
Proposed New Starts/Small Starts Policy Guidance

Table of Contents

I.	INTRODUCTION	1
II.	PROJECT JUSTIFICATION CRITERIA.....	4
	MOBILITY IMPROVEMENTS	4
	OPERATING EFFICIENCIES	5
	Measure:	5
	Calculation:.....	5
	Sources of Information:	6
	Breakpoints.....	6
	ECONOMIC DEVELOPMENT EFFECTS.....	7
	COST EFFECTIVENESS	11
	Measures:	11
	Sources of Information:	12
	Measures:	13
	Breakpoints.....	13
III.	Local Financial Commitment.....	14
	Measures:	14
	Calculation:.....	15

I. INTRODUCTION

As described in the Notice of Proposed Rulemaking (NPRM) to amend the regulation under which the Federal Transit Administration evaluates and rates major new transit investments seeking funding under the discretionary “New Starts” and “Small Starts” program authorized by Section 5309 of Title 49, U.S. Code, FTA is making available this proposed policy guidance for public comment. Section 5309(d)(6) requires the FTA to publish policy guidance regarding the major capital investment program review and

evaluation process and criteria each time significant changes are made, but not less frequently than once every two years. Further, the law requires FTA to invite and respond to public comments on proposed policy guidance. This proposed policy guidance, if adopted as final after review and response to comments received, would replace FTA's previous policy guidance documents located on its website at http://fta.dot.gov/12304_213.html.

This document describes the proposed measures and methods for calculating the project justification and local financial commitment criteria required by statute and proposed in the NPRM. It also provides proposed sources of information that could be used to calculate measures. The regulations and its appendix act as a framework for the project evaluation process, and the policy guidance fills in the details. FTA welcomes feedback on the proposals contained in this policy guidance and will consider them in conjunction with the comments received on the NPRM. Once FTA reviews the feedback and selects criteria and measures, additional proposed policy guidance will be published for public comment that will fill in some of the details missing from this document. Only after that public comment period has occurred and the comments received considered will the new project evaluation and rating approach outlined in a final regulation and final policy guidance be implemented.

Proposed New and Small Starts projects are evaluated and rated according to criteria set forth in law as they seek FTA approval for entry into a project development phase. Currently, overall ratings for proposed New Starts and Small Starts projects are based on summary ratings for two categories of criteria: project justification and local financial commitment. New Starts projects are evaluated and rated against six statutory project justification criteria: mobility improvements, operating efficiencies, environmental benefits, cost-effectiveness, economic development, and land use. Small Starts projects are evaluated and rated against three project justification criteria: cost-effectiveness, economic development, and land use. Both New and Small Starts are evaluated and rated for local financial commitment to ensure there are stable and dependable funding sources to construct, maintain, and operate the proposed project as well as maintain and operate the entire public transportation system without requiring a reduction in existing services.

FTA notes the following principles that were considered while developing the NPRM and this proposed policy guidance:

Rating of Small Benefits

FTA believes that the rating process should recognize that small amounts of benefits are simply small, but not bad, as an indicator of the proposed project's ability to increase mobility, improve the environment, and support economic development. Thus, FTA proposes to rate a small amount of positive benefits on a particular measure as "medium" rather than "low" or "medium-low." FTA would rate projects with greater than small benefits on a particular measure as "high" or "medium-high". Only projects with adverse impacts or disbenefits on a particular measure would receive "medium-low" or "low" ratings.

Establishing Breakpoints for Ratings

FTA is not proposing breakpoints for determining the five rating categories for the various criteria and measures in this policy guidance. Rather FTA is seeking comment on how the breakpoints should be established and anticipates including the breakpoints for consideration in future proposed policy guidance

before their adoption in final policy guidance. When possible, FTA will establish breakpoints based on available research that recommends the value. When such research is not available for a particular criterion or measure, FTA will establish an initial set of breakpoints based on the performance measures available from projects currently in the pipeline of projects and will revisit the breakpoints as performance measures are accumulated from additional projects over time.

Time Horizons for Calculating Measures

FTA believes that project evaluation based on existing conditions provides the most easily understood, most reliable, and most readily available information for decision-making. FTA therefore proposes that project sponsors calculate measures for evaluation criteria based on current year values. Use of current year data increases the reliability of the forecasts by avoiding reliance on future population, employment, and transit service levels that are themselves forecasts. Consequently, FTA is defining “current year” as close to today as the data (including the American Community Survey) will permit.

