

Southwest Light Rail Transit

Minneapolis, Minnesota

New Starts Project Development (Rating Assigned November 2015)

Summary Description	
Proposed Project:	Light Rail Transit 14.5 Miles, 16 Stations
Total Capital Cost (\$YOE):	\$1,774.38 Million (includes \$55.0 million in finance charges)
Section 5309 New Starts Share (\$YOE):	\$887.19 Million (50.0%)
Annual Operating Cost (opening year 2020):	\$20.80 Million
Current Year Ridership Forecast (2010):	17,800 Daily Linked Trips 5,893,800 Annual Linked Trips
Horizon Year Ridership Forecast (2035):	31,300 Daily Linked Trips 10,358,300 Annual Linked Trips
Overall Project Rating:	Medium-High
Project Justification Rating:	Medium
Local Financial Commitment Rating:	Medium-High

Project Description: The Metropolitan Council (MC) is planning a light rail transit (LRT) extension of the Green Line from the existing Target Field LRT station in downtown Minneapolis to Eden Prairie in suburban Hennepin County. The line would also serve the suburban municipalities of Minnetonka, Hopkins and St. Louis Park. The proposed alignment generally parallels freight rail and roadway rights-of-way, with grade-separated crossings in several locations and a short tunnel segment. The project includes nine park-and-ride facilities with approximately 2,500 total spaces, 27 light rail vehicles, and a new railcar maintenance facility. Service is planned to operate every ten minutes during the day and every 15 to 30 minutes during the evening on weekdays, and every ten to 15 minutes on weekends.

Project Purpose: Population, employment and congestion are growing rapidly in the project corridor. In particular, downtown Minneapolis has over 150,000 jobs and a growing population, while the western end of the corridor has several suburban employment concentrations. While the corridor has extensive bus service, growing congestion on the roadway network slows travel speeds, and reverse-commute service to the suburban employment sites is limited. The project would provide more efficient access to and from major employment centers and reduce travel times for highway and transit users. As an extension of the Green Line, the project would provide through service between Minneapolis's southwestern suburbs, downtown Minneapolis, the University of Minnesota campus, the State Capitol complex and downtown St. Paul. At Target Field, the project would also provide transfer connections to the existing Blue Line LRT and Northstar commuter rail lines.

Project Development History, Status and Next Steps: Following completion of an alternatives analysis in May 2010, MC selected an LRT line between Eden Prairie and downtown Minneapolis as the locally preferred alternative and included it in the region's fiscally constrained long-range transportation plan. Under SAFETEA-LU, FTA approved the project into Preliminary Engineering in September 2011. Under MAP-21 and FAST, the project is considered to be in the Project Development phase since the environmental review process is not yet complete. A Draft Environmental Impact Statement (EIS) was released in October 2012, followed by a Supplemental Draft EIS in May 2015 that accounted for changes to the western end of the project alignment, the relocation of the operation and maintenance facility, and a revised configuration for the Kenilworth Corridor segment of the line in Minneapolis that retains freight rail service in the corridor and includes an approximately half-mile LRT

tunnel beneath the freight rail alignment. MC anticipates completion of a Final EIS and receipt of a Record of Decision in mid-2016, entry into Engineering in fall 2016, receipt of a Full Funding Grant Agreement in mid-2017, and the start of revenue service in 2020.

Significant Changes Since Last Evaluation (November 2014): MC moved the western terminus of the line from Mitchell Road to Southwest Station, which shortened the line by 1.2 miles, and removed the station at Eden Prairie Town Center, deferring its completion until after the project opens. MC also reduced the overall number of park-and-ride spaces, reduced the number of light rail vehicles from 29 to 27, and made additional cost-saving design refinements. Despite these scope reductions, the capital cost increased from \$1,653.45 million to \$1,774.38 million as a result of more detailed design and more information about needed excavation, contaminated soil remediation, and property acquisitions. The anticipated Section 5309 funding amount increased from \$826.72 million to \$887.19 million, with the share remaining at 50 percent.

