

# 20 23 Local Option Sales Tax Renewal




*Exhibit A: Documentation of Regional Significance*

During the 2023 Legislative Session, the Rochester City Council is pursuing a renewal of the existing .5% sales tax that was last approved in 2012. The City of Rochester has a long tradition of serving as a significant regional center in Greater Minnesota and has effectively utilized local option sales taxes to meet important community, regional, and state needs.

The City is requesting the following four projects be funded with \$205,000,000 of local sales tax revenue that would be collected over 16.4 years:

 **Economic Vitality Fund (\$50,000,000)**

 Additional, flexible tools and resources for local governments and businesses related to economic development is key to thriving communities, regional centers, and the state. Economic development is a priority in Rochester and a component of the Council's adopted strategic priorities related to Affordable Living, Economic Vibrancy, and Growth Management. Housing, regional revitalization, workforce development, and childcare infrastructure are examples of key components to economic development strategies for communities. Additional resources from the sales tax could focus on missing middle housing, rehab/renovation, naturally occurring affordable housing, and housing innovation.

 **Street Reconstruction (\$50,000,000)**

More than 100 miles (24%) of the City's 394 miles of streets are at least 50 years or older. Over 23% of the City's streets are rated poor or fair. The City's Capital Improvement Plan includes a list of annual Pavement Preservation Projects that address the deficiencies identified in the Pavement Management Plan. The 2019 Pavement Management Plan states if no action is taken over the next 50 years, there will be 354 miles of roadways in "poor" condition and requiring reconstruction. In addition to Rochester residents, these streets serve the 21,000 workers who commute from the region into Rochester and the 3.1 million visitors each year. Rochester is facing an annual shortfall of \$20 million to adequately address current and future street needs for the City for the next 50 years.

 **Flood Control and Water Quality (\$40,000,000)**

The City has an extensive flood control system constructed in the 1980's that provides protection to Rochester residents as well as people and property in the region. In particular, the system features over 2500 acres of reservoirs in and outside of Rochester to hold back flood water within the City as well as downstream. The system is designed to reduce the peak floodwater discharge by over 16%, positively mitigating flood potential in and downstream of Rochester. It is now necessary to reinvest in the existing system, improve performance, and mitigate sediment coming into the system so flooding capacity is not diminished, while also enhancing water quality for the Zumbro River. This will be accomplished through a number of integrated projects that ensure the performance of the system long term. Specific project elements include regional detention for additional rate control and sediment removal; reinvesting and enhancing the existing 10,000 feet of floodwalls; and bank stabilization along with other strategies to minimize sediment from getting into the Zumbro River.

 **Regional Sports & Recreation Complex (\$65,000,000)**

Rochester provides services to over 3 million visitors annually with a particular strength in the medical tourism market. With strong weekend hotel room availability, the second strongest segment of tourism is focused on amateur sports and recreation. To further align our strengths as a community, a Regional Community and Recreation complex is envisioned. Specific project elements will be further defined through substantial community and stakeholder engagement and an equity focused co-design team. Initial concepts include a synthetic turf field complex, a tournament quality pickleball complex, outdoor recreation features, supportive indoor recreation features, and related community focused elements.

Sincerely,



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For more information or questions, please contact:

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# City of Rochester is a Regional Center

Projects funded through local option sales tax would be of regional significance and would economically benefit residents and businesses in the entire region and state.



Employees serving in Rochester come from half of Minnesota's **87 counties and neighboring states**



**30% (30,000-35,000) of Rochester workforce commutes** from outside the city each day, with half coming from seven surrounding counties



Over **three million** visitors each year from all 50 states and 130 countries



**THIRD** largest city in the state  
pop. 121,395



**2nd** busiest airport in Minnesota

Home to state's largest employer

**71,000** employees

**Over 220,000 attendees at events in Rochester in 2019**



**#1** 'Top 100 Best Places to Live' 2017, *Livability.com*

**#15** 'Best Places to Live' 2019, *Money Magazine*

**#3** 'Most Innovative City in the US' 2019, *Business Insider*

**#1** 'Hospital in the Nation' 2021-2022, *U.S. News & World Report*



City of Rochester was recently awarded project support from **Bloomberg Global Mayor's Challenge** for pursuit of supporting construction jobs for black, indigenous, and people of color (BIPOC).