Should the project sponsor find that current year values do not provide the desired rating outcome, the sponsor may, at its option, calculate measures for the evaluation criteria for a horizon year as well. FTA proposes that the horizon year be defined as 10 years in the future. FTA seeks comments on whether these time horizons are workable and understandable, and seeks information on alternative time horizons for calculating measures for the evaluation criteria.

When the project sponsor chooses to quantify the measures in both the current year and a horizon year, FTA will compute each criterion rating as a weighted average that considers both years. FTA proposes a weight of 50 percent for the current year data and a weight of 50 percent for the horizon year data and seeks comments on these proposed weights.

Basis for comparison

Where possible, FTA has attempted to propose measures that use absolute values rather than incremental values requiring a basis for comparison in order to simplify and streamline the process project sponsors go through to develop materials for submittal to FTA. However, in some cases, incremental measures remain necessary. When a basis for comparison is required because a measure is based on an incremental value, FTA is proposing to use the existing system as a point of comparison when developing current year information. When a project sponsor chooses to submit horizon year information, the no-build alternative (which includes the existing transportation system as well as those transportation investments committed in the Transportation Improvement Plan (TIP) pursuant to 23 CFR Part 450) would be the point of comparison.

Weighting of Criteria and Measures

According to existing law, FTA must evaluate the six specified project justification criteria for New Starts projects and give “comparable, but not necessarily equal” weight to each. FTA proposes to give each of the six criteria equal weight and seeks feedback on this proposal. Similarly under Small Starts, FTA proposes to give each of the three project justification criteria equal weight and seeks feedback on this proposal.

In this proposed policy guidance, FTA has not identified the weights that would be given to the various measures used within each project justification criterion. For example, multiple measures are proposed for the environmental benefits criterion, but the method by which they would be combined into a single environmental benefits rating has not been proposed. Instead, FTA seeks feedback on the weights individual measures within a criterion should be assigned.

FTA has included in this proposed policy guidance proposed weights for the local financial commitment criteria and measures and seeks feedback on them.

Use of Standard Factors Rather than Detailed Analysis

One of FTA's goals in the development of the NPRM has been to establish measures that support streamlining of the New Starts and Small Starts project development process. Thus, FTA is proposing in this policy guidance to calculate various measures using simplified factoring approaches in order to eliminate undue burden on project sponsors. FTA will use factors based on national data. The remaining sections of this document describe the criteria for which simplified factoring approaches are being proposed and the national data that would be utilized.

II. PROJECT JUSTIFICATION CRITERIA

MOBILITY IMPROVEMENTS

Measure:

FTA is proposing to evaluate mobility improvements as the total number of trips using the proposed project, with extra weight given to trips that would be made on the project by transit dependent persons. (Transit dependent trips are defined in local travel models generally in one of two ways: as trips made by those in households having no cars or as trips made by those living in households in the lowest income bracket as defined locally.) Each trip by a transit dependent person would be equivalent to two trips by a non transit dependent person under the proposed mobility improvements measure.

If the project sponsor chooses to consider project trips in the horizon year in addition to the current year, trips will be based on the weighted average of current-year and horizon-year, each given 50 percent weight. The trips measure proposed is an absolute value rather than an incremental value, so a basis for comparison is not required.

Calculation:

The mobility improvements measure would be computed by adding together the estimated number of transit trips on the project taken by non-transit dependents and the number of transit trips taken by transit dependent people multiplied by a factor of two, thereby giving extra weight to these trips. FTA seeks feedback on the proposed weight given to transit dependent trips.

Sources of Information:

Number of Transit Trips Using the Project:

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- The number of transit trips on the project for the current year will be generated either by the FTA developed national default model that uses census data and ridership experience on existing fixed guideway systems or the local travel model at the project sponsor's option.
 - If the sponsor wishes to have the horizon year considered in the rating, the number of trips in the horizon year would be based upon either the FTA developed national default model or the local travel model at the project sponsor's option.
 - If the project sponsor chooses to consider the horizon year in addition to the current year, project trips will be based on a weighted average that considers both years. FTA proposes a weight of 50 percent for the current year data and a weight of 50 percent for the horizon year data and seeks feedback on this proposal.

Number of Trips by Transit Dependents Using the Project:

- The number of transit dependent trips on the project for the current year will be generated by the FTA developed national default model or the local travel model at the project sponsor's option. Travel models stratify trips taken in one of two ways – based on a person's income level or auto ownership. FTA will use either the trips taken by zero car households or the trips taken by those in the lowest income category to represent transit dependent trips.
- If the sponsor wishes to have the horizon year considered in the rating, the number of transit dependent transit trips in the horizon year would be based upon either the FTA developed national default model or the local travel model at the project sponsor's option.

