Infrastructure Master Plan

Rochester, Minnesota

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Prepared by:

Kimley-Horn and Associates, Inc.

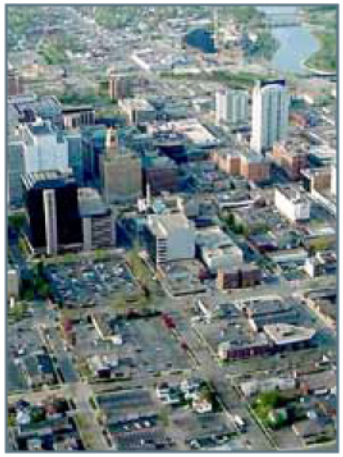
DMC
A Global Destination for Health & Healing

Introduction

Kimley-Horn and Associates, Inc. worked with Mayo Clinic and the City of Rochester to develop this Infrastructure Master Plan to forecast an order of magnitude estimate of the infrastructure improvements that will be required during the next 20 years to support the anticipated growth of Mayo Clinic and downtown Rochester as a global destination medical center (DMC).

This Infrastructure Master Plan identifies infrastructure requirements in seven key areas including:

- Transportation
- Transit
- Public utilities
- Public spaces
- Parcel development
- Parking
- Civic uses



Costs were identified by estimating the infrastructure required to support Mayo Clinic and Rochester's growth as a global medical destination. Costs were then coordinated with City of Rochester planning documents including the city's Capital Improvement Plan (CIP), the Mayo Civic Center Plan, the City of Rochester Downtown Master Plan (RDMP), and Mayo Clinic's Five Year Master Plan.

Costs were estimated using industry standard data and specific cost estimates from the City of Rochester and other regional projects. Improvements are assumed to be phased during a 20-year period and costs escalated based on an assumed phasing and financing model.

Finally, funding sources are identified and assigned as "ordinary funding sources," meaning costs that could be funded through historic CIP and the growth of the population and tax base in the market. Alternatively, "extraordinary funding sources" are those that are beyond what could typically be funded by the city under its CIP. The overall infrastructure requirements during the 20-year period and funding sources are shown on the table on page 5.

This Infrastructure Master Plan is provided to aid in discussions about the DMC funding proposal. This Infrastructure Master Plan provides an order of magnitude estimate of the costs associated with executing this type of comprehensive economic development strategy. The costs identified will be subject to the approved DMC Development Plan and any updates thereto.

The Infrastructure Need

Rochester, MN is a mid-size city of approximately 107,000 persons (Est. 2011) with an extraordinary anchor — Mayo Clinic. The city estimates that more than 51,000 non-city residents commute to Rochester for work-related purposes. The U.S. Bureau of Labor Statistics estimates that the labor force within Rochester is 59,000 persons, meaning that today the city supports employment that doubles its local workforce population. Some 35,000 of these persons are estimated to commute downtown.

These estimates are supported by Mayo Clinic data. Mayo Clinic employs nearly 35,000 persons in Rochester, and approximately 28,000 are employed in the downtown area. Approximately 50 percent of Mayo Clinic's workforce lives outside of the City of Rochester. Approximately 60 percent of Mayo Clinic's employees use transit/transportation systems to commute from the region and/or from remote parking lots outside the downtown core.

In addition to the employment base, Rochester is estimated to attract more than 3 million visitors per year, most of whom stay in hotels, attend events and/or appointments within the downtown core.

As these figures demonstrate, the City of Rochester is the primary population center that supports employment and visitation within this region. The demand for infrastructure, not only includes the demands in the downtown area, but also the city's ability to help support a regional airport, a regional transit system, and a regional roadway system. During the last 20 years, Rochester's CIP has increased by an average rate of 3.1 percent per annum, while the population has grown at an average rate of 1.1 percent per annum.

To date, Rochester has been able to support the growth of the city and its infrastructure demands through significant CIP expenditures and extraordinary funding mechanisms such as local option sales tax, tax abatement, and special fees and assessments. In recent years, the demands have outweighed the city's ability to fund infrastructure. This coupled with the fact that there are increasing demands at the regional airport and in other areas outside the downtown, the city has reached a point where it cannot support the anticipated major increase in growth that is expected if Mayo and private development invest $5.6 billion in new development in Rochester during the next 20 years.

The DMC Proposal

The DMC is an opportunity for the State of Minnesota to help create a major economic development initiative that will drive significant new job growth and tax base for future generations. The mechanism to secure this economic and fiscal benefit for Minnesota occurs by securing the tremendous growth opportunity in Rochester. Rarely does a community have the opportunity to obtain this level of positive fiscal impact by seeding public investment in a proven economic generator. The DMC will significantly increase and accelerate the demand for public infrastructure in this market. For example, it is estimated that employment will increase in the downtown core by some 30,000 jobs. This alone will increase the peak day demand on public infrastructure by more than 85 percent.

One of the most relevant metrics to assess impacts to public infrastructure is the estimated visitation to a particular urban center. If the DMC initiative is secured for Rochester, it is estimated that during the next decade annual visitation estimates will grow to 6 to 7 million visitors annually, more than doubling the demand from visitors to the region and the downtown core.

