

Northwest Extension Phase II
Phoenix, Arizona
New Starts Project Development
(Rating Assigned November 2017)

Summary Description	
Proposed Project:	Light Rail Transit 1.5 Miles, 3 Stations
Total Capital Cost (\$YOE):	\$318.66 Million <small>(Includes \$15.2 million in finance charges)</small>
Section 5309 New Starts Share (\$YOE):	\$156.14 Million (49.0%)
Annual Operating Cost (opening year 2023):	\$2.99 Million
Current Year Ridership Forecast (2017):	6,400 Daily Linked Trips 2,124,200 Annual Linked Trips
Horizon Year Ridership Forecast (2037):	10,200 Daily Linked Trips 3,370,300 Annual Linked Trips
Overall Project Rating:	Medium-Low
Project Justification Rating:	Medium
Local Financial Commitment Rating:	Medium-Low

Project Description: Valley Metro plans to extend its light rail system from its end of line station in Northwest Phoenix to the Metrocenter Mall. The project includes the purchase of three light rail vehicles, the relocation of the existing Metrocenter transit center, and the construction of two park and ride lots with a total of 410 parking spaces. The service is planned to operate every 12 minutes for most of the weekday, every 20 minutes during late night and early morning hours, and every 15 to 20 minutes on the weekends.

Project Purpose: The project will improve connectivity across Interstate 17, provide easy access to the region’s light rail system for various communities in north and west Phoenix, Glendale, and Peoria, and support transit-oriented land-use planning in the corridor, including the planned redevelopment of the Metrocenter Mall site. The project is intended to link Metrocenter to existing regional activity centers and major activity nodes such as the North Central Avenue office corridor, Phoenix Sky Harbor International Airport, Arizona State University, and downtown Phoenix. The project improves transit service in a corridor where 25 percent of the population lives below the poverty level and 10 percent of the households own no cars.

Project Development History, Status and Next Steps: The City of Phoenix selected the locally preferred alternative (LPA) in November 2014, which was adopted into the fiscally constrained long range transportation plan in June 2015. The project entered New Starts Project Development in June 2017. Valley Metro anticipates completing the environmental review process with receipt of a Finding of No Significant Impact in summer 2018, entry into Engineering in early 2019, receipt of a Full Funding Grant Agreement in late 2019, and the start revenue service in late 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	\$156.14	49.0%
Local: City of Phoenix Proposition 104 Sales Tax	\$132.52	41.6%
Maricopa County Proposition 400 Excise Tax	\$30.00	9.4%
Total:	\$318.66	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, Northwest Extension Phase II
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Factor	Rating	Comments
Local Financial Commitment Rating	Medium-Low	
Non-Section 5309 New Starts Share	N/A	The New Starts share of the project is 49.0 percent.
Project Financial Plan	Medium-Low	
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 Valley Metro, 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 0.5 (FY 2016). • 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-Low	<ul style="list-style-type: none"> • Approximately 18.9 percent of the non-Section 5309 New Starts funds are committed or budgeted, and the rest are considered planned. Sources of funds include Maricopa County Proposition 400 Public Transportation Fund (PTF) excise tax revenues and bond proceeds, and City of Phoenix Proposition 104 sales tax revenues and bond proceeds. • Approximately 77.2 percent of 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 formula funds used for preventive maintenance, farebox revenue, contributions from the cities of Phoenix, Tempe, Mesa, Glendale, and Chandler, and Maricopa County Proposition 400 PTF excise tax revenues and bond proceeds.
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 conservative compared to recent historical experience. • Operating cost estimates are reasonable compared to recent historical experience.

		<ul style="list-style-type: none">• No funding is currently available to cover unexpected Project cost increases or funding shortfalls. Valley Metro has access to funds via additional debt capacity, cash reserves, or other committed funds to cover 21 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.

- The station areas have an average population density of 5,511 per square mile, which rates Medium-Low by FTA benchmarks. The project would serve a total of 116,000 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 LBAR housing is 0, corresponding to a Low rating.
- Development in the project corridor is mostly low density commercial and industrial with surface parking fronting most buildings. The end of the corridor is an aging suburban mall surrounded by a large surface parking lot.
- The main roads in the corridor typically have sidewalks but they lack shade and are not comfortably separated from the roadway. Some of the industrial areas have no pedestrian facilities.