Breakpoints

In keeping with FTA's stated goal of recognizing that small amounts of benefits are simply small and not bad, FTA is proposing to rate a small amount of trips as "medium" rather than "low" or "medium-low." Projects with a more sizeable amount of trips would be rated as "high" or "medium-high."

OPERATING EFFICIENCIES

Measure:

The measure of operating-efficiency is proposed to be the change in operating and maintenance (O&M) cost per "place-mile" compared to either the existing transit system in the current year or, at the discretion of the project sponsor, both the existing transit system in the current year and the no-build transit system in the horizon year.

Calculation:

- The operating-efficiency measure would be computed as the project-caused change in annual O&M costs divided by the project-caused change in annual place-miles of transit service. If the project sponsor chooses to consider the horizon year in addition to the current year, the overall measure of operating efficiency would be a weighted average that considers both years. FTA proposes a weight of 50 percent for the current year data and a weight of 50 percent for the horizon year data and seeks feedback on this proposal.

Sources of Information:

O&M costs would be taken directly from the project sponsor's O&M cost model(s) of current and proposed transit facilities and services.

- For current year evaluations, O&M costs would (1) match the current budget for the basis of comparison and (2) reflect both the current budget and adjustments to the current system to integrate the proposed project into the transit network. If the project sponsor chooses to consider the horizon year in addition to the current year, the O&M cost estimates would reflect the transit service plans for both the no-build alternative and the project, including changes made to the no-build service plan needed to integrate the project into the system.
- Horizon-year O&M costs would be valued in constant dollars (without inflation) in the current year specified by FTA for that evaluation cycle.

Place-miles would be the passenger capacity of a vehicle multiplied by its annual revenue-miles of service and summed over all vehicles in the transit system.

- Passenger capacity would include both seated and standing passengers except in cases such as commuter buses, express buses on freeways, and commuter trains where the service is intended to provide seats to all riders.
- Standing capacity would be computed with a nationally consistent standing-density assumption, expressed as standees per square meter, that would be defined in future policy guidance.
- Vehicle-miles for the existing transit system would be required to be consistent with the most recent report to the National Transit Database (NTD).
- Vehicle-miles and place-miles for the project in the current year would be required to be consistent with the reported NTD values and the transit service plan for the project, including adjustments made to current transit services in order to integrate the project into the system.
- If the project sponsor chooses to consider the horizon year in addition to the current year, the place-miles forecasts would be required to be consistent with the transit service plan for the no-build alternative and for the project, including changes made to the no-build service plan needed to integrate the project into the system.

Breakpoints

FTA has not established breakpoints for determining the five rating categories for the various criteria in this proposed policy guidance. Rather FTA is seeking comment on how the breakpoints should be established and anticipates including the breakpoints in future proposed policy guidance.

ECONOMIC DEVELOPMENT EFFECTS

Measures:

The measure of economic development effects is proposed to be the extent to which a proposed project is likely to enhance additional, transit-supportive development in the future based on the existing or anticipated plans and policies to support economic development proximate to the project.

Calculation

- FTA would evaluate existing transit supportive plans and policies in a manner that is similar to the existing practice, with the addition of an examination of the plan and policies to support maintenance of or increases to the share of affordable housing in the corridor.
- FTA would report the project sponsor's estimate of the number of U.S. jobs related to design, construction, operation and maintenance of the project.
- At the project sponsor's option, an additional quantitative analysis (scenario based estimate) may be undertaken that would consider¹:
 - The extent to which the proposed project would produce changes in development patterns around the transit investment and the magnitude of changes in population and employment, considering:
 - the economic conditions in the project corridor;
 - the mechanisms by which the project would improve those conditions;
 - the availability of land in station areas for development and redevelopment; and
 - a pro forma assessment of the feasibility of specific development scenarios.
 - The estimated change in VMT attributable to the estimated changes in development patterns.
 - The estimated environmental benefits that would come from attributable VMT change.
- The environmental benefits derived from the optional quantitative economic development scenario analysis would be monetized and compared to the annualized capital and operating cost of the proposed project.

Sources of information:

Transit Supportive Plans and Policies

- Growth Management;
 - Transit Supportive Corridor Policies;
 - Supportive Zoning Regulations Near Transit Stations; and
 - Tools to Implement Land Use Policies.

