

February 11, 2010

MEMORANDUM

To: Metropolitan Policy Committee
From: Mark Pangborn, General Manager
Subject: Review of Changes in New Starts Criteria

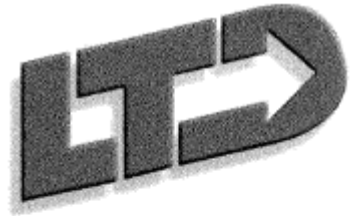
Background

This past month the Federal Transit Administration (FTA) announced a significant change in the selection criteria for federally funded New Starts projects. New Starts is a category of grant funding for fixed guideway transit projects. This is the funding source for LTD's EmX lines, for TriMet's light rail projects, and for all other urban rail projects in the United States. New Starts was originally intended to fund only large rail projects, such as MAX in Portland. With the last federal surface transportation bill, a "Small Starts" option was created for projects that use less than \$75 million in federal funds. FTA, for both New Starts and Small Starts projects, has been subject to much criticism because of its heavy reliance on a cost-effectiveness rating for determining the most worthy projects to fund. This rating system, which tends to favor bus rapid transit, light rail, and heavy rail projects, looks at the cost per new rider at the loss of streetcar projects.

In recent years starting with Portland, there has been a significant increase nationally in communities interested in building streetcars, especially for their central business districts or proposed new developments. A streetcar project would qualify for New Start Fixed Guideway funding; however, streetcar projects have had a difficult time meeting the cost-effectiveness criterion. This is because streetcars are primarily tools to encourage economic development, support planned land use, and increase livability.

The changes in New Starts scoring criteria will now give weight to factors such as land use support, economic development, environmental impact, and livability, in addition to cost per passenger. Communities interested in streetcars will now have a better chance of qualifying for federal funding.

There are a couple of downsides to this change. While the cost-effectiveness rating created a quantifiable rating that could be compared across modes and between projects, it is more difficult to establish an objective measurement for economic development, environmental impact, and land use criteria. It is not clear how the FTA is going to measure economic development and the environmental impact of projects in order to compare one project to another. Some sort of comparison will be very important because the demand for these funds has far exceeded the available funds prior to this



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change in criteria. By making more projects eligible for funding, competition will be fiercer and the ability to measure the relative merits of competing projects will be fuzzier.

At this point it is still too early to know what the outcome of this proposed rule change will be. This process can take several months, or even years, and may be affected by federal reauthorization. We may well want to submit comments on these new rules when the process for doing so becomes known.