ECONOMIC DEVELOPMENT RATING: *Medium*

Transit-Supportive Plans and Policies: *Medium*

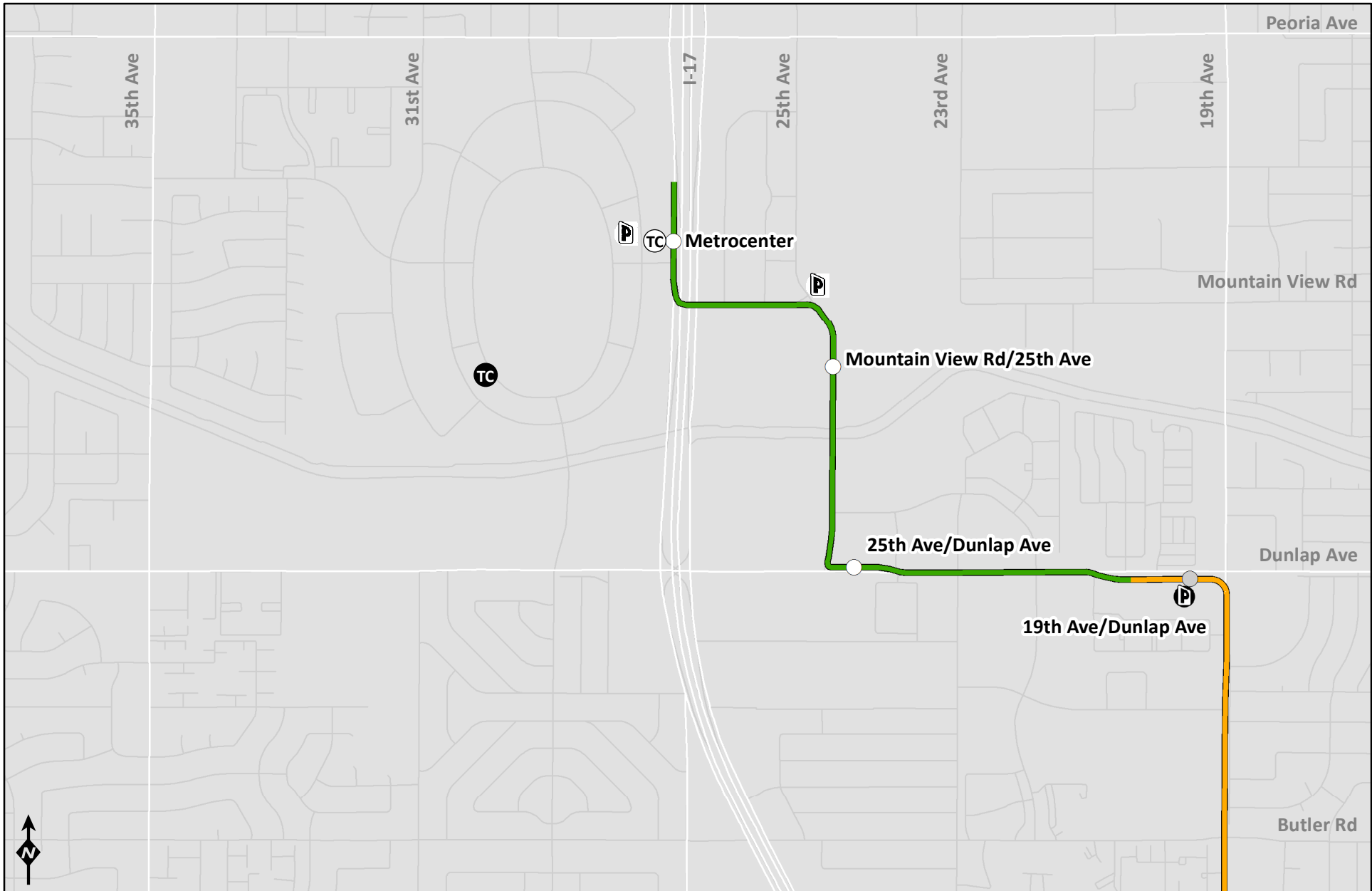
- *Growth Management:* Arizona requires municipalities to identify targeted growth areas tied to infrastructure improvements as part of their local comprehensive plans and requires them to have policies and implementation strategies for promoting a regional system of open space. Phoenix is engaged in an ongoing planning effort to concentrate growth in identified cores and corridors.
- *Transit-Supportive Corridor Policies:* Phoenix's General Plan and North Mountain Area Plan both recommend implementing policies and ordinances to support infill development with a scale and character supportive of transit near light rail lines. The City recently passed a Complete Streets ordinance and is emphasizing improving the pedestrian environment. Among the three stations in the corridor, Metrocenter is the only area where conceptual planning for transit-oriented development (TOD) has already occurred.
- *Supportive Zoning Regulations Near Transit Stations:* The two eastern-most station areas in the corridor have not been rezoned for TOD and are primarily zoned for commercial and industrial uses with varying land use intensity. The Metrocenter area has been rezoned as a Planned Unit Development with high development densities, mixed uses and strong pedestrian orientation.
- *Tools to Implement Land Use Policies:* Phoenix gives developers points toward density bonuses for including sustainability elements. The City's Adaptive Reuse Program streamlines development for the adaptation of old buildings. The City has been conducting some outreach to property owners along the corridor as part of the North Mountain Area Plan. The land use planning that resulted in a rezoning of the Metrocenter area was conducted in partnership with the owners of that property.

Performance and Impacts of Policies: *Medium-High*

- *Performance of Land Use Policies:* 302 projects, valued at \$10.1 billion, have been completed or are under construction along the region's existing LRT line since 2005. The developments contain a total of over 22,000 residential units and over 16 million square feet of commercial/office space. This development 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 24 acres of vacant land plus excess surface parking areas. The Metrocenter redevelopment is large enough to be considered regionally significant. 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 is possible.

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

- Phoenix's general plan includes goals and objectives to increase the supply of affordable housing near existing and proposed light rail stations. The City provides density bonuses for affordable housing and increased development entitlements for projects that provide long-term affordable units. The Metrocenter Planned Unit Development will include some legally binding affordable housing, including senior housing, once completed.



NORTHWEST PHASE II LIGHT RAIL EXTENSION

Phoenix, Arizona


LEGEND

 Valley Metro Rail / Station

 Existing Transit Center

 Future Transit Center

 Northwest Extension Phase II / Station

 Existing Park-and-Ride

 Potential Park-and-Ride

