approximately two years and delayed the start of revenue service date by approximately a year.

Locally Proposed Financial Plan

| <u>Source of Funds</u> | <u>Total Funds (\$million)</u> | <u>Percent of Total</u> |
|---|--------------------------------|-------------------------|
| Federal: | | |
| Section 5309 CIG | \$84.92 | 59.2% |
| Section 5339 Buses and Bus Facilities | \$0.20 | 0.1% |
| State: | | |
| State of Minnesota Destination Medical Center (DMC) Transit Aid | \$35.64 | 24.9% |
| State of Minnesota DMC Funds | \$5.77 | 4.0% |
| Local: | | |
| Olmsted County DMC Transit Aid | \$15.71 | 11.0% |
| City of Rochester Assessment Fees | \$0.75 | 0.5% |
| City of Rochester Sanitary Sewer Fund | \$0.23 | 0.2% |
| City of Rochester Water Utility Fees | \$0.15 | 0.1% |
| Total: | \$143.37 | 100.0% |

NOTE: The financial plan reflected in this table has been developed by the project sponsor and does not reflect a commitment by DOT or FTA. The sum of the figures may differ from the total as listed due to rounding.

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| Factor | Rating | Comments |
|--|--------------------|---|
| Local Financial Commitment Rating | Medium-High | |
| Non-Section 5309 CIG Share | N/A | <ul style="list-style-type: none"> The CIG share of the overall project is 59.2 percent. |
| Summary Financial Plan Rating | Medium-High | |
| Current Capital and Operating Condition (25% of local financial commitment rating) | Medium-High | <ul style="list-style-type: none"> The average age of the bus fleet is 10.0 years, which is older than the industry average. The most recent general obligation bond rating for the City of Rochester, issued in June 2022 by Moody's Investor Services, is Aaa Stable. In 2020, S&P Global Ratings provided the City of Rochester a general obligation rating of AAA Stable. The City of Rochester's current ratio of assets to liabilities in its most recent audited financial statement is 2.96.(FY21) There were minor service cutbacks in recent years, as a result of the COVID-19 pandemic (2020). There were no service cutbacks in prior to the COVID 19 pandemic. There were no cash flow shortfalls in recent years. |
| Commitment of Capital and Operating Funds (25% of local financial commitment rating) | Medium-High | <ul style="list-style-type: none"> All of the non-Section 5309 CIG capital funds are committed or budgeted. Sources of funds include an FTA Section 5339 Grant, State Destination Medical Center (DMC) Funds, Transit State DMC Aid Funds, Olmsted County Transit Aid, and City of Rochester Funds. Approximately 37 percent of the funds needed to operate and maintain the system in the first full year of operation are committed/ budgeted, and the rest percent are considered planned. Sources of funds include FTA Section 5307 funds, MN State Transit Aid, Mayo Clinic Contributions, and directly generated Fixed Route and paratransit revenues. |
| Reasonableness of Capital and Operating Cost Estimates and Planning Assumptions/Capital Funding Capacity (50% of local financial commitment rating) | Medium | <ul style="list-style-type: none"> Assumed growth in fixed route revenues is reasonable compared to recent historical experience. The project capital cost estimate is reasonable. System-wide capital cost estimates are considered optimistic. Regarding growth in operating revenue assumptions, farebox collections are reasonable compared to recent historical experience. Assumed growth in paratransit revenues is optimistic compared to recent historical experience. Operating cost estimates are considered reasonable compared to recent historical experience. The City of Rochester has access to funds via additional debt capacity, cash reserves, to other committed funds to cover unexpected cost increases of funding shortfalls equal to 100 percent of the estimated CIG capital cost and 70 percent of the annual system-wide operating expenses. |

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LAND USE RATING: Medium

The land use rating reflects population density within one-half mile of proposed stations, employment served by the line, and the share of legally binding affordability restricted (LBAR) housing in the station areas compared to the share in the surrounding county.

- The population density in station areas is about 5,300 persons per square mile, corresponding to a Medium-Low rating by FTA benchmarks. Total employment served is about 48,700 jobs, corresponding to a Medium-Low rating. The daily parking cost in the central business district (CBD) ranges from \$5 to \$12, corresponding to Medium-Low to Medium-High ratings. The ratio of station area to county LBAR housing is 1.94, corresponding to a Medium-High rating.
- The western end of the project area is generally characterized by lower-density residential and commercial uses, while urban form becomes denser and more mixed-use as the corridor moves into and through Rochester's CBD. There are several major destinations and employment centers in the project corridor, including the Mayo Clinic Downtown Campus, Saint Marys Hospital, University of Minnesota Rochester, and the Mayo Civic Center.
- Sidewalks exist throughout most of the corridor and additional pedestrian amenities are provided along much of the project alignment.

ECONOMIC DEVELOPMENT RATING: Medium-High

Transit-Supportive Plans and Policies: Medium-High

- *Transit-Supportive Corridor Policies:* The City of Rochester (the City) and institutional stakeholders adopted transit-supportive plans and policies that direct growth downtown and create dense, mixed-use, nodes and corridors. They also established transit-oriented development (TOD) design guidelines for a high-quality pedestrian and bicycle network. The City has proposed demand-based on-street parking pricing and redeveloping surface lots to reduce parking supply downtown.
- *Supportive Zoning Regulations Near Transit Stations:* The City of Rochester adopted zoning code includes transit-supportive densities and design guidelines. TOD zoning districts that cover the 2nd St. SW corridor outside of downtown and the medical district have maximum densities ranging from Medium-High to High. Density bonuses are given to developments providing pedestrian amenities and transit access. Parking minimums rate Medium in most non-residential zones, but TOD districts reduce parking minimums and establish parking maximums that rate Medium-High.
- *Tools to Implement Land Use Policies:* Destination Medical Center is a public-private partnership supported by local sales taxes to plan for and fund development in specified districts, one of which covers much of the project corridor. Rochester offers tax increment financing (TIF) for redevelopment, housing, and economic development districts. Minnesota programs provide financial assistance to communities redeveloping blighted industrial, residential, or commercial sites. The City conducted substantial community and stakeholder engagement during planning activities.

Performance and Impacts of Policies: Medium-High

- *Performance of Land Use Policies:* Seventeen recently completed projects and six proposed projects were identified in the proposed station areas, including six mixed-use projects. These projects are generally consistent with TOD design principles.
- *Potential Impact of Transit Investment on Regional Land Use:* Approximately 240 acres of land has high redevelopment potential and could accommodate over 1,400 residential units and over one million square feet of institutional, office, retail, and hotel development under existing zoning. Strong growth is forecast, with corridor population and employment projected to grow by 59 and 64 percent, respectively, between 2020 and 2040.

Tools to Maintain or Increase Share of Affordable Housing: Medium-High

- A market analysis completed as part of the *New Rapid Transit for a Growing, Equitable Rochester: Transit-Oriented Development Planning Study (2020)* estimated demand for 2,400 affordable housing units in the corridor between 2020 and 2040. The *Comprehensive Housing Needs Assessment for Olmsted County, Minnesota (2014)* estimated 58 percent of rental households would be cost burdened by 2030.
- Housing TIF districts help create affordable workforce housing by requiring certain percentages of affordable housing in funded projects. Density bonuses are given to developments that provide affordable housing. Several state financing programs are also available.
- Ten residential projects have been recently completed or are planned in the project corridor that include over 300 units affordable to households earning 60 percent or less of area median income.

Link Rapid Transit