Research shows that visitors to Mayo Clinic spend **70% of the time in the community** during their visits.



### History of Fiscal Responsibility

- City of Rochester has had an established local sales tax providing regional benefit since the first legislative approval in 1983.
- Most recent general local option sales tax was enacted in 2013, and is projected to meet all of its funding obligations by 2024.
- Rochester one of few cities in the state with AAA bond rating.



### Regional Impact

- The projects will result in benefits to both the residents and businesses of the City of Rochester and to non-resident visitors and businesses.
- The City of Rochester is an established regional center.
- Economic activity in Rochester is a significant tax contributor to the State of Minnesota particularly through sales, income, and provider tax revenues.
- Majority of construction workers for recent projects in Rochester reside in Rochester and the nearby region.
  - » Each Minnesota construction worker contributes \$120,600 annually in value added to the economy.
  - » City has adopted prevailing and Women and Minority-Owned Business requirements for city projects.
- \$1 spent in Rochester circulates locally 7 times.
- Additional 36,000 residents and 22,000 jobs are expected in Rochester over next 20 years.



### Renewal of Existing Sales Tax Authority

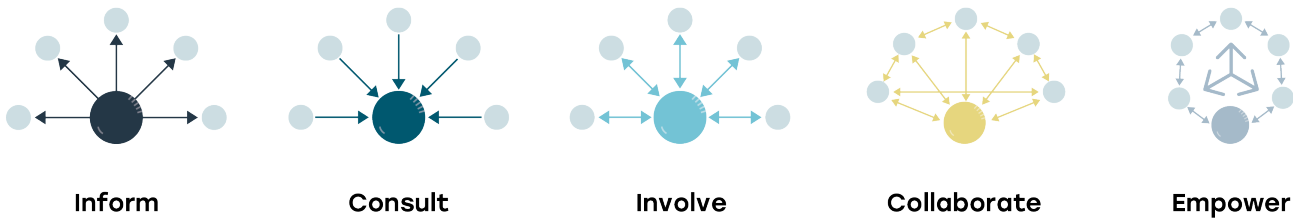
The City of Rochester is requesting a local option sales tax extension to fund four projects over a projected time frame of 16.4 years. These projects include: Street Reconstruction, Housing Vitality Fund, Flood Control and Water Quality, Regional Community Recreation Complex.



### Commitment to Community Engagement

The City of Rochester is committed to consistently engage and clearly communicate news, opportunities, and information to community members in an inclusive, transparent, and thoughtful way that allows their voices to be heard and incorporated into the work of the City of Rochester.

### International Association for Public Participation – Spectrum of Engagement



#### PROJECTS

- Economic Vitality Fund
- Street Reconstruction
- Flood Control and Water Quality
- Regional Sports & Recreation Complex

#### FUNDING AMOUNT

- \$50,000,000
- \$50,000,000
- \$40,000,000
- \$65,000,000

**TOTAL: \$205,000,000**

Projected Funding Window- No Escalation or Debt: 16.4 YEARS



## Economic Vitality Fund

### SUMMARY

Additional, flexible tools and resources for local governments and businesses related to economic development is key to thriving communities, regional centers, and the state. Economic development is a priority in Rochester and a component of the Council's adopted strategic priorities related to Affordable Living, Economic Vibrancy, and Growth Management. Housing, regional revitalization, workforce development, and childcare infrastructure are examples of key components to economic development strategies for communities. Additional resources from the sales tax could focus on missing middle housing, rehab/renovation, naturally occurring affordable housing, and housing innovation.



The 2020 Affordable Housing Study conducted by Maxfield Research by the City of Rochester and Olmsted County demonstrated a need for over 18,000 housing units through 2030, including over 5,400 senior housing units, over 5,000 rental units (including market rate, naturally occurring affordable, and subsidized), and over 5,600 new and existing single-family homes.

