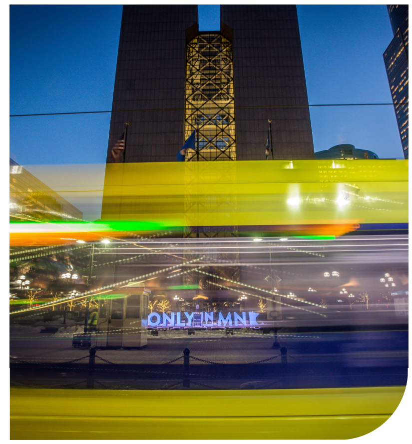
Hennepin County

Blue Line Extension Project Update

Hosted by Hennepin County

September 1, 2026



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Project value

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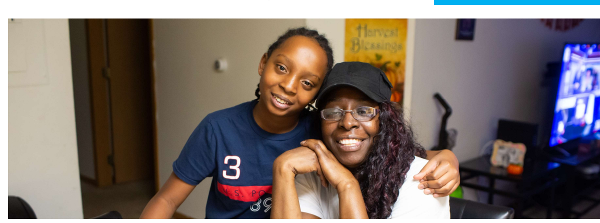
Project overview

- 13.4 miles and 13 new stations
- Extension of existing Blue Line
- Connecting North Minneapolis, Robbinsdale, Crystal, Brooklyn Park to regional light rail system
- 10,000+ daily riders, 50% from 0-car households
- Focus on building community prosperity through anti-displacement strategies before, during, and after construction
- Project remains eligible and competitive for federal funding
- Most affordable LRT project of its kind per mile in the CIG program

3

Serving People

- 43,000 residents within a half-mile of stations
- 33% under 25
- 50% of households in some areas do not own a car (14% zero car households overall)
- 60% people of color
- 37% low-income



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Access to

200,000+
jobs within a 15-minute walk of existing downtown and planned stations

2
airports

5
hospitals and healthcare facilities

6
fortune 500 businesses

462
retail businesses

55
schools

5

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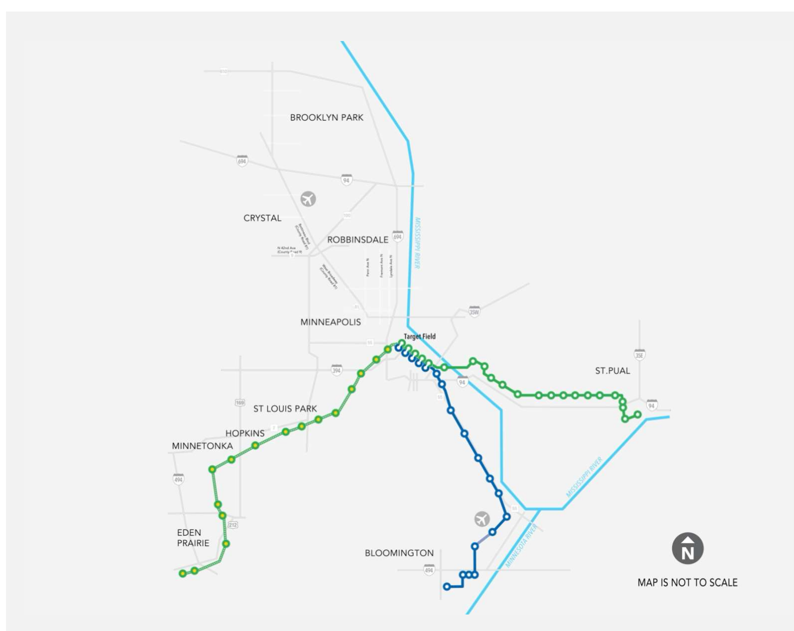
Building a system

Blue Line Extension is the missing northern leg of the regional light rail network



