

FY 2007 New Starts Evaluation and Rating Process

This document describes the methodology that the Federal Transit Administration (FTA) used to evaluate, rate, and recommend funding for projects included in the *FY 2007 Annual Report on New Starts*. This methodology was similar to the process used in the evaluation of projects included in the *FY 2004-2006 Annual Reports on New Starts*, and is consistent with FTA's *Final Rule on Major Capital Investment Projects* issued on December 7, 2000.

The bulk of this appendix is based on processes that were developed before passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) which was signed into law on August 10, 2005. However, the FY 2007 project evaluation process reflected two changes established in SAFETEA-LU which FTA implemented in time for the FY 2007 evaluation cycle. Specifically, SAFETEA-LU replaced a three-point rating scale with a five-point scale, with the overall project rating designations of *Highly Recommended*, *Recommended*, and *Not Recommended* replaced with *Low*, *Medium-Low*, *Medium*, *Medium-High*, and *High*. In addition, SAFETEA-LU, while continuing to require that a project's overmatch be evaluated, added a clause that nothing in the Act shall be construed as authorizing the Secretary to require a non-Federal financial commitment for a project that is more than 20 percent of the net capital project cost. Project sponsors are still encouraged to request the lowest New Starts share possible given there are limited funds and the number of projects in the New Starts pipeline exceeds available funds.

This appendix describes how FTA applied these two provisions for the FY 2007 evaluation cycle. For all other changes in SAFETEA-LU, FTA intends to work closely with the transit industry over the coming months to fully implement the New Starts provisions, including further refinements to the New Starts evaluation and rating process to be applied to subsequent annual project evaluation cycles.

Section I of this appendix introduces the legislative background of FTA's project evaluation and rating responsibilities; identifies each of the statutory criteria used by FTA in its evaluation process; and summarizes the overall project evaluation and rating process. Sections II and III describe the specific project justification and local financial commitment measures and ratings, respectively, including an explanation of the rating ranges and thresholds for each individual measure, and how they are rolled up into aggregate criteria ratings. Section IV concludes with a summary of what the overall project rating means for funding recommendations in the President's Budget for FY 2007. All funding recommendations in the President's Budget are subject to the availability of appropriations.

This document is supplemented by two additional documents. *Guidelines and Standards for Assessing Transit-Supportive Land Use* and *Guidelines and Standards for Assessing Local Financial Commitment* provide additional detail on the process FTA uses to evaluate these two criteria. These materials are posted on FTA's website at its site for *New Starts Project Planning and Development*:

http://www.fta.dot.gov/grant_programs/transportation_planning/9924_ENG_HTML.htm.

FTA reminds the audience of this appendix that project evaluation is an on-going process. It is based on an analysis of Section 5309 New Starts Criteria and documentation submitted to FTA by local agencies. As New Starts projects proceed through project development, the estimates of costs, benefits, and impacts are refined. The FTA ratings and recommendations will be updated at least annually to reflect new information, changing conditions, and refined financing plans.

I. Legislative Background

SAFETEA-LU continues the evaluation process provisions first established by the Transportation Equity Act for the 21st Century (TEA-21) in 1998. SAFETEA-LU requires the U.S. Department of Transportation to submit an annual report to Congress (*Annual Report on New Starts*) that includes a proposal on the allocation of funds among applicants for amounts to be made available to finance grants and loans for capital projects for new fixed guideway systems and extensions to existing fixed guideway systems. It also requires that the annual report include the Secretary's evaluations and ratings of the capital projects seeking grants or loans for new or extended fixed guideway systems.

Like TEA-21, SAFETEA-LU mandates that proposed New Starts projects must receive FTA approval to advance from "alternatives analysis" to "preliminary engineering," and from "preliminary engineering" to "final design and construction." This approval is based, in large part, on an evaluation of the proposed project's New Starts criteria.

