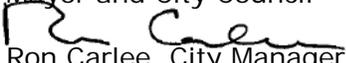




## CITY MANAGER'S OFFICE M E M O R A N D U M

May 13, 2013

**TO:** Mayor and City Council  
**FROM:**   
Ron Carlee, City Manager  
**SUBJECT:** CityLYNX Gold Line Recommendation

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In April 2013, the Mayor and City Council authorized the City Manager to review and analyze the previously proposed Streetcar project, referred to herein as the CityLYNX Gold Line. City staff have reviewed all aspects of the project including, but not limited to, scope, cost, alignment, policy rationale, connection to the Metropolitan Transit Commission, funding options, and communications/branding.

Based on this review, it is recommended that the City proceed with this integral part of the overall transit plan.

Specifically, it is my recommendation that the "CityLYNX Gold Line" be submitted to the Metropolitan Transit Commission (MTC) on May 22<sup>nd</sup> with a request that the MTC endorse branding the "streetcar" element of the 2030 Transit Plan as the "CityLYNX Gold Line" and endorse applications for federal funding for Phase 2 of the CityLYNX Gold Line, with the City providing the 50% local match.

Following consideration by the MTC, I recommend that the Council, at its May 28<sup>th</sup> meeting, (1) authorize the staff to prepare and submit applications for federal funding for the CityLYNX Gold Line Phase 2, and (2) authorize the reallocation of unexpended and unobligated balances in the City's Pay-As-You-Go budget and Debt Service Fund Budget to provide either cash or debt payments up to 50% of the cost of the CityLYNX Gold Line Phase 2, provided that such amounts not exceed revenue sources to these funds excluding property taxes.

**CityLYNX Gold Line is an integral part of the 2030 Transit Plan.** This project has been branded the CityLYNX Gold Line to align the project with the other rail components in the 2030 Transit Plan: Blue Line, Red Line and Silver Line. To date, the project has been referred to generically as the "streetcar". The CityLYNX Gold Line is not a novelty, tourist attraction, but an integral part of the approved transit plan, supporting economic development and connections to employment and activity centers. It is a rail project literally linking the Blue and Red Lines.

There are two fundamental reasons for advancing the CityLYNX Gold Line similar to the compelling reasons for the other rail projects:

- The CityLYNX Gold Line provides a critical economic development tool to focus growth along key corridors, connecting neighborhoods to community interests such as businesses, employment, entertainment, educational institutions, healthcare, etc.

- The CityLYNX Gold Line provides a critical connection for the efficient and robust operation of the overall transit system, including linking the future Red Line at Gateway Station to the Blue Line at the Charlotte Transportation Center and other transportation modes.

It is important to note that the CityLYNX Gold Line is not a new idea:

- It has been a key component of the Metropolitan Transit Commission (MTC) Corridor System Plan since 2002 and was reaffirmed in the 2030 Corridor System Plan update adopted by the MTC on November 15, 2006.
- Phase 1 is currently under construction at a cost of \$36.99 million, of which \$12.0 million is from City funds.
- 30% of the engineering and design work has been completed on Phase 2.
- Advancing Phase 2 at this time does still take at least until 2019 to become operational.

**CityLYNX Gold Line should be reviewed by the Metropolitan Transit Commission (MTC).** In advancing the project, however, it is important that it be done consistent with the recommendations of the Transit Funding Working Group as they may be received by the Metropolitan Transit Commission. Accordingly, it is recommended that the CityLYNX Gold Line recommendation be submitted to the MTC at its May 22, 2013 meeting.

**CityLYNX Gold Line depends on federal funding.** The compelling reason to advance the CityLYNX Gold Line at this time is the potential for federal funding. This is an opportunistic effort that would be contingent on approval of federal funding in a highly competitive process. If federal funds are not awarded, the timing of CityLYNX Gold Line will have to be reevaluated in the context of the larger challenges around funding for the 2030 Transit Plan.

It is recommended that Charlotte aggressively compete for federal funding at a 50% match level. Federal opportunities include Federal Transit Administration (FTA) New Starts or Small Starts programs, Transportation Investments Generating Economic Recovery (TIGER) grants, and Transportation Infrastructure Finance and Innovation Act (TIFIA) loans.

