

Tempe Streetcar
Tempe, Arizona
Small Starts Project Development
(Rating Assigned November 2017)

Summary Description	
Proposed Project:	Streetcar 3.0 Miles, 14 Stations
Total Capital Cost (\$YOE):	\$186.05 Million <small>(Includes \$9.4 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 (2017):	800 Daily Linked Trips 647,500 Annual Linked Trips
Horizon Year Ridership Forecast (2037)	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 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 is intended to 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. Valley Metro anticipates the project will encourage redevelopment of underutilized buildings in downtown Tempe. Lastly, the project provides 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 receipt of a Small Starts Grant Agreement in late 2018, and the start of revenue service in 2020.

Significant Changes Since Last Evaluation (November 2016): 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	\$79.06	42.5%
City of Tempe Property Owner Contributions	\$13.00	7.0%
Total:	\$186.05	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
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Factor	Rating	Comments
Local Financial Commitment Rating	Medium-High	
Non-Section 5309 Small Starts Share	+1	The Small Starts share of the Project is 40.3 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 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 (FY2016). • 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)	High	<ul style="list-style-type: none"> • Approximately 88.2 percent of non-Section 5309 Small Starts funds are committed or budgeted, and the rest are considered planned. Sources of funds include FHWA Congestion Mitigation and Air Quality Improvement Program funds, City of Tempe property owner contributions, and Maricopa County Proposition 400 Public Transportation Fund (PTF) excise tax revenues and bond proceeds. • Approximately 79.1 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 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 very optimistic. • 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. • 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.

- Average population density in all station areas is 10,206 persons per square mile, corresponding to a Medium-High rating per 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 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 includes 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 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.
- *Supportive Zoning Regulations Near Transit Stations:* Zoning in the downtown area allows unlimited density and building height, while zoning in areas with multi-family residential development allows high density development. Much of the corridor is also in the Transit Oriented Development (TOD) Overlay zone, which allows greater intensification of development, incorporates transit-supportive design characteristics, reduces parking minimums for many uses, and sets parking maximums. 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 Overlay zone.
- *Tools to Implement Land Use Policies:* Tempe has strong incentives available to promote transit-supportive development in the project corridor, including funding to foster equitable TOD in areas served by high-capacity transit; 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 \$10.1 billion in new development has been completed or is in progress in existing Valley Metro LRT station areas and an additional \$808 million is proposed or planned. Significant private-sector development projects are expected to be completed by 2019 in Streetcar station areas. In addition, 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 and has a diverse economy. Population and employment in the streetcar corridor are forecast to grow strongly in the next twenty years. Older low-density commercial developments that are expected to be redeveloped account for approximately 136 acres of land within one-half mile of the corridor.

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

- Tempe's General Plan calls for examining ways to reduce the cost of developing affordable housing, such as reducing development fees and streamlining approvals, and includes goals to increase the variety of housing types and the supply of affordable housing. The City is also developing a density bonus for affordable housing. 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



TEMPE STREETCAR ROUTE & STOPS

SEPTEMBER 2017