Approximately one-third of Rochester households have a need for affordable housing. The greatest need is for housing options at 30-55% Area Median Income (AMI), housing options at 70-90% AMI level are also needed to address majority of new job growth in construction, education and health care sectors in the region.

### WHY?

Per the 2020 Olmsted County Comprehensive Needs Analysis (also referred to as Maxfield study), the following were identified as the top five regional housing concerns which would be addressed through sales tax contributions towards affordable housing.

- **Supply of owner-occupied units is not meeting the demand**
- **Significant gap in the number of owner-occupied households for Persons of Color compared to that particular population at large**
- **Lack of housing supply affordable to those earning 50% AMI or less**
- **Lack of housing supply for seniors**
- **Need to preserve existing affordable housing**

## PARTNERSHIP OPPORTUNITY

Housing Coalition, Rochester Area Builders, First Homes, Olmsted County and many others

## REGIONAL SIGNIFICANCE AND ECONOMIC IMPACT

- Research shows that increasing access to affordable housing is the most cost-effective strategy for reducing childhood poverty and increasing economic mobility in the United States. Children who moved to lower poverty neighborhoods saw their earnings as adults increase by approximately 31%, an increased likelihood of living in better neighborhoods as adults
- Research shows that the shortage of affordable housing costs the American economy about \$2 trillion a year in lower wages and productivity.

## HOUSING NEEDS FROM THE MAXFIELD STUDY FOR THE ROCHESTER AREA:

- The market demand is for the addition of 6,267 homes by 2030.
- Current production rates would only produce 68% of the market demand by 2030.
- Overall homeownership rate in County is 77%.
- Homeownership rate is 22% for Black/African American families.
- Homeowners have a higher family income of \$84,820, whereas renters have a family income of \$45,142.
- Poverty rates for Black/African American households is 41% whereas it is 6.8% for White households and 17% for Hispanic/Latino households, respectively.
- Only 55 units(4%) of 1,300 newly constructed units in the past ten years have rents affordable to those earning less than 60% AMI.
- No general occupancy subsidized housing was developed in the past ten years.
- The current vacancy rate for subsidized housing is 1%.
- Only 40 units of active, senior housing was developed since 2013, though the market demanded 2,000 at the time.
- Of 893 affordable senior units, only 10 vacancies were established at last count (.1%).
- An estimated 6,000 units in Olmsted County are identified affordable, unsubsidized rental housing.
- Almost 70% of said housing stock is affordable to those earning 60% AMI or less.
- Affordability is threatened with a low supply of housing and targeting of naturally occurring affordable housing for acquisition/redevelopment.



*Potential example of housing development at 64-acre Downtown Waterfront SE development site (former AMPI/Kmart)*



# Street Reconstruction

## SUMMARY

Invest in ongoing street reconstruction.

## PARTNERSHIP OPPORTUNITY

Partner with this Construction Segment to increase BIPOC Workforce Participation Rates and use of WMBE Contractors.

## REGIONAL SIGNIFICANCE AND ECONOMIC IMPACT

- Our city streets serve the 30,000–35,000 workers who commute from the region into Rochester each day.
- 60% of the city’s workforce work outside the downtown area and therefore use City streets.
- The community hosts 3.1 million visitors each year.
- Commuters are expected to increase to 52,000 by the year 2040.
- 3,000 patients and companions on any given day.
- Over 40% of the City’s streets carry non local traffic.