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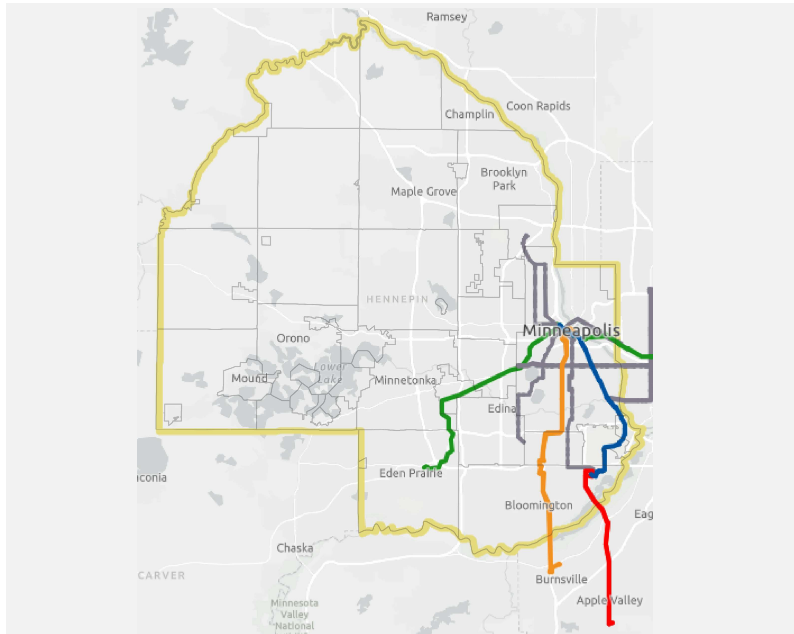
Connect the north

Major transit investments to date have heavily favored communities south of downtown.

Connecting transit-dependent communities to the north will greatly increase access for people and ridership across the Metro Transit system.



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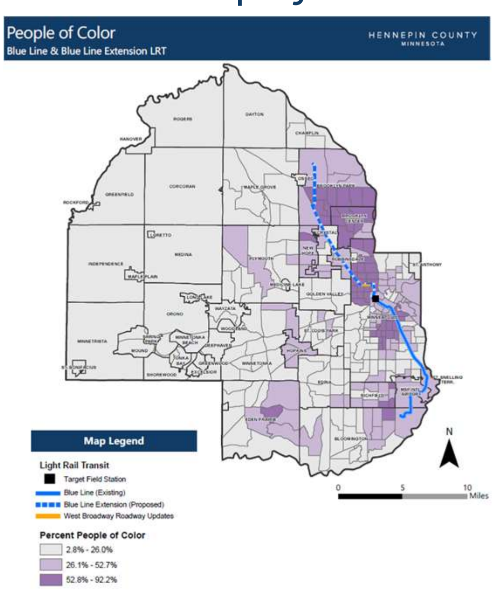
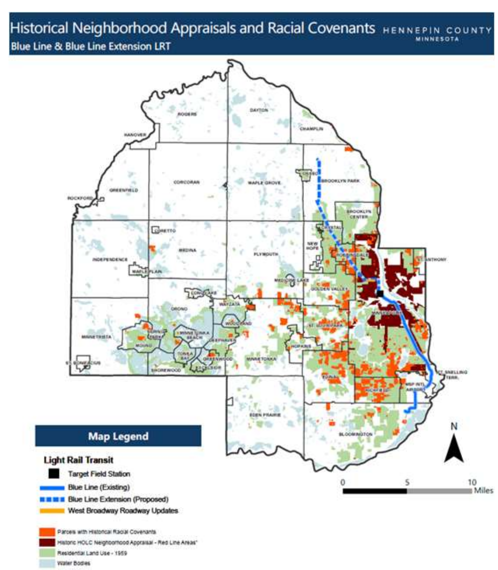
Generational equity investment