This level of growth would strain the public infrastructure of almost any metropolitan area and particularly a community the size of Rochester.

The infrastructure required to support this growth and employment will need a different scope and scale than what's been supported previously in Rochester. The City of Rochester has a finite urban core with an extreme concentration of density resulting from Mayo's campus orientation. With the level of demand impacts associated resulting from the DMC initiative, it places unique and extraordinary cost burden on development of the urban core of Rochester. All elements of Rochester's urban infrastructure will be impacted in a significant manner to maintain pace with the potential growth associated with the DMC.

This report identifies the key areas of public infrastructure cost and provides an order of magnitude budget estimate of the required improvements in accordance with numerous recent planning efforts conducted in Rochester. In total, the costs for infrastructure improvements are estimated at more than $1.4 billion during a 20-year period. Of this, approximately $585 million is proposed to be funded through the DMC proposal.

In addition to DMC funding, it has been assumed the City of Rochester will shoulder a major portion of the estimated public infrastructure costs through ordinary and extraordinary funding structures. Approximately $339 million would be funded from traditional CIP spending. This level of public infrastructure spending is based on the historic level of capital investment by the City of Rochester. The CIP spending incorporates any benefits that would accrue to the city as a result of increase population growth.

Additionally, it is assumed the city will continue to use the extraordinary funding mechanisms that are in place to support the growth of the city. These include the extension of the local option sales tax, tax abatement, and, potentially a 3 percent increase in hotel tax to fund the civic center expansion. The $60 million of costs specific to the DMC proposal are assumed to be funded through the $20 million of local option sales tax reauthorization and by other new sources approved by the city that may include tax increment financing (TIF) and tax abatement.

There are certain costs shown to be borne by the City of Rochester associated with the DMC that do not yet have an identified funding source. These are directly related primarily to transit and parking costs. The City of Rochester will be required to identify new sources of revenue to support its participation in these elements of public infrastructure.

On the opposite page is a summary of the sources and uses of funds associated with the DMC initiative in Rochester. A detailed description of each element of public infrastructure is provided.

Sources of Funds	Total
City of Rochester – CIP Budget	
Ordinary CIP Growth	$295 million
DMC CIP Growth	$44 million
Subtotal	$339 million
City of Rochester – Extraordinary	
Hotel Tax	$45 million
Non-DMC Sales Tax	$55 million
Tax Abatement	$6 million
Other – Undefined	$155 million
Subtotal	$261 million
DMC Funds	
Local jurisdictions	$60 million
State of Minnesota	$525 million
Subtotal	$585 million
Transportation and Transit Funding	
Federal	$253 million
Minnesota Department of Transportation (MnDOT)	$26 million
Subtotal	$279 million
Total	$1,464 million

Uses of Funds	Total	DMC Costs
Transportation	$264 million	$91 million
Transit	$586 million	$119 million
Public Utilities	$78 million	$78 million
Public Space	$103 million	$57 million
Parcel Development	$131 million	$121 million
Parking	$130 million	$90 million
Civic Uses	$172 million	$29 million
Total	$1,464 million	$585 million

20-Year Order of Magnitude Estimate

Infrastructure Element	Order of Magnitude Cost Estimate (in millions)	Funding Sources (in millions)							
		City CIP	Other Sources	Federal	Hotel Tax	Non-DMC Sales Tax	MnDOT Turnback	Tax Abatement	DMC Funds
Transportation									
Regional transportation	$72					$47			$25
Downtown streets and sidewalks	$92	$60				$8			$24
Gateway streets	$75	$32					$26		$17
6th Street bridge over Zumbro River	$6								$6
Skyways and subways	$19								$19
Transportation subtotal	$264	$92				$55	$26		$91
Transit									
Bus system upgrade	$40	$29							$11
Downtown circulator	$430	$60	$118	$216					$36
BRT	$76	$7		$37					$32
Intermodal station	$40								$40
Transit subtotal	$586	$96	$118	$253					$119
Public utilities									
District utility upgrades/relocation	$40								$40
Relocate overhead utilities underground	$13								$13
Sanitary and storm sewer trunk lines	$25								$25
Public utilities subtotal	$78								$78
Public space									
Public spaces	$78	$36						$4	$38
Green corridors	$6								$6
Riverwalk extension	$13								$13
Trails	$6	$6							
Public space subtotal	$103	$42						$4	$57
Parcel development									
Demolition	$25								$25
Environmental	$21								$21
Stormwater management	$14								$14
Site costs	$71	$10							$61
Parcel development subtotal	$131	$10							$121
Parking									
Parking structures	$130	$40							$90
Parking subtotal	$130	$40							$90
Civic uses									
Mayo Civic Center	$106	$24	$37		$45				
Parks, recreational areas	$6								$6
Other civic uses	$60	$35						$2	$23
Civic uses subtotal	$172	$59	$37		$45			$2	$29
Totals	$1,464	$339	$155	$253	$45	$55	$26	$6	$585

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