

**South Central Light Rail Extension
Phoenix, Arizona
New Starts Project Development
(Rating Assigned November 2016)**

Summary Description	
Proposed Project:	Light Rail Transit 4.8 Miles, 7 Stations
Total Capital Cost (\$YOE):	\$704.54 Million <small>(Includes \$14.9 million in finance charges)</small>
Section 5309 New Starts Share (\$YOE):	\$348.53 Million (49.5%)
Annual Operating Cost (opening year 2023):	\$20.85 Million
Current Year Ridership Forecast (2016):	8,700 Daily Linked Trips 2,861,400 Annual Linked Trips
Horizon Year Ridership Forecast (2035):	13,500 Daily Linked Trips 4,461,300 Annual Linked Trips
Overall Project Rating:	Medium
Project Justification Rating:	Medium
Local Financial Commitment Rating:	Medium

Project Description: Valley Metro plans to extend its light rail system from downtown Phoenix to the South Mountain Village Core via Central Avenue and 1st Avenue. The project includes track improvements along McKinley Street in Downtown Phoenix, expansion of the existing Operations and Maintenance Center, purchase of 18 light rail vehicles, and construction of two park and ride lots. Service would operate every 12 minutes for most of the weekday and 20 minutes during late night and early morning hours, with service every 15 to 20 minutes on the weekends.

Project Purpose: The project is intended to improve mobility and satisfy existing and projected travel demand in this highly transit-dependent corridor. The project would connect the corridor to major regional activities including the Arizona State University Downtown and Main campuses, Downtown Phoenix, and the Phoenix Sky Harbor International Airport. The extension will also support existing and planned economic and transit-oriented development opportunities throughout the South Central Avenue corridor.

Project Development History, Status and Next Steps: In November 2013, Valley Metro completed an alternatives analysis and selected light rail as the locally preferred alternative (LPA). In June 2015, the LPA was included in the region's fiscally-constrained long range transportation plan. The project entered New Starts Project Development in November 2015. An Environmental Assessment was published in November 2016 and the project completed the environmental review process with a Finding of No Significant Impact in January 2017. Valley Metro expects to enter into Engineering in late 2017/early 2018, receive a Full Funding Grant Agreement in January 2019, and start revenue service in 2023.

Locally Proposed Financial Plan

<u>Source of Funds</u>	<u>Total Funds (\$million)</u>	<u>Percent of Total</u>
Federal: Section 5309 New Starts	\$348.53	49.5%
Local: City of Phoenix Proposition 104 Sales Tax	\$191.99	27.2%
Maricopa County Proposition 400 Excise Tax	\$164.02	23.3%
Total:	\$704.54	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.

**AZ, Phoenix, South Central Light Rail Extension
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Factor	Rating	Comments
Local Financial Commitment Rating	Medium	
Non-Section 5309 New Starts Share	N/A	The New Starts share of the Project is 49.5 percent.
Project Financial Plan	Medium	
Current Capital and Operating Condition (25% of local financial commitment rating)	Medium	<ul style="list-style-type: none"> • The average age of the bus fleet is 7.5 years, which is in-line with the industry average. • The most recent bond ratings for the Regional Public Transportation Authority, issued in April 2016, are as follows: Fitch AA and Standard & Poor's Corporation AA+. • Valley Metro Rail's current ratio of assets to liabilities as reported in its most recent audited financial statement is 1.09 (FY 2015). • There have been no service cutbacks or 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"> • Approximately 53.9 percent of the non-Section 5309 New Starts funds are committed or budgeted, and the rest is considered planned. Sources of funds include Proposition 400 excise tax revenues and Proposition 104 sales tax revenues. • Approximately 87.4 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 FTA Section 5307 Urbanized Area Formula Funds, farebox revenue, contributions from the cities of Phoenix, Tempe and Mesa, and advertising revenue.
Reasonableness of Capital and Operating Cost Estimates and Planning Assumptions/Capital Funding Capacity (50% of local financial commitment rating)	Medium-Low	<ul style="list-style-type: none"> • Growth in capital revenue assumptions is optimistic compared to recent historical experience. • The capital cost estimate is reasonable. • Regarding growth in operating revenue assumptions, farebox collections are optimistic and contributions from member cities are optimistic compared to recent historical experience. • Operating cost estimates are conservative compared to recent historical experience. • No funding is currently available to cover Project cost increases and funding shortfalls. Valley Metro has access to funds via additional debt capacity, cash reserves, or other committed funds to cover 50 percent of 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 station areas have an average population density of 4,634 per square mile, which rates Medium-Low by FTA benchmarks. The project would serve a total of 86,461 employees, which rates Medium by FTA benchmarks. The average daily parking cost in the Phoenix central business district (CBD) is \$13, which corresponds to a Medium-High rating. The ratio of station area to county legally binding affordability restricted housing is 8.79, corresponding to a High rating.
- Development in the South Central Avenue corridor is of varying character, with the downtown and Central City area being more transit-supportive, while development south of I-17 is variable and less dense. The project mostly serves an auto-oriented area south of the Phoenix CBD.
- The arterial roads along South Central Avenue create a well connected street grid. The corridor contains continuous sidewalks. There are crosswalks at most signalized intersections, but many of the non-signalized intersections do not have crosswalks.