¹ Economic Development - Future Growth Scenarios: Based upon the current economic conditions, amount of developable land, and efforts to improve economic conditions and market demand, local project sponsors and partner agencies may forecast future economic growth scenarios for the proposed station areas. The forecast of various future economic development scenarios should be based upon future development potential based upon various zoning densities, mixes of land use types, comprehensive planning, regional growth boundaries, or other efforts to focus development. This analysis may be used to influence local decisions to adopt policies to improve the economic development potential within a proposed project corridor.

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- Performance and Impacts of Policies – Includes the following factors:
 - Performance of Land Use Policies; and
 - Potential Impact of Transit Project on Regional Land Use.
 - Policies in place to support maintenance of or increases to the share of affordable housing in the project corridor.

The optional scenario analysis could include information such as change in station area access to regional work force:

- Work force within 40 minute transit travel time to the proposed new transit stations.
- U.S. Census data analyzed with a Geographic Information System to estimate the work-force population within a 40 minute transit commute of the proposed station locations.

An ongoing Transit Cooperative Research Program study, “Methodology for Determining the Economic Development Impacts of Transit Investments,” will also hopefully be completed before the publication of FTA’s future proposed policy guidance on this topic at the time of the final rule, and that study may inform FTA’s selection of proposed factors and data sources for the optional scenario analysis.

Breakpoints

FTA has not established breakpoints for determining the five rating categories for the various criteria in this policy guidance. Rather FTA is seeking comment on how the breakpoints should be established and anticipates including the breakpoints in future policy guidance.

ENVIRONMENTAL BENEFITS

Measures:

FTA is proposing to evaluate and rate environmental benefits based upon the anticipated direct and indirect benefits to human health, safety, energy, and the air quality environment that are expected to result from implementation of the proposed project compared to either the existing environment with the transit system in the current year or, at the discretion of the project sponsor, both the existing environment with the transit system in the current year and the no-build environment and transit system in the horizon year. The estimated benefits would be monetized and compared to the annualized capital and operating cost of the proposed project.

At this time, FTA is only proposing a framework that could be used to evaluate the environmental benefits of projects, and is not proposing specific sources of data and conversion factors that would be employed for the measures within that framework. Concurrent with or soon after publication of a final rule, FTA would publish, for public comment, proposed factors and data sources to be used within the overall framework if it is adopted. FTA would rely on EPA-approved data and/or nationally available, reliable data. FTA invites comments and input on what specific factors and data might be used for this proposed framework. An ongoing Transit Cooperative Research Program study on the environmental benefits of transit projects will also hopefully be completed before the publication of FTA’s proposed policy guidance on this topic at the time of the final rule, and that study would inform FTA’s selection of proposed factors and data sources.

Calculation:

Environmental benefits would include the following subfactors: change in air quality criteria pollutants, change in energy use, change in greenhouse gas emissions, and change in safety. These would be calculated predominantly from estimates of changes in highway and transit vehicle miles traveled (VMT). All measures would be converted from VMT into their native units (e.g., tons of emissions or total accidents) using national-level standard conversion factors. The native units would be monetized based on standard dollar values. For air quality subfactors, the standard dollar values would recognize that a ton of emissions reduced in a non-attainment area for a given pollutant would be worth more than a ton of emissions reduced in an attainment area. FTA notes a significant part of the benefits that come from reducing energy use are accounted for by the resulting reduction in pollutant and greenhouse gas emissions. To avoid double counting, the monetary value of energy conservation will be factored down by some percentage specified by FTA in future policy guidance. The monetized values of the various environmental benefits would be summed and compared to the annualized capital and operating cost of the proposed project.

- If the project sponsor chooses to consider the horizon year in addition to the current year, the overall measure of environmental benefits would be a weighted average that considers both years. FTA proposes a weight of 50 percent for the current year data and a weight of 50 percent for the horizon year data and seeks feedback on this proposal.

Sources of Information:

- Changes in highway VMT would be derived either from the simplified FTA developed national model or by using standard local travel forecasting methods at the sponsor's option. If a sponsor chooses to use the simplified national model, transit passenger miles would be derived from the national model and then multiplied by several to-be-determined conversion factors to estimate the change in highway VMT resulting from implementation of the proposed project. The conversion factors would be based on data from existing projects on average auto occupancy, directness of the transit trip as compared to the highway trip, and how many of the transit trips are anticipated to drive to transit versus using other means to access transit. If the sponsor chooses to use standard local travel forecasting methods, the change in highway VMT is an output of those methods. FTA recognizes that standard local travel forecasting methods produce more accurate estimates of change in highway VMT; however, FTA is proposing to allow for a simplified ridership estimating mechanism (the FTA developed national model) for calculating its mobility and cost effectiveness criteria. Thus, requiring the use of standard local travel forecasting methods for the environmental benefits measure would eliminate the anticipated reduced burden from the proposed changes to other criteria. FTA requests comment on this proposed approach.
- The change in transit VMT and transit fleet vehicle type(s) including fuel sources would be provided by the project sponsor.

