Desire Corridor Streetcar

New Orleans, Louisiana

(November 2002)

Description

The Regional Transit Authority (RTA) is restoring a 2.9-mile (one-way) traditional streetcar line on North Rampart Street and St. Claude Avenue from Canal Street to Poland Avenue in New Orleans. In the tradition of streetcar operations in New Orleans, the line would loop at Canal Street, be constructed as both single- and double-track, and use exclusive right-of-way in the median of city streets, for about half of the alignment, and run in mixed traffic for the rest of the alignment. The project will serve the Canal Street shopping district, the French Quarter, and the communities of Iberville, Treme, Faubourg Marigny, St. Roch and Bywater, running parallel to the Mississippi River. Streetcar stops along the Desire Corridor would be roughly every two blocks. Seven major bus transfer points will include construction of canopied center-platforms, with passenger and streetscape amenities; 17 intermediate stops with less elaborate center-platform facilities are also planned. The project will require 19 new vehicles, replicas of the historic Perley Thomas Streetcar, to be assembled upon completion of the Canal Street vehicles assemblage.

The Desire Corridor Streetcar line will connect some of New Orleans' most significant activity and employment areas, including the French Quarter, the CBD, the New Orleans Regional Medical Complex, and Louis Armstrong Park, with some of the city's more economically depressed neighborhoods. The streetcar will replace an existing bus line, thereby providing faster and more frequent transit service in the corridor to the CBD. Nearly half of the transit riders would come from the low-income neighborhoods adjacent to the alignment. The line would also be ridden by tourists and visitors attracted to activities located along North Rampart Street and eventually along St. Claude Avenue (e.g., cultural attractions, entertainment spots, restaurants, hotels, and retail shopping). Restoration of streetcar service is considered key to achieving economic development and neighborhood revitalization in the corridor.

Summary Description	
Proposed Project:	Traditional Streetcar 2.9 Miles, 24 Stops
Total Capital Cost ($YOE):	$116.1 Million
Section 5309 New Starts Share ($YOE):	$69.7 Million (60%)
Annual Operating Cost (2025 $YOE):	$1.8 Million
Ridership Forecast (2025):	14,870 Average Weekday Boardings 2,200 Daily New Riders
Opening Year Ridership Forecast (2006):	14,810 Average Weekday Boardings
FY 2004 Finance Rating:	**Medium**
FY 2004 Project Justification Rating:	**Low-Medium**
FY 2004 Overall Project Rating:	**Not Recommended**

The overall project rating of *Not Recommended* is based on the "Low-Medium" project justification rating. The overall project rating applies to this *Annual Report on New Starts* **and reflects conditions as of November 2002.** Project evaluation is an ongoing process. As new starts projects proceed through development, the estimates of costs, benefits, schedules, and impacts are refined. **The FTA ratings and recommendations will be updated annually to reflect new information, changing conditions, and refined financing plans.**

This project includes a proposed Federal share of 60 percent in Section 5309 New Starts funding. The Administration is seeking legislation that would limit the Federal New Starts share to no more than 50 percent beginning in FY 2004. Future ratings of this project would be affected by that change.

Status

RTA completed a Major Investment Study for the Desire Corridor in September 1999. The Locally Preferred Alternative (LPA) includes a package of transportation system management and enhanced bus improvements in addition to the 2.9-mile streetcar line. The Regional Planning Commission, the New Orleans region's Metropolitan Planning Organization, endorsed the LPA and incorporated it in the metropolitan transportation plan. The Federal Transit Administration (FTA) approved the initiation of Preliminary Engineering (PE) in August 2000. Publication of the Draft Environmental Impact Statement is anticipated in early 2003.

TEA-21 Section 3030(b)(34) authorizes the "New Orleans -- Desire Streetcar" project for Final Design and Construction. Through FY 2002, Congress has appropriated $7.16 million in Section 5309 New Starts funds to the project.