Locally Proposed Financial Plan		
<u>Source of Funds</u>	<u>Total Funds (\$million)</u>	<u>Percent of Total</u>
Federal: Section 5309 New Starts	\$887.19	50.0%
State: Minnesota Legislature General Obligation Bonds and Appropriations	\$149.34	8.4%
Motor Vehicle Sales Tax Reserves	\$16.00	0.9%
Local: Counties Transit Improvement Board Sales Tax Revenues	\$496.04	28.0%
Hennepin County Regional Railroad Authority Property Tax Revenues	\$165.34	9.3%
Hennepin County Land Transfer	\$30.00	1.7%
Other County and City Land Transfers	\$15.47	0.9%
Hennepin County Community Works and Environmental Response Funds	\$8.00	0.5%
City of Eden Prairie	\$2.50	0.1%
City of Saint Louis Park	\$2.00	0.1%
City of Minnetonka	\$2.00	0.1%
City of Hopkins	\$0.50	0.0%
Total:	\$1,774.38	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.

**MN, Minneapolis, Southwest Light Rail Transit
(Rating Assigned November 2015)**

Factor	Rating	Comments
Local Financial Commitment Rating	Medium-High	
Non-Section 5309 New Starts Share	N/A	The New Starts share of the project is 50.0 percent.
Project Financial Plan	Medium-High	
Capital and Operating Condition (25% of plan rating)	Medium-High	<ul style="list-style-type: none"> • The average age of the bus fleet is 5.9 years, which is younger than the industry average. • Metropolitan Council's (MC) most recent bond ratings, issued in July 2015, are as follows: Moody's Investors Service Aaa, and Standard & Poor's Corporation AAA. • MC's current ratio of assets to liabilities, as reported in its most recent audited financial statement, is 1.85 (FY 2014). • There have been no service cutbacks in recent years. • There have been minor cashflow shortfalls not exceeding \$5 million in three recent years. An operating cash flow shortfall is expected in 2015, but a total cash balance estimated at \$104.4 million is available to fill that shortfall.
Commitment of Capital and Operating Funds (25% of plan rating)	Medium-High	<ul style="list-style-type: none"> • 62.5 percent of the non-Section 5309 funds are committed or budgeted, and the rest is considered planned. Sources of funds include State general obligation bond revenues, sales tax revenues from the Counties Transit Improvement Board (CTIB) and property tax revenues from the Hennepin County Regional Railroad Authority, a Hennepin County Land transfer, Motor Vehicle Sales Tax reserves, Hennepin County Community Works and Environmental Response Funds, funds from the cities of Saint Louis Park, Minnetonka, Hopkins, Eden Prairie, and other municipal and in-kind contributions. • 98.3 percent of the funds needed to operate and maintain the transit system in the first full year of operation are committed or budgeted, and the rest is considered planned. Sources of funds include State Motor Vehicle Sales Tax receipts and general fund contributions, CTIB sales tax revenues, and fare revenues.

<p>Capital and Operating Cost Estimates, Assumptions and Financial Capacity (50% of plan rating)</p>	<p>Medium-High</p>	<ul style="list-style-type: none"> • Assumed growth in capital revenues for the Motor Vehicle Sales Tax is more conservative than historical experience, while annual growth in State of Minnesota General Fund appropriations, CTIB and property tax bond revenues are in line with historical experience. However, the plan lacks assumptions for other planned capital expansion projects. • The capital cost estimate is reasonable for this stage of the project. • The financial plan shows that the MC has the financial capacity to cover cost increases or funding shortfalls equal to at least 27 percent of the estimated project cost. • Assumed farebox collections are more conservative than historical experience. • Projected cash balances and reserve accounts are 16 percent of annual systemwide operating expenses.
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LAND USE RATING: Medium

The land use rating reflects population and employment densities within ½-mile of proposed station areas, as well as the share of legally binding affordability restricted housing in the corridor compared to the share in the surrounding county(ies).

