

**South Central Light Rail Extension
Phoenix, Arizona
New Starts Project Development
(Rating Assigned November 2017)**

Summary Description	
Proposed Project:	Light Rail Transit 4.8 Miles, 7 Stations
Total Capital Cost (\$YOE):	\$704.54 Million (Includes \$14.9 million in finance charges)
Section 5309 New Starts Share (\$YOE):	\$345.22 Million (49.0%)
Annual Operating Cost (opening year 2023):	\$17.75 Million
Current Year Ridership Forecast (2017):	8,700 Daily Linked Trips 2,861,400 Annual Linked Trips
Horizon Year Ridership Forecast (2037):	13,500 Daily Linked Trips 4,461,300 Annual Linked Trips
Overall Project Rating:	Medium-High
Project Justification Rating:	Medium
Local Financial Commitment Rating:	Medium-High

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 with a total of 376 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 provides a seamless connection between the South Mountain Village Core and Downtown Phoenix. It is intended to improve mobility and satisfy existing and projected travel demand in this highly transit-dependent corridor. Roughly 40 percent of the population in the corridor lives below the poverty level and 13 percent of the households own no cars. The project connects the corridor to 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 with the City of Phoenix 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 from FTA in January 2017. Valley Metro anticipates entering into Engineering in 2018, receipt of a Full Funding Grant Agreement in 2019, and the start of revenue service in 2023.

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 New Starts	\$345.22	49.0%
Local: City of Phoenix Proposition 104 Sales Tax	\$195.30	27.7%
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-High	
Non-Section 5309 New Starts Share	+1	The New Starts share of the Project is 49.0 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 (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-High	<ul style="list-style-type: none"> • Approximately 50.3 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 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 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

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 104,857 employees, which rates Medium. 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 8.79, corresponding to a High rating.
- Development in the Central Avenue corridor is of varying character, with the downtown and Central City area being more transit-supportive, while development south of the Interstate 17 is 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:* Arizona requires municipalities to identify targeted growth areas tied to infrastructure improvements as part of their 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, including the project corridor.
- *Transit-Supportive Corridor Policies:* Phoenix has adopted transit-oriented development (TOD) policies and typologies for each of the existing light rail stations, and plans are currently being completed. The City recently proposed typologies 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. Zoning in the northernmost station areas adjacent to downtown 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:* 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, many of which are targeted in the corridor. To date, the City has programmed a few capital improvements to make the corridor more pedestrian and bicycle friendly. The City has been conducting a fair amount of outreach to property owners along the corridor.

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. 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 277 acres of vacant land within one half mile of the proposed alignment plus many existing 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 is possible. However, the corridor has been lagging the region in development.

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 City has carried out two recent public housing rehabilitation projects in the corridor.



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