Evaluation

The following criteria have been estimated in conformance with FTA's *Reporting Instructions for the Section 5309 New Starts Criteria,* updated in June 2002. The project will be reevaluated for next year's New Starts Report and when it is ready to advance into Final Design.

Project Justification Quantitative Criteria		
Mobility Improvements Rating: Low		
	New Start vs. Baseline	
Average Employment Per Station	3,792	
Average Low Income Households Per Station	202	
Transportation System User Benefit Per Project Passenger Mile (Minutes)	0.8	
Environmental Benefits Rating: Medium		
Criteria Pollutant Reduced (tons)	**New Start vs. Baseline**	
Carbon Monoxide (CO)	4	
Nitrogen Oxide (NO_x)	0	
Hydrocarbons	0	
Particulate Matter (PM_{10})	1	
Carbon Dioxide (CO_2)	[1,828]	
Annual Energy Savings (million)		
BTU	[27,775]	
Cost Effectiveness Rating: Low		
	New Start vs. Baseline	
Cost per Transportation System User Benefits (current year dollars/hour)	$111.91	
Operating Efficiencies Rating: Medium		
	Baseline	**New Start**
System Operating Cost per Passenger Mile (current year dollars)	$0.66	$0.69

[ ] indicate an increase in emissions.

Project Justification
Rating: Low-Medium

The *Low-Medium* project justification rating reflects the adequate land use rating and the low cost-effectiveness rating. With the continued improvement in FTA's project evaluation process, including the introduction of the transportation system user benefit measure, the value of proposed transit projects can be more accurately assessed. Accordingly, FTA intends to put additional emphasis on the cost-effectiveness measure. This year, this project has received a "low" rating for cost-effectiveness, which raises concerns about the merits of the project for Federal funding. FTA strongly encourages sponsors to improve the cost-effectiveness of the project.

Based on 1990 Census data, there are an estimated 4,840 low-income households and 91,010 jobs within a ½-mile radius of project stops. EPA has designated the New Orleans metropolitan area as a "maintenance area" for ozone. The incremental cost per incremental trip is $20.19.

Existing Land Use, Transit-Supportive Land Use Policies and Future Patterns
Rating: Medium

The *Medium* land use rating reflects good existing densities and pedestrian orientation in the corridor, as well as adoption of a transit-supportive comprehensive land use plan for the city in 1999.

Existing Conditions: The Desire Corridor Streetcar serves the New Orleans CBD and adjacent 18th- and 19th-century residential neighborhoods. The CBD contains a high-density mix of employment, hotel, retail, and tourist destinations, with a total of 105,000 jobs. Outside the CBD, the corridor serves a mix of neighborhood commercial uses surrounded by residential neighborhoods. Population densities are relatively high, averaging 8,700 persons per square mile. The entire corridor is laid out on a walkable street grid system, although some areas suffer from blight and a general lack of landscaping and urban design elements. Parking supply in the CBD is fairly restrictive, and most parking in the residential neighborhoods is on-street.

Future Plans, Policies, and Performance: The New Orleans Land Use Plan, adopted in 1999, addresses primary issues faced by the city including the need to stabilize population and spur re-investment and redevelopment. It has led to a complete overhaul of the city's zoning code. The current draft of this code includes neighborhood mixed-use categories applicable to much of the Desire Corridor, and would assist in preserving and enhancing the existing desirable elements of the corridor. Other proposed changes to the zoning code would streamline the development process. The city's design review authority for large projects and conditional-use projects is an existing tool for ensuring that major new development is transit-supportive; the city has demonstrated its use of this authority. Much of the corridor is eligible for City and State economic development incentives, including tax exemptions or credits for construction, rehabilitation and job creation. The City planning process and its Land Use Plan have also greatly improved public and neighborhood participation. Regional discussions are in progress regarding growth management policies, although net growth forecast for the region in the near future is minimal.

Local Financial Commitment
Rating: Medium

The *Medium* local financial commitment rating was determined by the *Medium* rating for the capital finance plan and the *Medium* rating for the operating finance plan.