FTA's evaluation includes a review of each project's New Starts criteria and the assignment of a rating to each criterion. Based on these criteria-specific ratings, FTA assigns candidate New Starts projects summary ratings for project justification and local financial commitment, as well as providing an overall project rating. Sections 1.A and 1.B below present the criteria used by FTA in its New Starts evaluation process; Section 1.C provides an overview of how these criteria fit into the overall evaluation process; and Section 1.D summarizes how overall project ratings are derived.

1.A Project Justification Criteria

Similar to TEA-21, SAFETEA-LU Section 3011(a)(49 USC 5309(d)) requires that projects proposed for New Starts funding be justified based on a comprehensive review of the following criteria:

- Mobility Improvements;
- Environmental Benefits;
- Operating Efficiencies;
- Cost Effectiveness; and
- Transportation Supportive Land Use Policies and Future Patterns

SAFETEA-LU also continues the TEA-21 requirement of considering "other factors."

SAFETEA-LU further requires that FTA consider in its review the economic development effects of New Starts projects. However, FTA desires to work with the industry on the

development of appropriate factors for measuring the economic development effects of candidate projects, and therefore did not consider them in the FY 2007 evaluation cycle.

Section III of this appendix presents the specific measures FTA used in the FY 2007 evaluation cycle to represent each of the project justification criteria, and how FTA evaluated them.

I.B Local Financial Commitment

Similar to TEA-21, SAFETEA-LU Section 3011(a)(49 USC 5309(d)) requires that proposed projects also 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. Section 5309(d) calls for an evaluation of the extent to which the project has a local financial commitment that exceeds the required non-Federal share of the cost of the project.

The measures for the evaluation of the local financial commitment to a proposed project used in the FY 2007 evaluation cycle were:

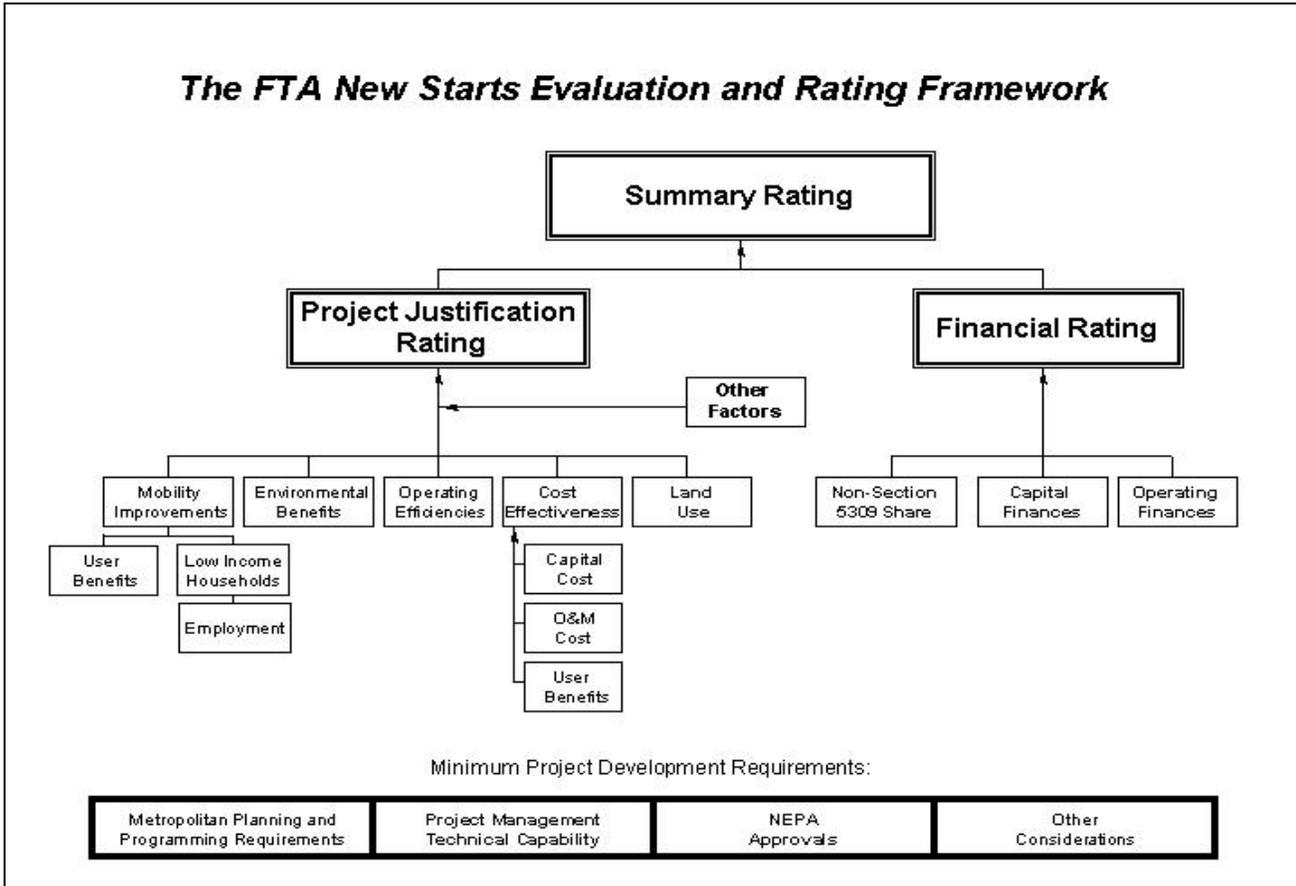
- The proposed share of total project costs from sources other than the Section 5309 New Starts program, including Federal formula and flexible funds, the local match required by Federal law, and any additional capital funding;
- The strength of the proposed capital financing plan; and
- The ability of the sponsoring agency to fund operation and maintenance of the entire system as planned once the guideway project is built.