FTA would develop a standardized spreadsheet with conversion factors to calculate changes in air quality, energy use, greenhouse gas emissions, and safety resulting from the changes in highway and transit VMT.

The spreadsheet will be published for public comment in future proposed policy guidance at the time of or soon after issuance of a final rule if this framework for environmental benefits is adopted.

Change in Total Air Quality Criteria Pollutants (CO, NO_x, PM_{2.5}, PM₁₀)

- Highway VMT, whether derived from the FTA developed national default model or by standard local travel forecasting methods, and transit VMT would be multiplied by standard national emission factors for CO, NO_x, PM_{2.5}, PM₁₀ to generate estimated tons of emissions.
- In policy guidance that will be published for public comment at the time of or soon after issuance of a final rule, FTA would determine the national standard factors to calculate air emissions reductions from changes in highway and transit VMT using sources such as the Environmental Protection Agency's (EPA) Motor Vehicle Emissions Simulator (MOVES) and the Department of Energy's (DOE) Annual Energy Outlook. FTA invites comment on particular data it might use.

The health consequences associated with a ton of emissions varies by criteria pollutant. FTA would normalize each of these pollutants by multiplying them by a health risk factor to create a generic "ton of air emissions." The health risk factor, which will be proposed in policy guidance at the time of or soon after issuance of a final rule, would be derived from EPA data on the health effects of the criteria pollutants that will be measured. FTA invites comment on particular data it might use.

- FTA will define a standard dollar value per ton of emissions reduction and propose it for public comment in future proposed policy guidance at the time of or soon after issuance of a final rule. FTA is considering using region-specific health risk factors or health care cost factors based on existing air quality in that area. These factors could be linked to EPA air quality attainment status, which denotes an area's level of compliance with the Clean Air Act standards, since a ton of emissions reduction would likely be more valuable in areas that do not meet national ambient air quality standards

Change in Energy Use

- Changes in highway and transit VMT would be multiplied by standard energy factors to calculate changes in energy use. Energy would be standardized in British thermal units (BTU).
- For the conversion from change in transit VMT to change in energy use, FTA would consider the type of transit vehicles and fuels used. FTA would determine all standard energy factors for transit vehicles using information already collected through the Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) program or information available through DOE's Annual Energy Outlook.

FTA will define a standard dollar value for BTU savings and propose it for public comment in future proposed policy guidance at the time of or soon after issuance of a final rule. FTA will also propose the factor by which the dollar value would be reduced to avoid double counting of benefits of reduced energy use already considered based on the change in pollutant and greenhouse gas emissions.

Change in Greenhouse Gas Emissions

- Change in highway and transit VMT would be multiplied by standard emissions factors to calculate change in greenhouse gas emissions based on national average values from EPA emissions models. Greenhouse gas emissions would be normalized to CO₂.
- For the conversion of change of transit VMT to change in greenhouse gas emissions, FTA would consider the type of transit vehicles and fuels used.
- In future policy guidance, FTA would identify the emission factors.
- To monetize the change in greenhouse gas emissions, FTA would use a cost estimate per ton of CO_{2e} emissions from the *Technical Support Document: Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866. Interagency Working Group on Social Cost of Carbon, United States Government.*

Change in Safety

- Change in highway and transit VMT would be multiplied by standard safety factors to calculate changes in safety.
- The standard safety factors to be multiplied by changes in highway VMT would be based on data from the Fatality Analysis Reporting System (FARS) database produced by the National Highway Traffic Safety Administration.
- Using data from the National Transit Database, FTA would identify national standard factors to be multiplied by changes in transit VMT.
- In future policy guidance, FTA would determine a method for monetizing the change in safety. Suggestions on information sources are welcome.

Breakpoints

FTA has not established breakpoints for determining the five rating categories for the various criteria in this policy guidance. Rather FTA is seeking comment on how the breakpoints should be established and anticipates including the breakpoints in future policy guidance.

COST EFFECTIVENESS

Measures:

The cost effectiveness measure being proposed is the cost per trip of the project, where cost includes changes in capital, operating, and maintenance costs compared to either the existing transit system in the current year or both the existing transit system in the current year and the no-build transit system in the horizon year.