ECONOMIC DEVELOPMENT RATING: Medium

Transit-Supportive Plans and Policies: Medium

- *Growth Management:* The State of Arizona requires municipalities to identify targeted growth areas tied to infrastructure improvements as part of their local comprehensive plans and requires them to have policies and implementation strategies for promoting integrated open space. Phoenix is engaged in an ongoing planning effort to concentrate growth in identified cores and corridors, including the project corridor.
- *Transit-Supportive Corridor Policies:* The City of Phoenix has adopted transit-oriented development (TOD) policies and typologies for each of the existing light rail stations. The City recently designated place types for each of the proposed stations, which range from high density downtown to mid and lower density place types at the southern end of the corridor.
- *Supportive Zoning Regulations Near Transit Stations:* Density and land use character controls are varied in the corridor. The northern most proposed station areas are subject to the Downtown Code which allows high densities and supports transit-friendly development. The remainder of the corridor is zoned general commercial and residential which allows low to high density residential development and medium density commercial development. Current zoning in most of the corridor is not transit supportive but the City intends to amend the zoning code as this project is developed.
- *Tools to Implement Land Use Policies:* The City gives developers points toward density bonuses if they include sustainability elements. The City also has an Adaptive Reuse Program that streamlines development for the adaptation of old buildings, many of which are targeted in the corridor. To date, the City has programmed a few capital improvements that should make the corridor more pedestrian and bicycle friendly. The City has been conducting outreach to property owners along the corridor.

Performance and Impacts of Policies: Medium-High

- *Performance of Land Use Policies:* A total of 215 projects valued at \$8.2 billion have been completed or are under construction along the region's existing LRT line. The developments contain a total of over 15,000 residential units and over 10 million square feet of commercial/office space. This development along the existing corridor is high density in the downtown areas and medium-high density in the station areas outside of downtown. The developments typically have transit-friendly characteristics.
- *Potential Impact of Transit Investment on Regional Land Use:* The corridor has not been intensely developed and has many opportunity sites for redevelopment. There are 277 acres of vacant land within one half mile of the proposed alignment plus many surface parking lots. Phoenix is one of the fastest growing metropolitan areas in the United States with a robust real estate market, which

indicates that significant transit-oriented development (TOD) is possible with the addition of light rail lines. However, the corridor has been lagging the region in development.

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

- The City has not completed any analysis of affordable housing needs and supply or developed a strategy to preserve affordable housing for this specific corridor.
- Phoenix's general plan includes goals and objectives to increase the supply of affordable housing near existing and proposed light rail stations. The City has carried out two recent public housing rehabilitation projects in the corridor.
- There is some evidence of TOD policies having a positive effect on the creation of affordable housing with 17 percent of new housing in existing light rail station areas being LBAR.



SOUTH CENTRAL LIGHT RAIL EXTENSION

Phoenix, Arizona

- South Central Stations
- Existing Light Rail Stations
- South Central Light Rail Extension
- Existing Valley Metro Light Rail
- P Park-and-Ride
- Operations and Maintenance Center Expansion