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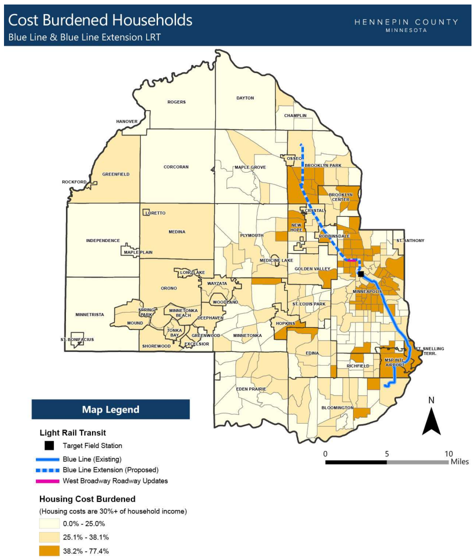
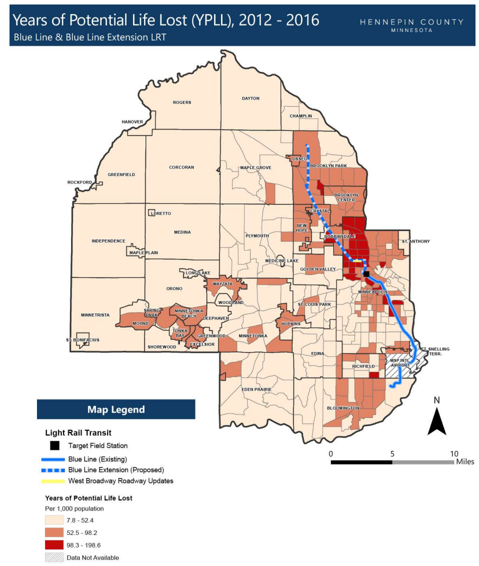
Generational equity investment





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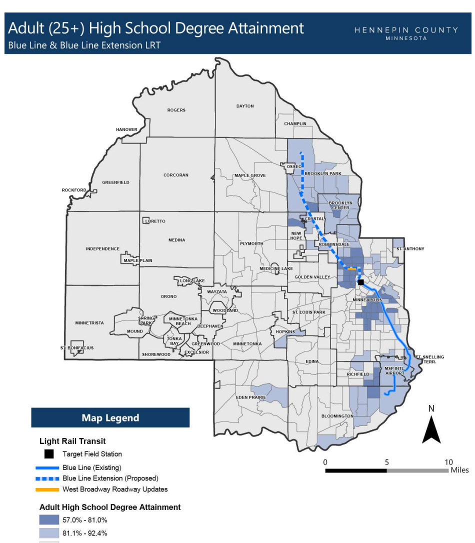
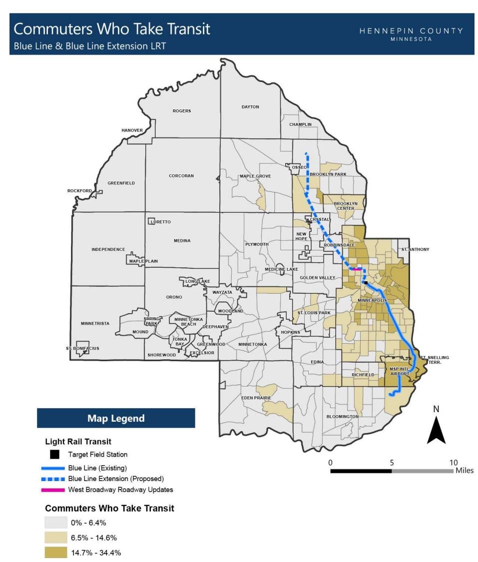
Generational equity investment



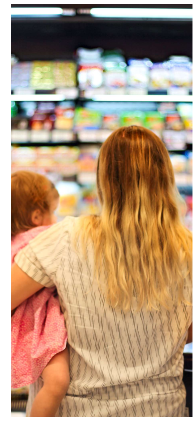


10

Economic development

- 25% of all regional development has been in an LRT station area on just 1% of the land area
- LRT generates 4 times more economic development per mile than high-frequency bus
- 10:1 return on investment for Green Line

$14+ billion in economic development along 52 miles of existing and planned LRT routes

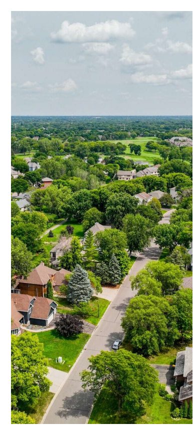


11

Tax impacts

- LRT development boosts local revenues while decreasing resident tax burden, offsetting need for future increases
- Economic development from light rail is currently generating $186 million in tax revenue each year in Hennepin County
- For every $100 million in development along BLE, increase in annual tax revenues per jurisdiction:
  - County - $2.05M (0.2%)
  - Minneapolis - $932,000 (0.2%)
  - Robbinsdale - $814,000 (7.25%)
  - Crystal – $862,000 (4.65%)
  - Brooklyn Park - $647,000 (1.06%)