**Local match would not come from property taxes.** Recognizing the public commitments made regarding use of property taxes for transit, staff has confirmed that there is sufficient capacity in non-property tax capital funds that can be reallocated to provide the City local match to federal funding. In the past five years, an annual average of 84% of all revenue sources supporting the General Capital Pay-As-You-Go Fund has been derived from sales taxes, vehicle rental taxes, and other non-property tax revenues. In the Municipal Debt Service Fund, an average of 44% of the revenue sources over the past five years were derived from sales taxes, interest on investments, and other non-property tax revenues.

Future operating costs would come from a combination of revenues such as fares, advertising, naming rights, Pay-As-You-Go capital, and possible value capture such as Tax Increment Financing and Municipal Service Districts. A new funding stream developed in collaboration with the Metropolitan Transit Commission would be the ideal source of operating costs. If a new funding stream is not created, however, in approximately 5 – 7 years, the City will need to have identified a funding stream to maintain the system, which could include a reprioritization of services.

I look forward to additional conversation with the Mayor and City Council regarding the recommendation.

**Next Steps:**

- **May 16:** BAE study presented at Economic Development Committee
- **May 22:** Metropolitan Transit Commission (MTC) reviews and endorses City Manager Recommendation on CityLYNX Gold Line Phase 2 and receives report from the Transit Funding Working Group
- **May 28:** Possible Council action

**Attachment:**

CityLYNX Gold Line Phase 2 Recommendation



# CityLYNX Gold Line Phase 2 City Manager's Recommendation

## Introduction

The 2030 Corridor System Plan adopted on November 15, 2006 included sixteen (16) miles of streetcar, referred to herein as the CityLYNX Gold Line. The plan proposed that a 6-mile alignment of dual track from the proposed Charlotte Gateway Station along West Morehead Street and Wilkinson Boulevard to Charlotte-Douglas International Airport, and a 10-mile alignment of dual track from Rosa Parks Community Transit Center on Beatties Ford Road to Eastland Community Transit Center on Central Avenue be constructed by 2030.

## Project Description

The CityLYNX Gold Line has been part of the Metropolitan Transit Commission (MTC) Corridor System Plan since 2002 and was reaffirmed in the 2030 Corridor System Plan update adopted by the MTC on November 15, 2006.

Overall the system is 10 miles and is being constructed in phases, based largely on the availability for funding, as well as the complexities of design. The actions to date on the CityLYNX Gold Line include:

- City funding of \$8.0 million for the advancement of CityLYNX Gold Line design
- Completion of 30% design-level plans for the entire 10-mile CityLYNX Gold Line corridor
- CATS funding of approximately \$12 million for conceptual engineering for the CityLYNX Gold Line conducted from 2004-2006 and streetcar infrastructure in the Elizabeth Avenue Business Corridor project.
- Completion of construction on the Elizabeth Avenue Business Corridor, including ½ mile of in-street embedded track, overhead catenary system poles, and underground infrastructure to support the future CityLYNX Gold Line
- Completion of an environmental assessment of the full 10-mile route with a Finding of No Significant Impact, and
- Completion of five months of the 27-month construction project on Phase 1 of the CityLYNX Gold Line

The following describes the phasing of the CityLYNX Gold Line

**CityLYNX Gold Line Phase 1:** Charlotte Transportation Center (CTC) on Trade Street to Presbyterian Hospital at Hawthorne Lane and Fifth Street

CityLYNX Gold Line Phase 1, currently under construction, will provide a 1.5-mile route from the Charlotte Transportation Center (CTC) on Trade Street to Presbyterian Hospital at Hawthorne Lane and Fifth Street. The 1.5-mile alignment will have six stops, including a connection to the LYNX Blue Line.

**Attachment 1** shows the CityLYNX Gold Line Phase 1 Alignment.

CityLYNX Gold Line Phase 1 will utilize the City's three existing Gomaco replica trolley vehicles with a passenger capacity of 66 passengers each; however, these will be replaced with modern vehicles in Phase 2. The Gomaco cars are being used because they were already part of CATS vehicle fleet and with minor modifications can be ready to operate

when passenger service for the 1.5 mile CityLYNX Gold Line Phase 1 begins in March 2015. Using modern rail cars on Phase 1 would have increased costs and delayed the project; however, they are considered appropriate for the longer system. The City is particularly interested in considering the use of emerging hybrid technology. Use of the replica vehicles on Phase 1 provides time for the hybrid technology to evolve before larger investment decisions have to be made.