Proposed Non-Section 5309 New Starts Share of Total Project Costs: 40 %
Rating: Medium

The project's financial plan comprises Section 5309 New Starts funds and local funding sources.

Locally Proposed Financial Plan		
Proposed Source of Funds	**Total Funding (million)**	**Percent of Total**
Federal: Section 5309 New Starts	$ 69.7	60.0 %
Local: RTA Bond Proceeds Right-of-Way Donation	 $ 45.4 $ 1.0	 39.1 % 0.9 %
Total:	**$116.1**	100.0 %

NOTE: Funding proposal reflects assumptions made by project sponsors, and are not DOT or FTA assumptions. Total may not add due to rounding.

Stability and Reliability of Capital Financing Plan
Rating: Medium

The *Medium* rating of the capital finance plan is based on the strong commitment of non-Section 5309 New Starts funds for the Desire Corridor Streetcar project and RTA's capital financial condition.

Agency Capital Financial Condition: The average age of RTA's fleet is 5.35 years for buses and 66.2 years for streetcars. The latter includes the St. Charles Streetcar line vehicles, built in 1922. These vehicles were recently renovated to meet FTA guidelines. RTA's debt coverage ratio is estimated at above 1.5. Moody's Investor Service gave a rating of Baa3 to a recent lease purchase agreement.

Capital Cost Estimates and Contingencies: The Desire Corridor Streetcar project cost estimates and contingencies are reasonable for a project in Preliminary Engineering. The cost estimates include a total contingency of 30 percent – a design contingency of 20 percent plus a construction contingency of ten percent – and an inflation rate of three percent. RTA is negotiating with Norfolk Southern Railroad for an at-grade crossing, which would ensure the project is within total contingency; otherwise, the cost estimate would increase to $147 million. Tax revenue estimates may not be reasonable, since tax revenues through 2028 are projected to be higher than last year's estimates, in spite of the recent economic downturn. No contingency plans were submitted, but the agency projects cash balances and debt capacity that are sufficient to cover potential funding shortfalls/cost increases.

Existing and Committed Funding: The financial plan reflects a commitment of 75 percent of the non-Section 5309 New Starts funds. These funds are derived from bond proceeds that are backed by the hotel/motel sales tax, a dedicated funding source collected since August 2000.

New and Proposed Sources: Planned funding sources account for the remaining 25 percent of the non-Section 5309 New Starts funds. Planned funding sources include additional bond proceeds and a right-of-way donation by the City of New Orleans. The additional bond proceeds are required to cover a recent increase of $10.4 million in project cost. The capital plan assumes that the RTA could issue more bonds given its current financial condition.

Stability and Reliability of Operating Finance Plan
Rating: Medium

The *Medium* rating for the operating finance plan is based on the full commitment of operating funds for the project. The operating cash flow projects balanced operating costs and expenditures through the 30-year horizon, and cash balances that are available to cover at least three months of operating expenditures.

Agency Operating Financial Condition: RTA uses a simple cost model to determine its annual operating costs, based on cost per vehicle hour and application of a 2.5 inflation factor. Historical data shows balanced operating costs and expenditures. Cash balances are available to cover potential funding shortfalls or operating cost increases. Cash balances are equivalent to more than 25 percent the annual operating costs, except for FY 2002 and 2003. In addition, the debt coverage ratio is above 1.5, with few exceptions. RTA's planned replacement of bus service with streetcar service in corridors with high demand and/or historic characteristics is expected to significantly reduce systemwide operating costs.