27 times more property tax revenue generated per acre near light rail due to new development



12

Current project status

Schedule status

Recent Milestones

- Federal Record of Decision issued Summer 2025
- FTA risk assessment completed Spring 2026
- 90% design plans complete Spring 2026
- Actions towards local funding commitment
  - Brooklyn Park: $11.28 Million
  - State: $41 Million General Fund appropriation
  - Hennepin County: $2.254 Billion

Schedule status

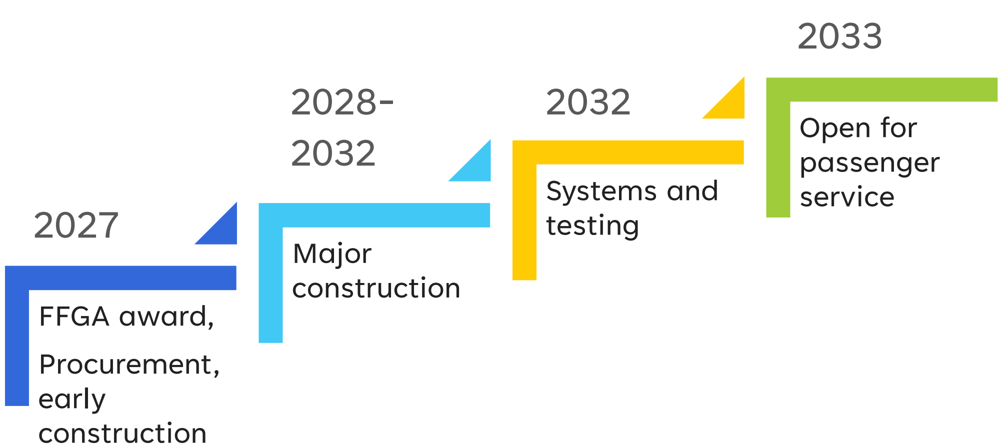
Next steps

- Execute critical agreements fall 2026
  - BNSF: Finalizing construction/ROW agreement
  - CP: Finalizing construction/ROW agreement
  - Xcel: PUC approval expected mid-September
- Resolve local funding gap fall 2026
- Submit strong Full Funding Grant Agreement fall 2026

15

15

Steps to opening



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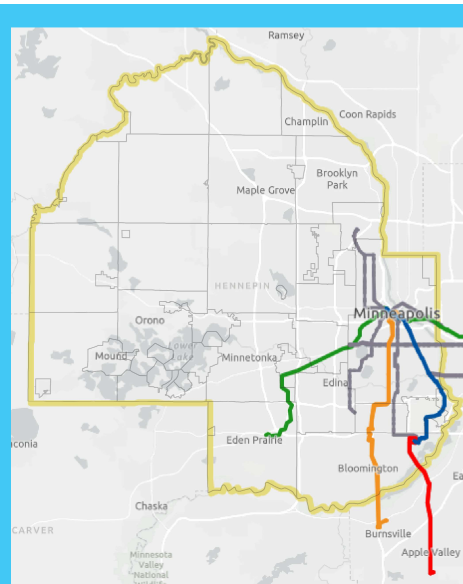
16

