

**Tempe Streetcar
Tempe, Arizona
Small Starts Project Development
(Rating Assigned November 2016)**

Summary Description	
Proposed Project:	Streetcar 3.0 Miles, 14 Stations
Total Capital Cost (\$YOE):	\$186.09 Million <small>(includes \$9.5 million in finance charges)</small>
Section 5309 Small Starts Share (\$YOE):	\$74.99 Million (40.3%)
Annual Operating Cost (opening year 2020):	\$4.26 Million
Current Year Ridership Forecast (2016):	800 Daily Linked Trips 647,500 Annual Linked Trips
Horizon Year Ridership Forecast (2035):	1,700 Daily Linked Trips 1,228,200 Annual Linked Trips
Overall Project Rating:	Medium-High
Project Justification Rating:	Medium
Local Financial Commitment Rating:	Medium-High

Project Description: Valley Metro proposes to build a streetcar line through the historic downtown Tempe area, which is the city’s government and financial center, linking with Arizona State University (ASU) and the surrounding mix of residential and commercial uses. The project also includes the purchase of six streetcar vehicles. The service is planned to operate every 10 minutes during daytime hours on weekdays, every 20 minutes on weekday evenings, and every 15 minutes on weekends.

Project Purpose: The streetcar would connect ASU and nearby residential neighborhoods with the activity centers of downtown Tempe and Mill Avenue, and the emerging employment corridor of Rio Salado Parkway. The project would also encourage redevelopment of underutilized buildings in downtown Tempe. Lastly, the project would provide connections to Valley Metro’s light rail system at the existing Dorsey Avenue and Mill Avenue light rail stations.

Project Development History, Status and Next Steps: Valley Metro and the City of Tempe selected the Tempe Streetcar as the locally preferred alternative in September 2010. The project was approved into the financially constrained regional long range transportation plan in December 2010. The project entered Small Starts Project Development in April 2013. The Environmental Assessment was published in July 2015, and FTA signed a Finding of No Significant Impact in October 2015, completing the environmental review process. Valley Metro anticipates receiving a Small Starts Grant Agreement in fall 2017, and starting revenue service in 2020.

Significant Changes Since Last Evaluation (November 2015): No significant changes

Locally Proposed Financial Plan

<u>Source of Funds</u>	<u>Total Funds (\$million)</u>	<u>Percent of Total</u>
Federal:		
Section 5309 Small Starts	\$74.99	40.3%
FHWA Flexible Funds (Congestion Mitigation and Air Quality Program)	\$19.00	10.2%
Local:		
Maricopa County Proposition 400 Excise Tax	\$79.10	42.5%
City of Tempe Improvement District Funds	\$13.00	7.0%
Total:	\$186.09	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, Tempe, Tempe Streetcar
(Rating Assigned November 2016)**

Factor	Rating	Comments
Local Financial Commitment Rating	Medium-High	
Non-Section 5309 Small Starts Share	+1 level	The Small Starts share of the Project is 40.3 percent.
Project Financial Plan	Medium	
Capital and Operating Condition (25% of financial rating)	Medium	<ul style="list-style-type: none"> • The average age of the bus fleet is 7.5 years, which is less than the industry average. • The most recent bond ratings for Regional Public Transportation Authority (RPTA), issued in April 2016, are as follows: Fitch AA and Standard & Poor's Corporation AA+. • Valley Metro Rail's (VMR) current ratio of assets to liabilities as reported in its most recent audited financial statement is 1.09 (FY2015). • There have been no service cutbacks or cash flow shortfalls in recent years.
Commitment of Capital and Operating Funds (25% of financial rating)	High	<ul style="list-style-type: none"> • Approximately 79.8 percent of the non-Section 5309 Small Starts funds are committed or budgeted, and the rest are considered planned. Sources of funds include Federal Congestion Mitigation and Air Quality Improvement Program funds, City of Tempe improvement district bond proceeds, and Proposition 400 excise tax revenues. • Approximately 86.7 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 are considered planned. Sources of funds include Federal Section 5307 Urbanized Area Formula Program funds, farebox revenues, contributions from the cities of Phoenix, Tempe and Mesa, and advertising revenues.
Capital and Operating Cost Estimates, Assumptions and Financial Capacity (50% of financial rating)	Medium-Low	<ul style="list-style-type: none"> • Growth in capital revenue assumptions are 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-Low*

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.