Calculation:

The cost-effectiveness measure would be computed as the annualized capital costs plus annual O&M costs of the project divided by the annual number of trips using the project. For calculation of this measure, the capital costs of scope elements for which the project sponsor will obtain Leadership in Energy and Environmental Design (LEED) certification or other “betterments” would be reduced by a fixed percentage specified by FTA. The percentages would be determined by FTA through an analysis of the

additional cost that green building elements typically add to total cost. FTA seeks feedback on available data that will help with determining the proper percentage to use.

- If the project sponsor chooses to consider the horizon year in addition to the current year, the overall measure of cost effectiveness would be a weighted average that considers both years. FTA proposes a weight of 50 percent for the current year data and a weight of 50 percent for the horizon year data. FTA seeks comment on the relative weights it should use for the current and horizon years.

Sources of Information:

As is done today, annualized capital costs would be taken directly from the FTA Standard Cost Categories (SCC) spreadsheet, specifically the annualization worksheet.

- Capital costs of scope items that will be LEED certified would be reduced by a fixed percentage specified by FTA in future policy guidance.
- As is done currently, capital costs would be expressed in the current year's dollar value.
- As is done currently, the annualization worksheet of the SCC spreadsheet would convert the capital cost of individual scope items into their equivalent annual costs based on their economic lifetimes and a discount rate. FTA proposes the discount rate to be 2.0 percent, but requests comments regarding whether this is the most appropriate rate. Consistent with the discount rate approach in OMB Circular A-94, FTA may require project sponsors to use the discount rate that is consistent with the useful life on the capital being proposed for funding. FTA seeks comment on that approach.

Operating and maintenance costs would be taken directly from the O&M cost model(s) of current and proposed transit facilities and services.

- O&M costs from the model(s) for the current system in the current year would be required to match the current O&M budget and reflect any changes anticipated in the existing transit system to integrate the project into the system, as documented in the transit service plan for the project.
- If the project sponsor chooses to quantify the measures for the horizon year as well, the O&M cost estimates would be required to reflect the transit service plans for both the no-build alternative and the project, including changes made to the no-build service plan needed to integrate the project into the system. Horizon-year O&M costs would be expressed in the current year's dollars.

Trips on the project would be taken directly from the mobility criterion.

- Project trips would include whatever additional weight would be applied in the mobility measure to trips made on the project by transit dependents.
- If the project sponsor chooses to consider the horizon year in addition to the current year, project trips would reflect whatever relative weighting is applied in the mobility measure to compute a weighted average of current-year and horizon-year trips on the project.

Breakpoints

FTA has not established breakpoints for determining the five rating categories for the various criteria in this policy guidance. Rather FTA is seeking comment on how the breakpoints should be established and anticipates including the breakpoints in future policy guidance.

LAND USE

Measures:

The land use measure includes an examination of existing corridor and station area development; existing corridor and station area development character; existing station area pedestrian facilities, including access for persons with disabilities; existing corridor and station area parking supply; and existing publically supported housing in the corridor and station areas.

Calculation:

FTA proposes to base the rating primarily on quantitative measures, including station area population densities and total employment served by the system, which would be obtained from census data, and existing publically supported housing in the corridor, which would be obtained from readily available data published by the Department of Housing and Urban Development. Poor pedestrian accessibility may reduce the rating, as it reduces the effective amount of population and employment directly served by the system. Otherwise, the presence of high trip generators, a pedestrian-accessible and friendly station area environment, and limited availability of parking all serve to support the rating.

Breakpoints

Two of the individual measures under the land use criterion, station area population and employment densities, are proposed to have the same breakpoints as currently defined, which are shown in the table below. FTA seeks input on the breakpoints for the third measure proposed, existing publically supported housing in the corridor.

Rating	Station Area Development		Parking Supply	
	Employment served by system	Avg Population density (persons/square mile)	CBD typical cost per day	CBD spaces per employee
High	> 250,000	> 15,000	> \$16	< 0.2
Medium-High	175,000-250,000	10,000 - 15,000	\$12 - \$16	0.2 – 0.3
Medium	125,000-175,000	6,667 - 10,000	\$8 - \$12	0.3 – 0.4
Medium-Low	75,000-125,000	3,333 - 6,667	\$4 - \$8	0.4 – 0.5
Low	<75,000	< 3,333	< \$4	> 0.5

OTHER FACTORS

As described in the NPRM and allowed for by statute, FTA may consider “other factors” when developing a project justification rating. FTA is proposing the six project justification criteria be given equal weight to arrive at a project justification rating, but FTA is also proposing to continue

its current approach that “other factors” may raise or lower the project justification rating one level.