Discussion



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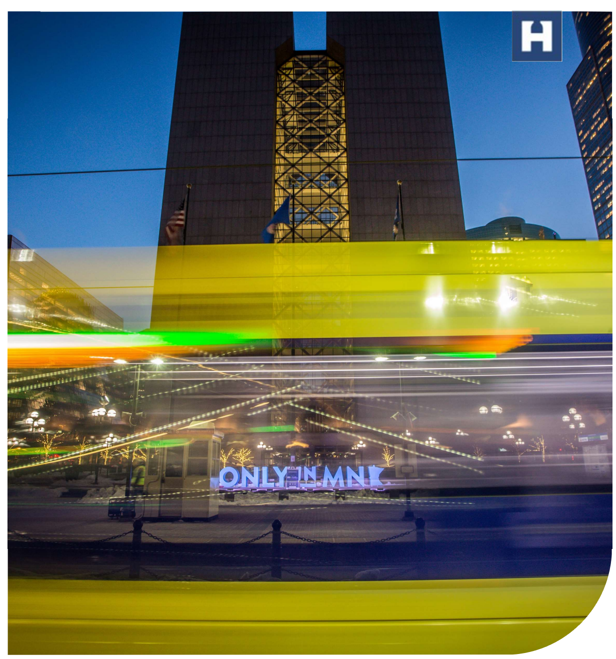
17

17

Budget and funding



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18

Board and HCRRA actions August 4, 2026

- **HC BAR 26-0284 R1** – Increase Hennepin County funding for the Blue Line Extension Light Rail Transit project to $1,896,000,000
- **HCRRA BAR 26-HCRRA-0012 R1**– Increase Hennepin County Regional Railroad Authority funding for the Blue Line Extension Light Rail Transit project to $358,000,000

$2.254 Billion county investment

19

19

Identified cost reductions

Ongoing discussion with Met Council has led to significant potential cost reductions in recent weeks. These reductions need to be approved by FTA.

These changes would reduce the overall project budget to

$3.39 billion

$15.5m	**Modifications to Oak Grove park and ride design**
$19.1m	**Remove 63rd Avenue pedestrian bridge**
$75m	**Eliminate finance charges**
$80m	**Reduce budget estimate for systems construction**

20

20

Elements removed from the project

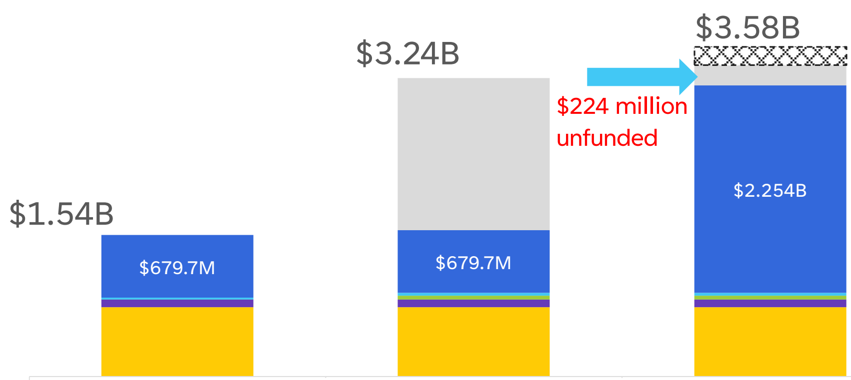
63rd Avenue Pedestrian Bridge

Will be replaced by additional at-grade crossing with enhanced pedestrian safety features

Oak Grove Park and Ride

Will be built as surface parking lot, future opportunities will be considered to facilitate high-density mixed-use development

BLE budget by funding source



	BLE 1.0 (2017)	BLE 2.0 – 30% design (2024)	BLE today with HC investment
FTA Cost Savings & Startup Costs	$0.0M	$0.0M	- $195.0M
Unfunded	$0.0M	$1.65B	$223.5M
County/HCRRA	$679.7M	$679.7M	$2.254B
Other	$20.5M	$31.0M	$31.0M
State	$1.0M	$41.0M	$41.0M
CTIB	$82.8M	$82.8M	$82.8M
Federal	$752.7M	$752.7M	$752.7M