Total funding for Phase 1 is \$36.99 million, including a \$24.99 million Federal Transit Administration Urban Circulator Grant and a \$12.0 million City match from the General Capital Investment Fund through Pay-As-You-Go funds and debt-supported Certificates of Participation (COPs). Operating costs of \$1.5 million per year beginning in FY2015 will be paid through the General Capital Pay-As-You-Go Fund.

### **CityLYNX Gold Line Phase 2 Proposed**

**East:** From Presbyterian Hospital at Hawthorne Lane and Fifth Street to Sunnyside Avenue at Hawthorne Lane

**West:** from Charlotte Transportation Center (CTC) on Trade Street to French Street at Beatties Ford Road

Phase 2 is the focus of this report and extends the Phase 1 segment by 2.5 miles, creating an interim system for 4 miles. CityLYNX Gold Line Phase 2 will extend west from Charlotte Transportation Center to French Street (2.0 miles) and east along Hawthorne Lane from Presbyterian Hospital to Sunnyside Avenue (0.5 miles).

With the completion of CityLYNX Gold Line Phase 2, the system will shift to seven new modern streetcar vehicles with an option to use hybrid technology. With these modern streetcar vehicles, the CityLYNX Gold Line will provide enhanced customer service, comfort, and quality, and will add passenger volume capacity and shorten dwell times, reducing the impact on other vehicular traffic. The new vehicles will provide ADA-compliant level boarding at all stops and each will have the capacity to carry a total of 160 passengers – 60 seated and 100 standing.

This 2.5-mile alignment will have eleven stops. The combined phases of 4-miles will connect the Charlotte Transportation Center and the Blue Line with the proposed Gateway Station that will service the proposed LYNX Charlotte Transportation Center, Red Line, Greyhound, and future Amtrak service.

Major institutions and attractions within a quarter mile of CityLYNX Gold Line with completion of Phase 2 include:

- Central Piedmont Community College
- UNC Charlotte Uptown Campus
- Time Warner Cable Arena
- Novant Health Presbyterian Medical Center (Presbyterian Hospital)
- Johnson C. Smith University
- Wake Forest Uptown Campus
- Johnson & Wales University
- Charlotte-Mecklenburg Government Center

In addition, approximately 2,000 small businesses will be accessible from the CityLYNX Gold Line.

**Attachment 2** shows the CityLYNX Gold Line Phase 2 alignment and the location of small businesses along the alignment.

Total funding needed for the CityLYNX Gold Line Phase 2 includes \$126.0 million for capital construction and \$3.3 million per year for annual operations and is discussed further below.

### **CityLYNX Gold Line Post Phase 2.**

With the completion of Phase 2, an additional 6 miles of the system can be initiated in appropriate phases. The project would extend west to Rosa Parks Community Transit Center on Beatties Ford Road and east to Eastland Community Transit Center on Central Avenue. These segments offer some of the greatest potential for economic development and return on the transit investment. However, the rail system cannot reach these areas without first completing Phase 2.

### **Recommendations to Advance CityLYNX Gold Line Phase 2**

As described above the **CityLYNX Gold Line** is an integral part of the city's economic planning. Its implementation was started in 2004 with the beginning of conceptual engineering, with a goal of completion in 2030, using a phased approach. To achieve the 2030 goal, it will be necessary to aggressively pursue each phase of the project. If recommendations in this report are accepted, Phase 2 will not be operational until at least 2019. It will have taken 15 years to complete the first 4.0 miles of the system, leaving another 6 miles of construction. Only through continuous construction of the project will the benefits be fully realized: economic development and enhanced transportation system, both of which are described below.