FTA is not proposing specific measures or calculations for “other factors.” They may include, but are not limited to:

- The multimodal connectivity the proposed New Starts project will provide;
- Environmental justice considerations and equity issues;
- Livable Communities initiatives and local economic activities;
- The degree to which there are policies in place to locate federal, and other major public, facilities and investments in proximity to the proposed project;
- The degree to which a project is consistent with regional sustainability or blueprint plans;
- Consideration of innovative procurement, and construction techniques, including design-build turnkey applications; and
- Additional factors relevant to local and national priorities and to the success of the project.

III. Local Financial Commitment

Measures:

SAFETEA-LU requires that proposed projects be supported by an acceptable degree of local financial commitment, including evidence of stable and dependable financing sources to construct, maintain and operate the transit system or extension, and maintain and operate the entire public transportation system without requiring a reduction in existing services. The measures proposed to be used for the evaluation of the local financial commitment for proposed New Starts projects are:

- The proposed share of total project capital costs from sources other than the Section 5309 major capital investment program, including other Federal transportation funds and the local match required by Federal law;
- The current financial condition, both capital and operating, of the project sponsor;
- The commitment of funds for both the proposed project and the ongoing operation and maintenance of the project sponsor’s system once the project is built.
- The reasonableness of financial plan, including planning assumptions, cost estimates, and the capacity to withstand funding shortfalls or cost overruns.

As is done currently, Small Starts projects are proposed to qualify for a highly simplified financial evaluation if the project sponsor can demonstrate the following:

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- A reasonable plan to secure funding for the local share of capital costs or sufficient available funds for the local share;
 - The additional operating and maintenance cost to the agency of the proposed Small Starts project is less than 5 percent of the project sponsor's existing operating budget; and
 - The project sponsor is in reasonably good financial condition, as demonstrated by the past three years' audited financial statements.

Small Starts projects that meet these measures and request greater than 50 percent Small Starts funding would receive a local financial commitment rating of *Medium*. Small Starts projects that request 50 percent or less in Small Starts funding would receive a *High* rating for local financial commitment. Small Starts projects which cannot qualify for this highly simplified financial evaluation would be evaluated and rated in the same manner as New Starts projects.

Calculation:

Individual ratings would be given to each of the following measures:

1. The rating for the current operating and capital condition of the project sponsor would be based upon the average fleet age, the project sponsor's bond rating if given within the last two years, the project sponsor's current ratio as shown in its most recent audited financial statement (ratio of current assets to current liabilities), and the project sponsor's service history including whether there have been recent significant cuts in service.
2. The level of commitment of capital and O&M funds;
3. The rating for the reasonableness of the financial plan would be based upon whether capital and operating planning assumptions are comparable to historical experience, the reasonableness of the capital cost estimate of the project, adequacy of meeting state of good repair needs, and the project sponsor's financial capacity to withstand cost increases or funding shortfalls.

As is done currently, FTA's evaluation would take into account the stage of project development, particularly when considering the commitment of non-Federal funding sources, which should become increasingly higher as projects progress further through project development. The table below outlines the proposed rating standards for the various measures.

The summary local financial commitment rating would also take into consideration the share of Section 5309 major capital investment funding requested. If the Section 5309 share is less than 50 percent of the project's capital cost (i.e., the project sponsor is providing significant overmatch), then the summary local financial commitment rating will be raised one level.