Discussion

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23

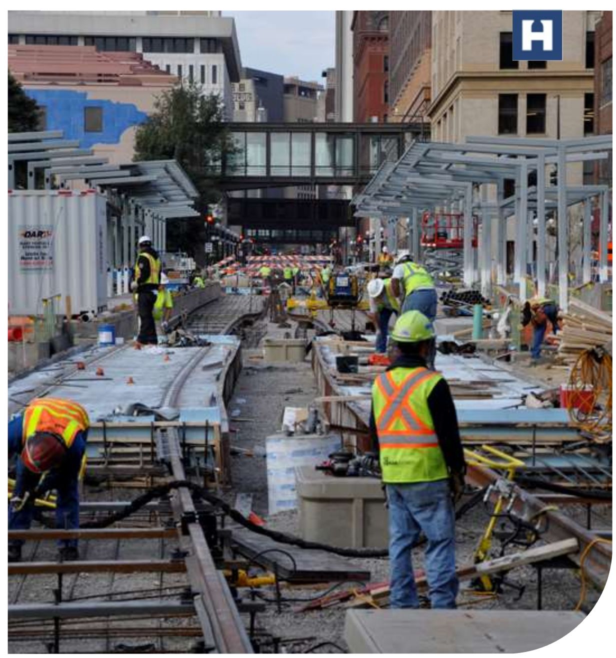
23

Closing the funding gap

Driving urgency

Options considered

10% contingency



24

24

Driving urgency

- Expected changes to the FTA CIG guidelines this fall could make the Blue Line Extension and many other projects in CIG program ineligible for federal funds
- Guideline changes are not expected to apply to projects that have already applied for federal funding.
- Every year of delay also increases project cost by up to $70 million
- $30 million in state funding contingent on Full Funding Grant Agreement by June 30, 2027
- Cities managing costs of deferred maintenance and other capital projects planned to be part of BLE construction

25

25

Solutions considered

Proposed solution	Proposer	Analysis	Decision-maker	Decision
Hennepin County Transportation Sales and Use Tax and HCCRA	HC	Increase HC commitment – complete Aug 4, 2026	HC	Yes ($2.254B)
Request to FTA for a greater contribution of CIG	Federal Lobbyist	Seek maximum CIG funding of project costs to close the gap	HC/MC	Not viable
Reapply for CIG New Starts Program	Federal Lobbyist	Seek maximum CIG funding of project costs to close the gap	HC/MC	Not viable
Reduce Project Scope	Federal Lobbyist	Amend the project with FTA to reduce length, scope	HC/MC	Not viable
Delay Project	Federal Lobbyist	Mothball the project with intent of restarting the process at later date	HC/MC	Not viable
Extend Construction Time	Federal Lobbyist	Extend the timeline of project construction in order to fund with additional local funding or CIG funds from the next administration	HC/MC	Not viable

26

26

Solutions considered

Proposed solution	Proposer	Analysis	Decision-maker	Decision
Seek non-CIG federal funding	Federal Lobbyist	Explore other federal funding options like Transportation Infrastructure and Innovation Act funds (TIFIA)	HC/MC	Not viable
State and local funding strategy	Federal Lobbyist	Explore all options that could close the funding gap	HC/MC	Direction to pursue with staff team
Work with FTA regarding Risk Assessment	Project Office	Managed budget increase down from $160 to $69 million	FTA	Complete
Pursue new transit funding	MC	Request additional state funds or other source to be used for transit expansion	Legislative Action	MC, could decide to pursue in the next legislative session
Defederalize the project	MC	Defederalize the project and break into segments funded by HC	HC	No
Startup operating costs	HC	Met Council could cover $5 million startup costs like GLE	MC	Yes ($5 million)

27

27

Solutions considered

Proposed solution	Proposer	Analysis	Decision-maker	Decision
Potential scope reductions	Project Office	Reduce project items that reduce scope and budget	HC/MC	Yes, contingent on FTA ($190 million)
Light Rail Vehicles – various reduction options	HC	Reduce # of LRVs, fund other ways	MC	No ($48M to $224M)
Sales tax exemption	HC/MC	Done for other LRT projects, pursue during next session	Legislative Action	Yes, HC takes lead, saves $67M
Anticipated unspent contingency for GLE	HC	Commit to move $56 million of added contingency for GLE to BLE	MC	Yes, HC will cover with pending letter from MC ($56M)
Reduce contingency	MC	Work with FTA to reduce reviewed contingency to less than 32%	MC	No
Explore MnDOT funding opportunities	HC	Met Council in discussion with MnDOT on $50 million	MnDOT/MC	No
Met Council Federal 5307 Formula Funds	HC	Met Council could use flexible federal formula funds to buy LRVs	MC	No
HC double-count 10% additional contingency	MC	HC doesn't have enough revenue during construction to cover	HC	Not viable

28

28

Can the county reallocate 10% contingency?