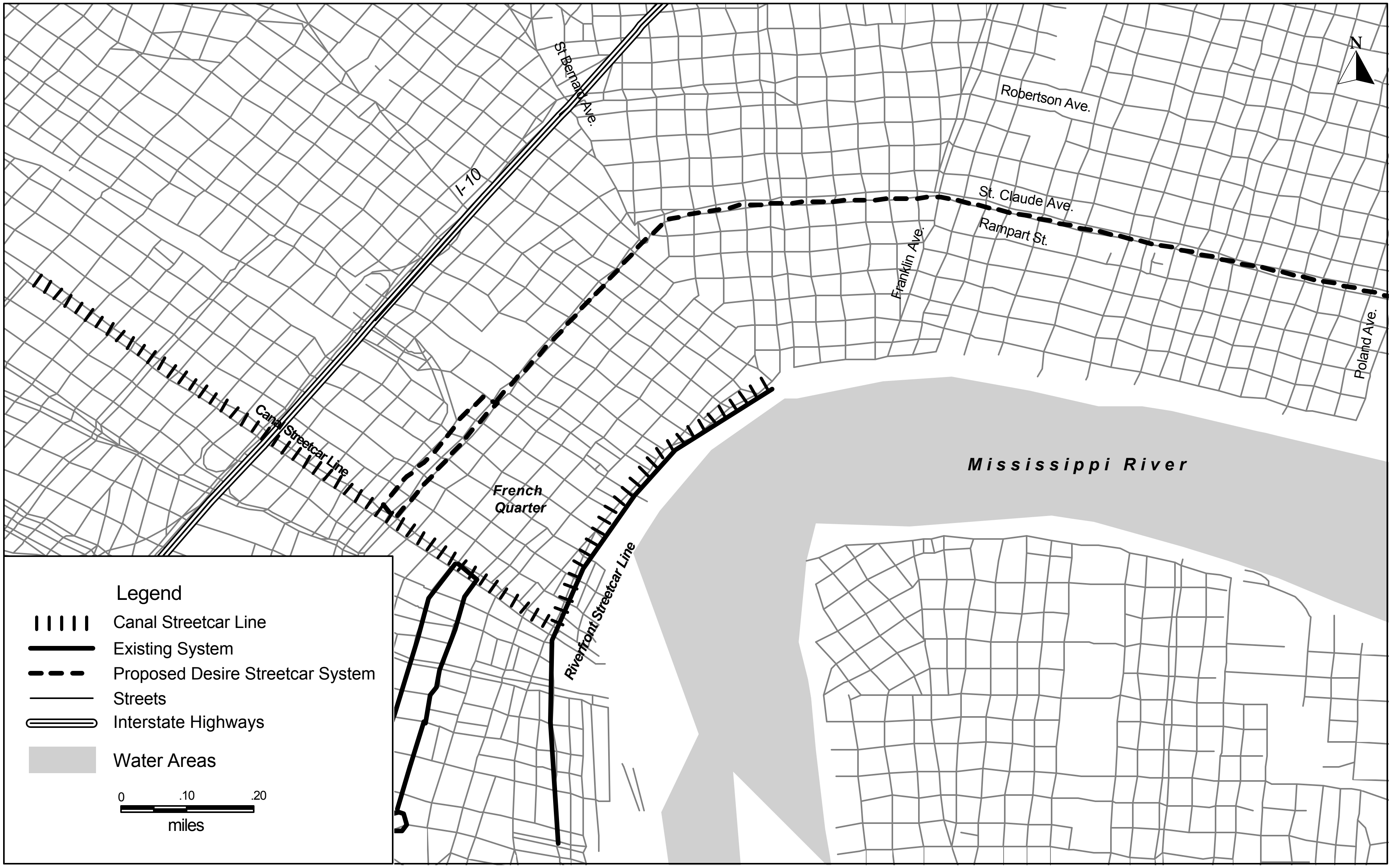
Operating Cost Estimates and Contingencies: The annual operating cost estimate for the project is $1.8 million, representing less than one percent of RTA's system operations, and is reasonable.

Existing and Committed Funding: All funding sources are committed and come from existing sources. Operating revenues include systemwide fares, sales tax levies dedicated to operations, Section 5307 Preventive Maintenance funds, and transit related revenues, i.e., advertising, charter services, state and local subsidies, and gain on assets.

New and Proposed Funding Sources: No new funding sources are proposed.

Desire Corridor Streetcar

New Orleans, Louisiana



Federal Transit Administration, 2002