	High	Medium-High	Medium	Medium-Low	Low
Current capital and operating condition (25% of local financial commitment rating)	- Average bus fleet age under 6 years. - Bond ratings less than 2 years old (if any) of AAA (Fitch/S&P) or Aaa (Moody's)	- Average bus fleet age under 6 years. - Bond ratings less than 2 years old (if any) of A (Fitch/S&P) or A2 (Moody's) or better	- Average bus fleet age under 8 years. - Bond ratings less than 2 years old (if any) of A - (Fitch/S&P) or A3 (Moody's) or better	- Average bus fleet age under 12. - Bond ratings less than 2 years old (if any) of BBB+ (Fitch/S&P) or Baa (Moody's) or better	- Average bus fleet age 12 years or more. - Bond ratings less than 2 years old (if any) of BBB (Fitch/S&P) or Baa3 (Moody's) or below
	-Historical and actual positive cash flow. No cash flow shortfalls. - Current ratio exceeding 2.0 - No service cutbacks in recent years.	- Historical and actual balanced budgets. Any annual cash flow shortfalls paid from cash reserves or other committed sources. - Current ratio is at least 1.5 - No service cutbacks in recent years.	-Historical and actual balanced budgets. Any annual cash flow shortfalls paid from cash reserves or annual appropriations. - Current operating ratio is at least 1.2 - No service cutbacks or only minor service cutbacks in recent years	-- Historical and actual cash flow show several years of revenue shortfalls. Any annual cash flow shortfalls paid from short term borrowing. - Current ratio is at least 1.0 - Major Service cutbacks in recent years	-- Historical and actual cash flow show several years of revenue shortfalls, or historical information not provided. - Current ratio is less than 1.0 - Major service cutbacks in recent years
Commitment of capital and operating funds (25% of local financial commitment rating)	For final design – 100% of Non-Section 5309 New Starts funds are committed or budgeted. For PE – More than 50% of Non-Section 5309 New Starts funds are committed or budgeted. The remaining funds are planned.	For final design – More than 75% of Non-Section 5309 New Starts funds are committed or budgeted. For PE – More than 25% of Non-Section 5309 New Starts funds are committed or budgeted. The remaining funds are planned.	For final design – More than 50% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - No Non-Section 5309 New Starts funds are committed or budgeted, but the sponsor has a reasonable plan to secure all needed funding.	For final design – Between 25% and 50% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - No Non-Section 5309 New Starts funds are committed. The sponsor has no reasonable plan to secure the necessary funding.	For final design – Less than 25% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - The sponsor has not identified any reasonable funding sources for the Non-Section 5309 New Starts funding share.

	High	Medium-High	Medium	Medium-Low	Low
	<p>For final design - 100% of the funds needed to operate and maintain the proposed transit system are committed or budgeted.</p> <p>For PE – Over 75% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. The remaining funds are planned.</p>	<p>For final design - Over 75% of the funds needed to operate and maintain the proposed transit system are committed or budgeted.</p> <p>For PE - Over 50% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. The remaining funds are planned.</p>	<p>For final design – Over 50% of the funds needed to operate and maintain the proposed transit system are committed or budgeted.</p> <p>For PE – While no additional O&M funding has been committed, a reasonable plan to secure funding commitments has been presented.</p>	<p>For final design - Sponsor has identified reasonable potential funding sources, but has received less than 50% commitments to fund transit operations and maintenance.</p> <p>For PE - Sponsor does not have a reasonable plan to secure O&M funding. No unspecified sources</p>	<p>For final design - Sponsor has not yet received any funding commitments to fund transit operations and maintenance and has not identified any reasonable plan for securing funding commitments.</p> <p>For PE - Sponsor has not identified any reasonable funding sources for the operation and maintenance of the proposed transit system.</p>
<p>Reasonableness of capital and operating cost estimates and planning assumptions/capital funding capacity (50% of local financial commitment rating)</p>	<p>Financial plan contains very conservative capital planning assumptions and cost estimates when compared with recent historical experience.</p> <p>The applicant has access to funds via additional debt capacity, cash reserves, or other committed funds to cover cost increases or funding shortfalls equal to at least 50% of estimated project costs and 50% (6 months) of annual systemwide operating expenses.</p>	<p>Financial plan contains conservative capital planning assumptions and cost estimates when compared with recent historical experience.</p> <p>The applicant has available cash reserves, debt capacity, or additional funding commitments to cover cost increases or funding shortfalls equal to at least 25% of estimated project costs and 25% (3 months) of annual systemwide operating expenses.</p>	<p>Financial plan contains capital planning assumptions and cost estimates that are in line with historical experience.</p> <p>For final design - The applicant has available cash reserves, debt capacity, or additional committed funds to cover cost increases or funding shortfalls equal to at least 10% of estimated project costs.</p> <p>For PE - The applicant has a reasonable plan to cover cost increases or funding shortfalls equal to at least 25% of estimated project costs and projected cash balances, reserve accounts, or access to a line of credit exceeding 12% (1.5 months) of annual systemwide operating expenses.</p>	<p>Financial plan contains optimistic capital planning assumptions and cost estimates.</p> <p>The applicant has a reasonable plan to cover only minor (under 10%) cost increases or funding shortfalls.</p> <p>For PE –The applicant has a reasonable plan to cover cost increases or funding shortfalls equal to at least 10% of estimated project costs and Projected cash balances, reserve accounts, or access to a line of credit are less than 8% (1 month) of annual systemwide operating expenses.</p>	<p>Financial plan contains capital planning assumptions and cost estimates that are far more optimistic than recent history suggests.</p> <p>Projected cash balances are insufficient to maintain balanced budgets.</p>