Federal Transit Administration Requirements

- The FTA requires a funding source for 10% additional contingency, on top of the project budget
- Hennepin County committed to funding this requirement in 2018
- The Met Council asked the county to cancel this commitment, and reallocate funding to the base project
  - Would change from funding that hopefully wouldn't be needed at the end of the project, to funding that would be needed at the start
- This request would leave FTA requirements unfunded and jeopardize federal funding
- A successful FFGA application requires a funding source for the 10% additional contingency

Funding Constraints During Peak Construction Years

- Hennepin County revenues are *fully dedicated* to BLE, including capacity to issue debt during construction
- During construction, the project will spend $650 to $800 million per year
- The project funding gap represents $50 to $75 million a year, during peak construction
- The Met Council has available revenue during this time that it plans to add to its reserves

29

29

Light Rail Vehicles

Light Rail Vehicle Count

Remove LRVs from project to solve gap

LRV solution options

30

30

Light Rail Vehicle Count

- 35 light rail vehicles currently included in BLE capital project.
- Met Council Rail Fleet Management Plan shows BLE only needs 20 vehicles for full peak service, plus 7 spares.
- The Met Council plan also says 15 of 35 vehicles requested for BLE are intended as systemwide spare vehicles or replacements for aging type 1 vehicles.
- These additional vehicles would raise METRO systemwide spare ratios to 38% - far above industry norm of 15%.
- Met Council claims additional vehicles are needed to run 3 car trains on day 1 to not compromise systemwide service levels .
- Current operation of Blue Line and Green Line has 2 car trains for daily use, 3 car trains are used for 30-40 special events per year for a few hours.
- LRVs will be used across the entire light rail system, not just for BLE.
- The BLE project budget should not be responsible for fulfilling the Council's broader operational strategic objectives to refresh or expand systemwide vehicle inventory.

31

31

LRV solution options

1

Leave 35 LRVs in the capital project as is and add Met Council 5307 funds to the project to pay for them

2

Reduce the number of LRVs in the project; use federal 5307 funds to pay for LRVs needed as part of the project

3

Remove LRVs from capital project entirely, Met Council can determine how to procure them with its own available resources

32

32

Met Council must help fill the gap

Met Council's legal authority

Met Council's financial capacity

Role of internal policy

33

33

Met Council's legal authority

Met Council has the legal authority to use federal funds to pay project costs under state and federal law.

- Minn. Stat. 473.3999, Subd. 3, explicitly allows use of federal funds for light rail construction costs.
  - "The council must only use direct appropriations in law or **federal sources** to pay its portion of light rail transit capital construction costs"
- "Federal Sources" includes the use of Federal Section 5307 funds, which are annual appropriations from congress for transit capital and operating assistance. Met Council projects to receive $717.6 million in 5307 formula funds from 2026-2033.
- The Council is using 5307 funds on Green Line Extension Light Rail capital costs.
  - To date, the Met Council has spent $126.6 million in 5307 funds for Green Line Extension, including in 2025 and 2026, after the State enacted restrictions on Transportation Sales and Use Tax, and after MC's self-imposed policy restricting use of 5307 funds.