Section IV describes how FTA used these measures in its evaluation of candidate New Starts projects.

I.C The Evaluation Process

FTA evaluates proposed New Starts projects against the full range of criteria for both project justification and local financial commitment, as described in Figure I-1 on the following page. The specific project justification and local financial commitment measures included in Figure I-1 are described in detail in Sections II and III of this appendix, respectively.

Figure I-1 New Starts Evaluation Process



I.D Overall Project Ratings

TEA-21 required that an overall project rating of *Highly Recommended*, *Recommended* or *Not Recommended* be assigned to each proposed project, based on the results of FTA’s evaluation of each of the criteria for project justification and local financial commitment. However, SAFETEA-LU Section 5309(d) requires that FTA assign overall ratings on a 5-point scale of *High*, *Medium-High*, *Medium*, *Medium-Low*, or *Low* to each New Starts project subject to evaluation.

To assign overall project ratings to each proposed New Starts project, FTA considers the individual ratings for each of the local financial commitment measures and project justification criteria. FTA combines this information into summary "finance" and "project justification" ratings for each project.

For both project justification and finance, summary ratings are assigned as one of the following: *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low*. These summary ratings are then combined into an overall project rating. Table I-1 on the following page summarizes the decision rules used to reach overall project ratings under both TEA-21 and the FY 2007 evaluation cycle under SAFETEA-LU. As the table demonstrates, the decision rules remain unchanged; only the designation assigned to the project’s overall rating is different from prior

practice. While SAFETEA-LU anticipates that FTA will use the full range of ratings, from *High*, *Medium-High*, *Medium*, *Medium-Low* to *Low* in making this determination, however, FTA determined that it was less subjective to simply use *High*, *Medium* and *Low* in FY 2007. We want to receive input from the transit community before using the five-point rating system.

Table I-1 FY 2007 Overall Rating Decision Rules

Summary Ratings	Overall Ratings TEA-21 (FY 2000 -FY 2006)	Overall Ratings SAFETEA-LU (FY 2007)
At least Medium-high for finance and project justification	Highly Recommended	High
At least Medium for finance and project justification	Recommended	Medium
Not rated at least Medium for finance and project justification	Not Recommended	Low

FTA emphasizes that these decision rules are for the FY 2007 evaluation cycle only. It is anticipated that the decision rules used to achieve an overall project rating in subsequent evaluation cycles (FY 2008 and beyond) will be established through a formal rulemaking process and will encompass all five ratings from *High* to *Low*.