### **Economic Development and Growth**

BAE has completed an Economic Development Update Study on the CityLYNX Gold Line, projecting the economic impact. The details of the study will be presented to City Council's Economic Development Committee on May 16<sup>th</sup>. Highlights from their study show the following:

- *1.1 million or more square feet in new development:*
  - *731 additional residential units*
  - *21,800 square feet of additional retail space*
  - *276,700 square feet of additional office space*
  - *101 additional hotel rooms*
- *Increase in incremental property tax revenues could range from \$4.7 million to \$7.0 million per year by 2035.*

By providing a permanent transit infrastructure, the CityLYNX Gold Line will facilitate economic development revitalization opportunities to achieve the above projections. As widely noted, Charlotte has little opportunity to grow in the future through annexation. The city's future is now tied to strategic redevelopment of appropriate sites into transit oriented, mixed-use development at population densities greater than patterns of earlier years. Strategic redevelopment opportunities exist in the following areas to be served by Phase 2 of the CityLYNX Gold Line:

- Elizabeth Avenue Business Corridor
- Beatties Ford Road Business Corridor
- Gateway Village
- Seversville
- Smallwood
- Biddleville

- Johnson C. Smith University
- Johnson & Wales University
- Central Piedmont Community College
- Novant Health Presbyterian Medical Center (Presbyterian Hospital)

Transit also supports the economic sustainability of major uptown institutions and commercial developments, encouraging their retention and expansion in Charlotte.

It is important to note, that as transit facilitates investment for redevelopment, it is equally important to preserve traditional neighborhoods that provide single-family options to people with a wide range of incomes. Sidewalk connections from these neighborhoods should lead to transit centers and, via transit, provide residents with access to activity centers across the city. This balance between redevelopment and preservation will require close, collaborative work by the city with the affected community residents, neighborhood businesses, and potential investors.

### **Enhanced Transportation System**

The full implementation of the CityLYNX Gold Line serves as the backbone for connecting the entire 2030 Corridor System Plan together. All rapid transit lines - the Blue Line, Red Line and Silver Line - are designed to arrive at one of two uptown transit centers and through the CityLYNX Gold Line service, customers will move seamlessly from one area of Mecklenburg County to the other.

Only the CityLYNX Gold Line service is designed to connect three of the four current CATS transit centers and the planned Charlotte Gateway Station. Once completed, residents and visitors will hop on a neighborhood shuttle service to a neighborhood transit center to ride the CityLYNX Gold Line service transporting them to the Blue Line and later the Red Line, as well as hundreds of points throughout Mecklenburg County. In addition, as the CityLYNX Gold Line transverses through neighborhoods people are able to connect to the more than 2,000 small businesses currently operating along the proposed line.

It is recommended that CityLYNX Gold Line, as an integral part of the region's overall transit plan, be submitted to the Metropolitan Transit Commission for endorsement consistent with the 2030 Transit Plan.

Consideration of the CityLYNX Gold Line should be evaluated in the context of recommendations from the Transit Funding Working Group, which will be presented to the MTC on May 22, 2013. The Transit Funding Working Group has developed recommendations related to:

- awareness of the funding challenges facing the completion of the 2030 Transit Plan; and
- a set of funding and financing recommendations and tools for the MTC to advance the 2030 Transit Plan.

The recommendations in this report are intended to move forward with the CityLYNX Gold Line consistent with any recommendations from the Transit Funding Working Group. The goal is to leverage funding opportunities and support the overall transit system plan without conflicting with any MTC policy goals or Transit Funding Working Group recommendations. The City's funding contribution represents a dedicated source for the local match for any federal grant or loan dollars CATS would receive for the CityLYNX Gold Line.

## **Funding Framework: Overall Proposal of 50-50 Federal and Local Split**

The estimated total capital funding of \$126.0 million will be needed to construct the 2.5 mile CityLYNX Gold Line Phase 2. In staff's assessment, the CityLYNX Gold Line would be highly competitive in an application for federal funds. Given anticipated future constraints on federal funding, it is strongly recommended that Charlotte make an aggressive effort to secure federal funding while it is available. This opportunity provides the compelling reason to advance this element of the overall transit plan at this time.

The City's Local match could come from a variety of sources that include existing available debt capacity and Pay-As-You-Go balances in the General Capital Investment fund. Further explanation of the potential federal grants and loans and City funding is provided below.