34

34

Met Council's financial capacity

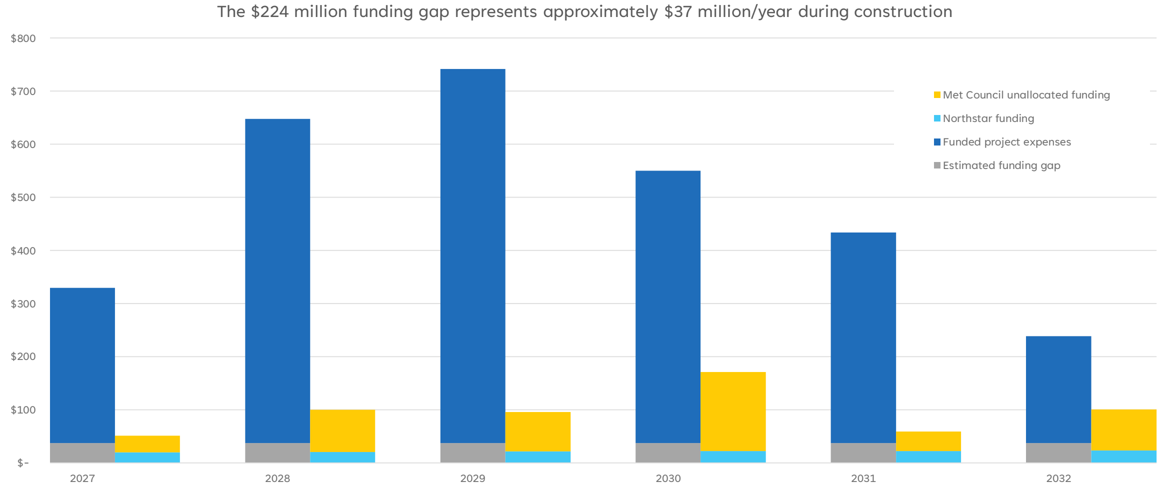
- Due to new regional sales tax and shifting funding for Metro Mobility in 2023 legislative session, Metro Transit system has sufficient funds to fully operate, maintain, and fund long-term capital repair, replacement for all existing and new or expanded transitways.
- According to the Met Council's Transit Investment Plan, $2.3 Billion "of the new funding remains available for transit initiatives."
- Additional $496 million from Northstar operations and maintenance.

Table 8.4. Regional transit expenditures, by category, in millions of dollars

Expenditure	Calendar year 2025 Total	2025 % of Total	2025 through 2050 Total	% of Total
Bus operations	$684	41%	$28,650	53%
Bus system capital	$250	15%	$6,250	12%
Current transitways operations	$143	9%	$5,200	10%
Current transitways capital	$21	28%	$3,400	6%
Expansion transitway operations	-	-	$5,550	10%
Expansion transitway capital	$447	-	$2,650	5
Remaining transit opportunity funds	$122	7%	$2,300	4%
Subtotal	**$1.67 billion**	**100%**	**$53.9 Billion**	**100%**

Met Council has available revenue to close the gap

The $224 million funding gap represents approximately $37 million/year during construction



Role of internal policy

Met Council Transit Funding Allocation policy

Adopted in 2025 stating "the Council must not expend federal formula funds on new transit guideway projects."

- BLE is not a new project (In Transportation Policy Plan since at least 2010), not subject to this self-imposed policy
- Self-imposed policies are not a legal basis to prevent future changes
- MC has statutory authority and responsibility to amend self-imposed policy to complete BLE

Capital Grant Agreement

Capital Grant Agreement between Met Council and Hennepin County outlines project management and funding responsibilities for BLE. It identifies that HC will be responsible for capital, and MC will be responsible for operations.

- The CGA has already been amended multiple times and must be amended again to increase the county's funding commitment.
- The CGA includes language to allow amendment should circumstances warrant a change in the Council's funding position: *"Except as may be agreed in a future amendment."*

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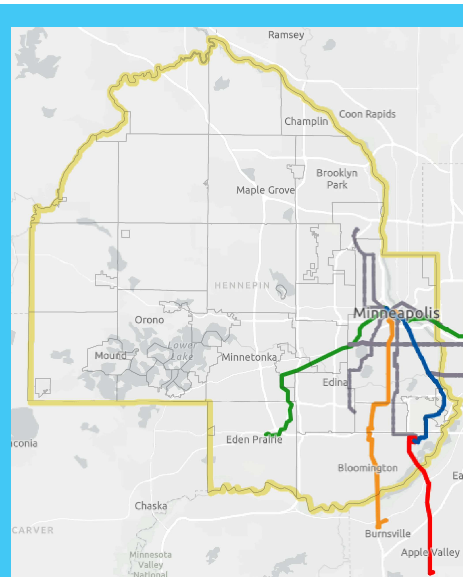
Discussion



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