FTA further notes that a project will no longer receive a designation of **Not Rated** if it receives a *Medium* or higher rating for finance, but cannot produce acceptable information in support of its project justification criteria. In cases where such information is either not submitted or submitted but deemed to be unreliable, FTA will assign a rating of *Low* to the affected project justification criteria.

I.E Ratings: An On-going Process

Again, it is important to emphasize that project evaluation is an on-going process. FTA evaluation and rating occurs annually in support of budget recommendations presented in the *Annual Report on New Starts* and when a project sponsor requests FTA approval to advance their proposed New Starts project into preliminary engineering and final design. Consequently, as proposed New Starts projects proceed through the project development process, information concerning costs, benefits, and impacts is refined and the ratings are updated to reflect new information.

II. Summary Project Justification Rating

The following summarizes FTA's process for evaluating the project justification criteria of proposed New Starts projects.

II.A Project Justification Rating

FTA assigns a summary project justification rating of *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* to each project based on consideration of the ratings applied to the project justification criteria presented in Section I.A and each of the specific measures identified in Table II-1 below:

Table II-1 New Starts Project Justification Criteria and Supporting Measures and Categories

Criterion	Measures/Categories
Cost Effectiveness	<ul style="list-style-type: none"> • Incremental Cost per Hour of Transportation System User Benefit
Transit Supportive Land Use and Future Patterns	<ul style="list-style-type: none"> • Existing Land Use • Transit Supportive Plans and Policies • Performance and Impacts of Policies
Mobility Improvements	<ul style="list-style-type: none"> • Normalized Travel Time Savings (Transportation System User Benefit per Project Passenger Mile) • Low-Income Households Served • Employment Near Stations
Operating Efficiencies	<ul style="list-style-type: none"> • System Operating Cost per Passenger Mile
Environmental Benefits	<ul style="list-style-type: none"> • Change in Regional Pollutant Emissions • Change in Regional Energy Consumption • EPA Air Quality Designation

For mobility improvements and transit supportive land use, projects are aligned for each measure and category in a continuum of values from *Low* to *High* and broken into five groups, with each group assigned a numeric rating of 1 (*Low*) to 5 (*High*). The thresholds that distinguish the five groups are not pure quintiles (that is, 20 percent each of the total number of projects being evaluated for the measure) but rather logical break points in the aligned data that separate one group from another. Where criteria are represented by more than one measure, ratings for each measure are rolled up and averaged into criterion-specific ratings, where the numeric rating is converted into a corresponding *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* rating. The mobility improvements and land use rating process are described in greater detail in *Sections II.C* and *II.D* below.

For the cost effectiveness criterion, specific dollar breakpoints are defined for *High*, *Medium-High*, *Medium*, *Medium-Low* and *Low* ratings (these breakpoints are presented in *Section II.B* below). Decision rules for the operating efficiencies and environmental benefits criteria are described in *Sections II.E* and *II.F* below.

Criterion-specific ratings are subsequently combined to form the summary *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* justification ratings for each project presented in *Section I.E*.

FTA assigns a weight of 50 percent each to the cost effectiveness and land use criteria in order to establish a summary project justification rating. When the average of the cost effectiveness and land use rating falls equally between two ratings (say, between a *Medium* and a *Medium-High* rating), the mobility improvements rating is introduced as a “tiebreaker.” Specifically,

when mobility improvements are rated *Low*, the summary rating will "round down" to the lower of the two ratings; for all other mobility improvement ratings, the rating is "rounded-up" to establish the summary project justification rating. For example, a project with a cost effectiveness rating of *Medium-High* and a land use rating of *Low* - along with a mobility improvements rating of *Medium* - would receive a summary project justification rating of *Medium*.

