Northwest Extension Phase II
Phoenix, Arizona
New Starts Project Development
(Rating Assigned November 2019)

The rating reflected in this profile was based on the information submitted by Valley Metro and the City of Phoenix with its Engineering request in July 2019. Subsequent to the completion of FTA's evaluation in November 2019, Valley Metro and the City of Phoenix submitted a revised request on November 21, 2019, lowering the CIG share to $158.12 million (39.4 percent). That change cannot be reflected in the project profile until FTA receives a complete revised submission from Valley Metro and the City so the rating can be updated accordingly.

Summary Description	
Proposed Project:	Light Rail Transit 1.5 Miles, 3 Stations
Total Capital Cost ($YOE):	$401.33 Million (Includes $24.6 million in finance charges)
Section 5309 CIG Share ($YOE):	$198.26 Million (49.4%)
Annual Operating Cost (opening year 2025):	$3.15 Million
Current Year Ridership Forecast (2018):	6,700 Daily Linked Trips 2,195,800 Annual Linked Trips
Horizon Year Ridership Forecast (2040):	8,400 Daily Linked Trips 2,775,300 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 the existing 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 a park and ride lot with a total of 260 parking spaces. The service is 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 is intended to 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 links 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 26 percent of the population lives below the poverty level and 17 percent of the households own no cars.

Project Development History, Status and Next Steps: The City of Phoenix selected the locally preferred alternative in November 2014, and it 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 completed the environmental review process with receipt of a Finding of No Significant Impact in February 2019. Valley Metro expects to enter Engineering in early 2020, receive a Full Funding Grant Agreement in mid-2020, and start revenue service in April 2025.

Significant Changes Since Last Evaluation (November 2018): The project cost increased from $340.80 million to $401.33 million due to design refinements and additional contingency being added to the budget. The amount of CIG funding requested increased from $168.70 million to $198.26 Million, with the CIG share decreasing from 49.5 percent to 49.4 percent. The opening year changed from 2023 to 2025 due to contingency being added to the schedule.

Locally Proposed Financial Plan		
Source of Funds	**Total Funds ($million)**	**Percent of Total**
Federal: Section 5309 New Starts	$198.26	49.4%
Local: City of Phoenix Proposition 104 Sales Tax Revenues and Bond Proceeds	$173.07	43.1%
Maricopa County Proposition 400 Public Transportation Fund Excise Tax Revenues	$30.00	7.5%
Total:	**$401.33**	**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.

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Factor	Rating	Comments
Local Financial Commitment Rating	**Medium-High**	
Non-Section 5309 CIG Share	**+1 level**	The CIG share of the project is 49.4 percent.
Project Financial Plan	**Medium**	
Current Capital and Operating Condition (25% of local financial commitment rating)	Medium	• The average age of Valley Metro's bus fleet is 6.81 years. • The most recent bond ratings for Valley Metro, issued in May 2019, are as follows: Fitch Ratings, Inc. AA and S&P Global Ratings AA+. • Valley Metro's current ratio of assets to liabilities as reported in its most recent audited financial statement is 1.1 (FY2018). • 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	• Approximately 98.7 percent of the non-Section 5309 CIG capital 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 City of Phoenix Proposition 104 sales tax revenues and bond proceeds. • Approximately 78.4 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 are considered planned. Sources of funds include FTA Section 5307 Urbanized Area Formula funds, Section 5310 Enhanced Mobility of Seniors & Individuals with Disabilities funds, farebox revenue, contributions from the cities of Phoenix, Tempe, Mesa, and Chandler, and Maricopa County, and Proposition 400 PTF excise tax revenues.
Reasonableness of Capital and Operating Cost Estimates and Planning Assumptions/Capital Funding Capacity (50% of local financial commitment rating)	Medium-Low	• 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. • Valley Metro has access to funds via additional debt capacity, cash reserves, or other committed funds to cover unexpected cost increases or funding shortfalls equal to at least 15.7 percent of the total CIG capital cost and 27.6 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 2,750 persons per square mile, which rates Medium-Low by FTA benchmarks. The project would serve a total of 143,100 employees by a one seat ride, which rates Medium-High by FTA benchmarks. The average daily parking cost in the Phoenix central business district (CBD) is $13, which corresponds to a Medium-High rating. There is no existing affordable housing in project station areas and the ratio of station area to county LBAR housing is therefore 0.00, corresponding to a Low rating.
- Development in the project corridor is mostly low density commercial and industrial with surface parking fronting most buildings. At 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