It is important to note that cost projections are based on current estimates. The \$126.0 million estimated capital cost will need to be escalated and the ultimate cost will be higher depending on when approvals are granted. The longer it takes to start the project, the more it will cost. On an annual basis, it will be necessary to recalculate estimates based on changing costs related to acquisition of cars and equipment as well as construction costs. Normally, it is expected that costs will escalate overall between 4.75% for roadway construction components and 6.30% for steel, rail, shelters, and vehicles.

**Federal Grants.** The following federal grants could potentially be obtained to fund 50% of the capital cost for the CityLYNX Gold Line Phase 2. Staff will assess the requirements and restrictions applicable to each of these funding options to determine the most viable funding approach for the CityLYNX Gold Line. Additionally, these federal grant programs must reconcile with any recommendations put forward by the Transit Funding Working Group.

*Transportation Investments Generating Economic Recovery (TIGER) Grant:* TIGER grants are provided through the U.S. Department of Transportation's National Infrastructure Investment Grant Program and fund highly competitive, innovative infrastructure programs that are difficult or impossible to fund through other federal programs. TIGER V applications must be submitted by June 3, 2013 and if approved, funds must be obligated by September 2014.

*Federal Transit Administration New Starts Grants:* New Starts provides funds for construction of new fixed guideway systems or extension to existing fixed guideway systems. This grant has a defined process for qualifying to receive funding. The process for previous New Starts grants typically took five to seven years from Preliminary Engineering to a Full Funding Grant Agreement (FFGA). Under new regulations the process may be shortened to five years.

*Federal Transit Administration Small Starts Grants:* Funds for capital projects that either (a) meet the definition of a fixed guideway project for at least 50% of the project length in the peak periods or (b) are corridor based with 10 minute peak/15 minute off peak headways or better. Federal grants must be  $\leq$ \$75 million and project must have a total capital cost of  $<$  \$250 million.

Although it may depend on how the applications for the various grants are structured, there appear to be no formal restrictions to applying for more than one grant or federal loan to fund the CityLYNX Gold Line Phase 2, although if the project is awarded a New Starts grant it could become less competitive for a TIGER grant.

**City Local Match: Non-Property Tax Capital Funding.** Capital funding to cover the City's 50% contribution to the costs for the CityLYNX Gold Line Phase 2 would come from the use of unallocated and contingent capital accounts within the revenue sources other than property taxes. None of the 3.17-cent recommended increase in the property tax for the FY2014-FY2018 Capital Improvement Program would be used for the CityLYNX Gold Line.

Reallocation Sources. As noted, the local match would come from existing resources that are mostly unallocated or that serve as contingency funds. Were there not the opportunity to attract significant federal funding for this previously approved project, staff would recommend leaving these funds in contingency for other opportunistic efforts and to provide a wide margin of safety for unanticipated events or costs on other projects. Table 1 lists the sources proposed for reallocation.

**Table 1**

<b>City Match Reallocation Recommendations</b>	
<b>Existing Debt Capacity</b>	
Unallocated debt capacity	\$ 25,000,000
Reserve for Economic Development Initiatives	5,000,000
Transportation Capital Project Savings	9,670,573
<b>Existing Pay-As-You-Go Capital</b>	
Business Corridor Revitalization (Current Balance, Unallocated)	13,377,678
Capital Reserve	5,325,200
Facilities Capital Project Savings	2,274,658
Future Road Planning & Design (Current Balance, Unallocated)	2,000,000
Economic Development Loan And Grant Fund	351,891
<b>Total City Capital Funding</b>	<b>\$ 63,000,000</b>

Staff has reviewed the potential impacts on the capital program if these funding sources are used for the CityLYNX Gold Line, and conclude that there will be no significant impacts to other Capital Investment Plan projects or programs. It is true that there are opportunity costs: if the funds are used for CityLYNX Gold Line, they obviously are not available for other projects; however, no specific projects are being de-funded or delayed by this recommendation.