Based upon its prior experience in evaluating New Starts projects, FTA has determined that locally-generated and reported information in support of the operating efficiencies and environmental benefits criteria does not distinguish in any meaningful way any differences between competing major transit capital investments. Consequently, while ratings for these criteria are assigned by FTA and reported in (among other places) the *Annual Report on New Starts*, they are not considered in the determination of an overall project justification rating. If well documented, and considered by FTA to be an unusually significant benefit to a proposed project that is not otherwise captured in the other New Starts criteria, "other factors" may increase a summary project justification rating by no more than one step (for example, from *Medium-High* to *High*). The evaluation and rating of individual project justification criteria is discussed below.

Failure to submit acceptable information (for example, reliable travel forecasts to support the cost effectiveness, mobility improvements, and operating efficiencies criteria) will result in a *Low* rating for the affected project justification criteria.

II.B Cost Effectiveness

In its evaluation of the cost effectiveness of a proposed project, FTA considers the incremental cost per hour of transportation system user benefits in the forecast year. This measure, expressed in constant base-year dollars, is based on the annualized total capital and annual operating costs divided by the forecast change in annual user benefits, comparing the proposed project to the New Starts baseline alternative. Table II-2 below presents the thresholds FTA used in FY 2007 for assigning a *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* cost effectiveness rating for each project:

Table II-2 Cost Effectiveness Breakpoints

High	\$10.99 and under
Medium-High	\$11.00- \$13.99
Medium	\$14.00-\$21.99
Medium-low	\$22.00-\$27.99
Low	\$28.00 and over

II.C Transit-Supportive Existing Land Use and Future Patterns

In its evaluation of the land use affecting New Starts projects, FTA explicitly considers the following transit supportive land use categories and factors:

1. **Existing Land Use**
2. **Transit Supportive Plans and Policies**, including the following factors:
 - Growth management;

- Transit supportive corridor policies;
 - Supportive zoning regulations near transit stations; and
 - Tools to implement land use policies.
3. **Performance and Impacts of Policies**, including the following factors:
- Performance of land use policies; and
 - Potential impact of transit project on regional land use.

FTA also permits New Starts project sponsors to submit information in support of an optional “other land use considerations” category.

Based on information submitted to FTA by local agencies, FTA gauges each category by the factors identified above. FTA assigns one of five numerical ratings (“1” to “5”) to each project for each of these factors. Each factor is weighted equally within its category, averaged, and combined into category-specific ratings. These category ratings are then combined equally (that is, each land use category rating contributes one-third of the value) and converted to a descriptive rating of *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* to determine the overall land use rating. In rare cases, when based on unusually compelling “other” land use considerations, FTA may increase the land use rating by one point.

Additional detail on FTA’s land use rating process is contained in *Guidelines and Standards for Assessing Transit-Supportive Land Use*. Table II-3 on the following pages summarizes the ratings applied by FTA in the assessment of each land use category and supporting factor at each stage of project development.