## WHY?

- Streets currently underfunded and a significant long term liability. Currently our streets system has an asset valuation of \$358,140,845 (cost valuation).
- A community level street reconstruction estimate is \$1B.
- Statutory requirements do not allow street reconstruction projects to be fully financed with special assessments.
- Currently over 100 miles (24%) of the City’s streets are at least 50 years or older. Over 23% of the city’s streets are rated poor or fair. The city’s Capital Improvement Plan includes a list of annual Pavement Preservation Projects that address the deficiencies identified in the Pavement Management Plan. The 2019 Pavement Management Plan states if no action is taken over the next 50-years, there will be 354 miles of roadways in “poor” condition and requiring reconstruction.
- Rochester is facing an annual shortfall of \$20 million to adequately address current and future street needs for the city for the next 50 years.
- Per Minn. Stat. 297A.993, counties in Minnesota are authorized to levy ½ or ¼ cent local sales tax to be used for capital transportation projects. Over 50 counties now use this authorization. City of Rochester population (121,395) is larger than 77 counties in Minnesota.



## Flood Control and Water Quality

### SUMMARY

The City has an extensive flood control system that was constructed in the 1980's that provides protection to Rochester residents as well as people and property in the region. In particular, the system features over 2500 acres reservoirs in and outside of Rochester to hold back flood water within the City and downstream. The system is designed to reduce the peak floodwater discharge by over 16% positively mitigating flood potential in and downstream of Rochester. It is now necessary to reinvest in the existing system, improve performance, and mitigate sediment coming into the system so flooding capacity is not diminished, and enhancing water quality for the Zumbro River. This will be accomplished through a number of integrated projects that ensure the performance of the system long term. Specific project elements include regional detention for additional rate control and sediment removal; reinvesting and enhancing the existing 10,000 feet of floodwalls; bank stabilization and other strategies to minimize sediment from getting into the Zumbro River.

### PARTNERSHIP OPPORTUNITY

MN Board of Water & Soil Resources, US Army Corps of Engineers, MN Department of Natural Resources, Federal Emergency Management Agency

### WHY?

- Existing flood control investment funded through previous sales tax.
- Reinvestment is necessary to maintain and improve levels of protection associated with the existing system.
- Sediment removal strategies preserve enhance water quality in the Zumbro River and maintain protection for Rochester and area communities.



## REGIONAL SIGNIFICANCE AND ECONOMIC IMPACT

- Investment in flood control and water quality is projected to generate its economic impact primarily from construction and preservation of property.
- Previous investment resulted in corridor developments such as the Mayo Civic Center, Art Center, Government Center, Riverside Elementary, Rivers Edge Apartments, UMR future campus, the Lofts at Mayo Park, and the Flats on 4th. Significant regulatory relief was also provided to property owners by reducing flood insurance requirements.
- The flood control system is regionally significant in that it protects commercial and residential property.
- Previous investments have resulted in over \$250 Million in protection per 100 year event. The system has successfully managed four 100 year events over the last 15 years.

Flood control protects commercial and residential property along the entire watershed in the region

- The Zumbro River upstream of Rochester supports 303 square miles of drainage that flows through the community.
- Through the existing Rochester Flood Control system, over 16% of Rochester's flow is held back from communities downstream of Rochester.



1979 Flood: Prior to Existing System Being Constructed





## Regional Sports & Recreation Complex

### SUMMARY

Rochester provides services to over 3 million visitors annually with a particular strength in the medical tourism market. With strong weekend hotel room availability, the second strongest segment of tourism is focused on amateur sports and recreation. To further align our strengths as a community, a Regional Community and Recreation complex is envisioned. Specific project elements will be further defined through substantial community and stakeholder engagement and an equity focused co-design team. Initial concepts include a synthetic turf field complex, a tournament quality pickleball complex, outdoor recreation features, supportive indoor recreation features, and related community focused elements. Additional considerations include:

1. Additional community and regional recreational space expands the accessibility to every aspect of the community. Current pressure on the facilities we now have make it difficult to serve all aspects of the city and region. The creation of more options will allow us to serve needs more effectively. Field based activities have particularly low barriers to entry and help advance the City's foundational principle of social equity.
2. Opportunities exist to implement private/public partnerships that allow for the tax investment to be multiplied with private dollars. Well-crafted usage agreements can be created to ensure effective and sustainable operations. Our final design will prioritize evaluation of sustainability and life cycle costs.
3. Area needs exist for an integrated field experience particularly for soccer and lacrosse as their participation numbers grow. Synthetic turf fields increase usage opportunity (do not wear down/get muddy) and minimize maintenance costs.
4. Rochester is America's City for Health featuring active lifestyles at all ages. Recreational and competitive level pickleball facilities are a priority. Universal design and accessible features are also a priority for the design process.