- An estimated 291,000 jobs would be served by the project, which corresponds to a High rating. Average population density across all station areas is 3,000 persons per square mile, corresponding to a Medium-Low rating. In the downtown Minneapolis core, daily parking fees averaged \$13 in 2012, which corresponds to a Medium-High rating.
- The proportion of legally binding affordability restricted housing in the project corridor compared to the proportion in the counties through which the project travels is 1.54, which corresponds to a Medium rating.
- Downtown Minneapolis features dense development. Outside of the downtown core, station areas in Minneapolis, St. Louis Park, and Hopkins feature moderate-density development including residential, retail, and office uses along with substantial parcels of industrial and warehousing uses, much of which could be redeveloped in the future. The cities of Minnetonka and Eden Prairie, while less densely developed, include large employment centers located within station areas, generally in a more suburban office park style. Most of the stations have full pedestrian system coverage throughout the entire station area.

ECONOMIC DEVELOPMENT RATING: Medium-High

Transit-Supportive Plans and Policies: Medium-High

- *Growth Management:* The Metropolitan Council's regional development framework provides policy guidance for the region that is implemented through local comprehensive plans and a cross-acceptance process. The latest framework, Thrive MSP 2040, and associated transportation and housing policy plans set minimum density expectations for new residential and mixed use development around transit stations. Local comprehensive plans will need to be updated consistent with this framework by 2018.
- *Transit-Supportive Corridor Policies:* Conceptual planning for station areas has been conducted. A joint public-private-nonprofit initiative evaluated more detailed development strategies and guidance for transit-oriented development (TOD) implementation, which led to an investment framework for the corridor. The same partners will continue implementation work. Comprehensive and small area plans for the station areas in Minneapolis, Hopkins, and St. Louis Park call for transitioning declining industrial and warehousing units to high-density residential and mixed-use development.
- *Supportive Zoning Regulations Near Transit Stations:* Minneapolis and Hopkins have adopted strong TOD-supportive zoning. Eden Prairie and Saint Louis Park have TOD-supportive regulations but are working to further improve their ordinances in order to better catalyze implementation of TOD. Many of these zoning regulations set minimum as well as maximum densities.
- *Tools to Implement Land Use Policies:* The Metropolitan Council has worked with a range of stakeholders to identify and pursue redevelopment opportunities. Regional and county agencies have funding programs for TOD implementation projects.

Performance and Impacts of Policies: Medium-High

- *Performance of Land Use Policies:* Several major residential and mixed-use projects that are underway in the eastern portion of the project corridor demonstrate TOD characteristics. Recent and planned projects in the western segment of the corridor appear to be moving closer to TOD principles but are not completely there, with more campus-like suburban design principles still in evidence. A number of TOD projects, many supported by regional and local TOD initiatives, have been implemented along the two existing LRT corridors in the region.
- *Potential Impact of Transit Investment on Regional Land Use:* Approximately 540 acres of land with strong redevelopment potential have been identified in station areas. With allowable floor area ratios in

the 2 to 4 range, this equates to nearly 70 million square feet of redevelopable space around stations. The stations along the middle segment of the alignment are identified as having the strongest redevelopment potential, and there are significant amounts of undeveloped land in the outer station areas. The Twin Cities region's economy is healthy and the project corridor is one of the strongest growth areas in the region.

Tools to Maintain or Increase Share of Affordable Housing: High

- The communities along the project corridor have for many years demonstrated a commitment to maintaining and producing affordable housing and carefully coordinating the co-location of affordable housing and transit. The supportive policies, plans, programs and partnerships are extensive, and are integrated throughout planning processes and many levels of government and with partners. The region appears to have a very comprehensive set of affordable housing initiatives in the country, and there is good evidence of affordable housing development and preservation in the project corridor.