Table II-3 Ratings Applied in Assessment of Land Use Criterion

I. EXISTING LAND USE		
<i>Existing Land Use</i>		
Phase of Project Development	Land Use Assessment Ratings	
Preliminary Engineering and Final Design	HIGH (5)	Current levels of population, employment, and other trip generators in station areas are sufficient to support a major transit investment. Most station areas are pedestrian-friendly and fully accessible.
	MEDIUM (3)	Current levels of population, employment, and other trip generators in station areas marginally support a major transit investment. Some station areas are pedestrian-friendly and accessible. Significant growth must be realized.
	LOW (1)	Current levels of population, employment, and other trip generators in station areas are inadequate to support a major transit investment. Station areas are not pedestrian-friendly.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Existing corridor and station area development; • Existing corridor and station area development character; • Existing station area pedestrian facilities, including access for persons with disabilities; and • Existing corridor and station area parking supply. 		
II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Growth Management</i>		
Phase of Project Development	Land Use Assessment Ratings	
Preliminary Engineering and Final Design	HIGH (5)	Adopted and enforceable growth management and land conservation policies are in place throughout the region. Existing and planned densities, along with market trends in the region and corridor are strongly compatible with transit.
	MEDIUM (3)	Significant progress has been made toward implementing growth management and land conservation policies. Strong policies may be adopted in some jurisdictions but not others, or only moderately enforceable policies (e.g., incentive-based) may be adopted regionwide. Existing and/or planned densities and market trends are moderately compatible with transit.
	LOW (1)	Limited consideration has been given to implementing growth management and land conservation policies; adopted policies may be weak and apply to only a limited area. Existing and/or planned densities and market trends are minimally or not supportive of transit.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Concentration of development around established activity centers and regional transit; and • Land conservation and management. 		

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Transit-Supportive Corridor Policies</i>		
Final Design	HIGH (5)	Conceptual plans for the corridor and station areas have been developed. Local jurisdictions have adopted or drafted revisions to comprehensive and/or small area plans in most or all station areas. Land use patterns proposed in conceptual plans and local and institutional plan revisions are strongly supportive of a major transit investment.
	MEDIUM (3)	Conceptual plans for the corridor and station areas have been developed. Local jurisdictions have initiated the process of revising comprehensive and/or small area plans. Land use patterns proposed in conceptual plans and local and institutional plan revisions are at least moderately supportive of a major transit investment.
	LOW (1)	Limited progress, to date, has been made toward developing station area conceptual plans or revising local comprehensive or small area plans. Existing station area land uses identified in local comprehensive plans are marginally or not transit-supportive.
Preliminary Engineering	HIGH (5)	Conceptual plans for the corridor and station areas have been developed. Discussions have been undertaken with local jurisdictions about revising comprehensive plans. Land use patterns proposed in conceptual plans for station areas (or in existing comprehensive plans and institutional master plans throughout the corridor) are strongly supportive of a major transit investment.
	MEDIUM (3)	Conceptual plans for the corridor and station areas are being developed. Discussions have been undertaken with local jurisdictions about revising comprehensive plans. Land use patterns proposed in conceptual plans for station areas (or existing in local comprehensive plans and institutional master plans) are at least moderately supportive of a major transit investment.
	LOW (1)	Limited progress, to date, has been made toward developing station area conceptual plans or working with local jurisdictions to revise comprehensive plans. Existing station area land uses identified in local comprehensive plans are marginally or not transit-supportive.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Plans and policies to increase corridor and station area development; • Plans and policies to enhance transit-friendly character of corridor and station area development; • Plans to improve pedestrian facilities, including facilities for persons with disabilities; and • Parking policies. 		

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Supportive Zoning Regulations Near Transit Stations</i>		
Final Design	HIGH (5)	Local jurisdictions have adopted zoning changes that strongly support a major transit investment in most or all transit station areas.
	MEDIUM (3)	Local jurisdictions are in the process of adopting zoning changes that moderately or strongly support a major transit investment in most or all transit station areas. Alternatively: strongly transit-supportive zoning has been adopted in some station areas but not in others.
	LOW (1)	No more than initial efforts have begun to prepare station area plans and related zoning. Existing station area zoning is marginally or not transit-supportive.
Preliminary Engineering	HIGH (5)	A conceptual planning process is underway to recommend zoning changes for station areas. Conceptual plans and policies for station areas are recommending transit-supportive densities and design characteristics. Local jurisdictions have committed to examining and changing zoning regulations where necessary. Alternatively, a “high” rating can be assigned if existing zoning in most or all transit station areas is already strongly transit-supportive.
	MEDIUM (3)	A conceptual planning process is underway to recommend zoning changes for station areas. Local jurisdictions are in the process of committing to examining and changing zoning regulations where necessary. Alternatively, a “medium” rating can be assigned if existing zoning in most or all transit station areas is already moderately transit-supportive.
	LOW (1)	Limited consideration has been given to preparing station area plans and related zoning. Existing station area zoning is marginally or not transit-supportive.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Zoning ordinances that support increased development density in transit station areas; • Zoning ordinances that enhance transit-oriented character of station area development and pedestrian access; and • Zoning allowances for reduced parking and traffic mitigation. 		