### WHY?

- Significant recreational fields currently are on leased land.
- Fields identified as strong priority by Rochester Sports and reflected in the 2021 Community Survey on Rochester Parks System.
- Community priorities reflected in recent community engagement.
- Rochester supports 3M visitors per year primarily focused on medical and sports tourism.

## PARTNERSHIP OPPORTUNITY

- Possible private supportive development.
- State and local amateur sports community

## REGIONAL SIGNIFICANCE AND ECONOMIC IMPACT

Nationally nearly 180 million people traveled to a sports event in the U.S. in 2019

1. Generated 69 million hotel room nights.
2. Sports travelers spent \$45.1 billion in 2019.
3. This generated \$103.3 billion in business sales when including indirect impacts.
4. Stayed fairly steady through the pandemic.
5. Bouncing back stronger than ever now!

Locally sports tourism has been a huge factor to the Rochester community

1. Produced an average of \$25M in direct spending annually to the community's economy average over the past five years and \$26,231,000 in 2019.
2. Brings in weekend business to utilize the city's 6,000 hotel rooms and area restaurants when patients are not utilizing them. In 2019 Rochester hotels reported 28,750 direct sports event rooms and an estimated 34,500 for the year as a result of sports tourism.
3. Behind healthcare, hospitality is the largest employment sector supporting over 14,800 jobs. The City is well equipped and has the support infrastructure to meet the needs of regional, state, national, and international guests.
4. The city is invested in a well-established sports tourism team that has been attracting and hosting events since 1991.
5. Allows Rochester to stay competitive with other Midwest cities that are investing in sports facilities to attract sports tourism to their communities – it has become very competitive.
6. Expands the potential to attract and retain additional and larger soccer and lacrosse outdoor events for all ages.





**Strategic Priority:**  
Affordable Living

**Areas of Focus**

- Housing variety and affordability
- Transportation options and access
- Equitable regulatory landscape and creative incentives
- Access to opportunities and amenities

**Strategic Priority:**  
Economic Vibrancy and Growth Management

**Areas of Focus**

- Create clarity, alignment and unity with economic development partners in defining city leadership and community values
- Establish competitive and sustainable approach to effectively allocate DMC resources, Legislative allocations, and city revenue
- Develop implementation tools and strategies for Comprehensive Plan to ensure current decisions reflect future projections
- Adopt design guidelines that better reflect Council and community values

**Strategic Priority:**  
Quality Services for Quality Living

**Areas of Focus**

- Cultural and Recreational opportunities that provide access and equity
- The organization and Services reflect changing demographics and needs identified by community
- Operations are sustainable, integrated, and easy to navigate
- Service delivery is optimized, cost effective, and reflect our Foundational Principles

In order to achieve these priorities, the Council has committed to a legislative and process structure that emphasizes **Strategic Governance and Inclusive Decision-Making**:

- Service delivery models consider partnerships where City is not always the leader
- Decision-making is informed by citywide communication and engagement strategy with Diversity/Equity/Inclusion (DEI) at the forefront
- Teammates create action plans/annual commitments aligned with Foundational Principles and Strategic Priorities
- Policy and operational actions reflect equitable community investment

## 2022 Mayor and City Council Members



Mayor Kim Norton



Brooke Carlson  
City Council President



Patrick Keane  
City Council Member  
1st Ward



Mark Bransford  
City Council Member  
2nd Ward



Norman W. Wahl  
City Council Member  
3rd Ward



Kelly Rae Kirkpatrick  
City Council Member  
4th Ward



Shaun C. Palmer  
City Council Member  
5th Ward



Molly Dennis  
City Council Member  
6th Ward

## Questions?

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