- Average population density in all station areas is 10,206 persons per square mile, corresponding to a Medium-High rating according to FTA criteria. Total employment within project station areas is 22,725, corresponding to a Low rating. Daily parking rates in the Tempe CBD average \$12, corresponding to a Medium-High rating. The proportion of LBAR housing in the corridor compared to the county as a whole is 0.48, which corresponds to a Low rating.
- The downtown segment of the corridor is the traditional center of Tempe and has street-oriented mixed use development. The corridor also includes large-scale mixed-use development north of downtown, borders the main campus of Arizona State University (ASU) to the east, and includes residential neighborhoods with some commercial development to the south and west.
- The downtown area has historically been a pedestrian-oriented district, with wide, shaded sidewalks and continuous retail storefronts. Neighborhoods in the corridor generally have a walkable, compact grid street system.

ECONOMIC DEVELOPMENT RATING: *Medium-High*

Transit-Supportive Plans and Policies: *Medium-High*

- *Transit-Supportive Corridor Policies:* Tempe’s General Plan promotes transit oriented development (TOD) and the provision of alternatives to driving. It outlines policies and programs intended to promote mixed-use development projects, housing and transit-oriented retail, and policies that provide for high-density development in the streetcar corridor. Tempe is engaged in creating Character Area Plans intended to capitalize on attributes of the neighborhoods. The City has committed resources to enhancing the pedestrian environment in the corridor, and provides guidelines on streetscape design and streetcar facilities.
- *Supportive Zoning Regulations Near Transit Stations:* Zoning in the downtown area of the corridor allows unlimited density and building height, while zoning in areas with multi-family residential development allows high density residential development. Much of the corridor is also in the TOD Overlay zone, which allows greater intensification of development. The City has developed an “Opt-In” provision that allows properties within one half mile of the streetcar line to be added to the TOD. The TOD zoning includes development criteria that incorporates transit-supportive design characteristics. The TOD overlay also reduces parking minimums for many uses and also sets parking maximums.
- *Tools to Implement Land Use Policies:* The City of Tempe has a range of strong incentives available to promote transit-supportive development in the project corridor, including a public-private partnership, a consortium of public and non-profit organizations, an Enterprise Zone that provides tax and other financial incentives to downtown businesses, and loans for development projects along the Streetcar line.

Performance and Impacts of Policies: *Medium-High*

- *Performance of Land Use Policies:* Approximately \$7.4 billion in new development has been completed or is in progress in existing Valley Metro LRT station areas as of 2014, and an additional \$1.0 billion are proposed or planned. Significant private-sector development projects are expected to be completed by 2018 in the Streetcar station areas, with many additional projects expected to be completed in the corridor by 2030. ASU plans to expand the campus by one third to a total of 11 million square feet and not increase parking. The university has also released a detailed development plan to add high density development at one end of the streetcar alignment.
- *Potential Impact of Transit Investment on Regional Land Use:* Tempe is located in a rapidly growing metropolitan area. The diversity of Tempe’s economy has provided the city fairly good stability in the turbulent recent years. Population and employment in the planned streetcar corridor are forecast to

grow strongly in the next twenty years. Approximately 136 acres of land within one half mile of the corridor are highly susceptible to development.

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

- The City's General Plan calls for a study to reduce the cost of developing affordable housing through reducing development fees and streamlining approvals and discusses a goal to increase the variety of housing types and to increase the supply of affordable housing. There has not been a study assessing the supply and need for affordable housing in the Streetcar corridor. There is a modest amount of new affordable housing that has been developed in the corridor in the form of two new income-restricted housing developments.

TEMPE STREETCAR



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AUGUST 2015