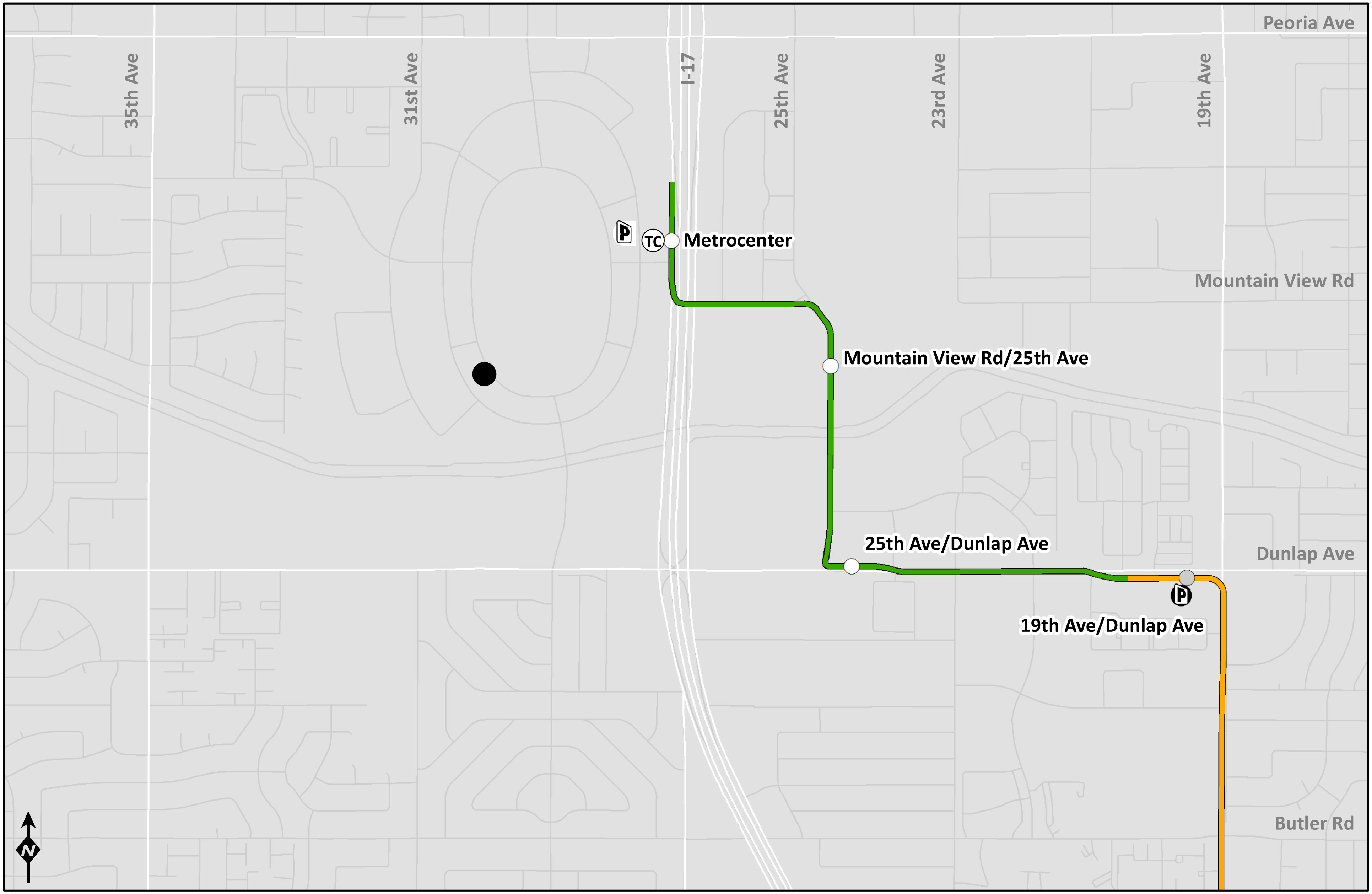
Transit-Supportive Plans and Policies: Medium

- *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:* 344 projects, valued at $11 billion, have been completed or are under construction along the region's existing LRT line since 2005. The developments contain a total of over 25,000 residential units and over 18 million square feet of commercial/office space. This development is high density in the downtown areas and medium- to 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 EXTENSION PHASE II

Phoenix, Arizona

LEGEND

Valley Metro Rail / Station

Northwest Extension Phase II / Station

Existing Transit Center

Existing Park-and-Ride

Future Transit Center

Potential Park-and-Ride

Miles

0 0.125 0.25 0.5