**No Property Taxes.** The above sources for the local match are funded in the Municipal Debt Service Fund and the Pay-As-You-Go fund in the General Capital Investment Plan. The Municipal Debt Service Fund is supported by several revenues, including property tax, sales tax, and interest on investments. The Pay-As-You-Go Fund is similarly supported by a variety of revenues including property tax, sales tax, vehicle rental tax, and sale of City land. While a specific property tax rate is allocated to both funds, property taxes comprise only a portion of capital funding, based on an analysis of both funds over the past five years:

- 83.8% for the Pay-As-You-Go Fund is from sources other than property tax
- 43.7% of the Municipal Debt Service Fund is from sources other than property tax

Tables 2 and 3 below show the relative share of property tax revenue and non-property tax revenue for the past five years supporting the General Capital Investment Pay-As-You Go Fund and the Municipal Debt Service Fund.

**Table 2**

	General Capital Investment Pay-As-You-Go Fund						
	FY09	FY10	FY11	FY12	FY13	5-Year Average	
<b>Total Revenue</b>	\$ 71,409,191	\$ 96,045,668	\$ 58,341,584	\$ 61,247,099	\$ 46,555,537	\$ 66,719,816	
<b>Property Tax Revenue</b>	10,825,677	10,411,384	9,425,588	9,860,583	10,551,366	10,214,920	
<b>Non-Property Tax Revenue</b>	60,583,514	85,634,284	48,915,996	51,386,516	36,004,171	56,504,896	
% Non-Property Tax Revenue	84.8%	89.2%	83.8%	83.9%	77.3%	83.8%	
		<b>Total Non-Property Tax Revenue Over 5 Years</b>				<b>\$ 282,524,481</b>	

**Table 3**

	Municipal Debt Service Fund						
	FY09	FY10	FY11	FY12	FY13	5-Year Average	
<b>Total Revenue</b>	\$ 104,139,853	\$ 90,936,443	\$ 94,318,148	\$ 93,808,426	\$ 91,581,238	\$ 94,956,822	
<b>Property Tax Revenue</b>	52,837,906	50,727,810	52,211,300	54,227,588	56,471,172	53,295,155	
<b>Non-Property Tax Revenue</b>	51,301,947	40,208,633	42,106,848	39,580,838	35,110,066	41,661,666	
% Non-Property Tax Revenue	49.3%	44.2%	44.6%	42.2%	38.3%	43.7%	
		<b>Total Non-Property Tax Revenue Over 5 Years</b>				<b>\$ 208,308,332</b>	

Based on this analysis, staff has concluded that the City's \$63 million local share is well within an amount that can come from the non-property tax revenues of sales tax, interest on investments, vehicle rental tax, and other non-property tax revenue. Property tax revenues in these two funds will continue to be used to support traditional Pay-As-You-Go and debt-supported general capital investment programs.

The actual financing of the CityLYNX Gold Line will require a combination of the City's usual approaches using bonds and Certificates of Participation. Additionally, the city will explore federal capital funding using the *Transportation Infrastructure Finance and Innovation Act (TIFIA)*. TIFIA loans leverage federal resources and stimulate private capital investment in transportation infrastructure by providing credit assistance to projects of national or regional significance. A local government can apply for TIFIA loans for more than one project.

### Operating Funding

Annual operating cost in the first year of operation is estimated to be \$3.3 million to support vehicle operations, basic equipment maintenance, and safety and security. An additional approximately \$1.0 million per year will be required to build a capital maintenance reserve to perform regular vehicle overhauls every five years and mid-life overhauls every 15 years.

Funding for operations of the CityLYNX Gold Line will be provided from a variety of sources including ridership fares, advertising, naming rights, and potentially some form of property-based value capture revenue from sources such as Tax Increment Financing (TIF) districts, Special Assessment Districts (SADs), or Municipal Service Districts (MSDs). These funds will not be needed until 2019 at the earliest. The city will continue to work with the Metropolitan Transit Commission for new sources of transit funding. If we are not successful in expanding funding, the City will need to incorporate the operating costs of the CityLYNX Gold Line into its budget by FY2020.

### **Next Steps**

- **May 16:** BAE study presented at Economic Development Committee
- **May 22:** Metropolitan Transit Commission (MTC) reviews and endorses City Manager Recommendation on CityLYNX Gold Line Phase 2 and receives report from the Transit Funding Working Group
- **May 28:** Possible Council action

CityLYNX Gold Line Alignment



CityLYNX Gold Line

Connecting to Small Businesses/Employment, Education, Cultural and Sports