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Tools to Implement Land Use Policies</i>		
Final Design	HIGH (5)	Transit agencies and/or regional agencies are working proactively with local jurisdictions, developers, and the public to promote transit-supportive land use planning and station area development. The transit agency has established a joint development program and identified development opportunities. Agencies have adopted effective regulatory and financial incentives to promote transit-oriented development. Public and private capital improvements are being programmed in the corridor and station areas which implement the local land use policies and which leverage the Federal investment in the proposed corridor.
	MEDIUM (3)	Transit agencies and/or regional agencies have conducted some outreach to promote transit-supportive land use planning and station area development. Regulatory and financial incentives to promote transit-oriented development are being developed, or have been adopted but are only moderately effective. Capital improvements are being identified that support station area land use plans and leverage the Federal investment in the proposed major transit corridor.
	LOW (1)	Limited effort has been made to reach out to jurisdictions, developers, or the public to promote transit-supportive land use planning; to identify regulatory and financial incentives to promote development; or to identify capital improvements.
Preliminary Engineering	HIGH (5)	Transit agencies and/or regional agencies are working proactively with local jurisdictions, developers, and the public to promote transit-supportive land use planning and station area development. Local agencies are making recommendations for effective regulatory and financial incentives to promote transit-oriented development. Capital improvement programs are being developed that support station area land use plans and leverage the Federal investment in the proposed major transit corridor.
	MEDIUM (3)	Transit agencies and/or regional agencies have conducted some outreach to promote transit-supportive land use planning and station area development. Agencies are investigating regulatory and financial incentives to promote transit-oriented development. Capital improvements are being identified that support station area land use plans and leverage the Federal investment in the proposed major transit corridor.
	LOW (1)	Limited effort has been made to reach out to jurisdictions, developers, or the public to promote transit-supportive land use planning; to identify regulatory and financial incentives to promote development; or to identify capital improvements.

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Tools to Implement Land Use Policies (Continued)</i>		
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Outreach to government agencies and the community in support of land use planning; • Regulatory and financial incentives to promote transit-supportive development; and • Efforts to engage the development community in station area planning and transit-supportive development. 		
III. PERFORMANCE AND IMPACTS OF LAND USE POLICIES		
<i>Performance of Land Use Policies</i>		
Final Design	HIGH (5)	A significant number of development proposals are being received for transit-supportive housing and employment in station areas. Significant amounts of transit-supportive development have occurred in other, existing transit corridors and station areas in the region.
	MEDIUM (3)	Some development proposals are being received for transit-supportive housing and employment in station areas. Moderate amounts of transit-supportive development have occurred in other existing transit corridors and station areas in the region.
	LOW (1)	A limited number of proposals for transit-supportive housing and employment development in the corridor are being received. Other existing transit corridors and station areas in the region lack significant examples of transit-supportive housing and employment development.
Preliminary Engineering	HIGH (5)	Transit-supportive housing and employment development is occurring in the corridor. Significant amounts of transit-supportive development have occurred in other, existing transit corridors and station areas in the region.
	MEDIUM (3)	Station locations have not been established with finality, and therefore, development would not be expected. Moderate amounts of transit-supportive housing and employment development have occurred in other, existing transit corridors and station areas in the region.
	LOW (1)	Other existing transit corridors and station areas in the region lack significant examples of transit-supportive housing and employment development.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Demonstrated cases of development affected by transit-oriented policies; and • Station area development proposals and status. 		

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

III. PERFORMANCE AND IMPACTS OF LAND USE POLICIES		
<i>Potential Impact of Transit Project on Regional Land Use</i>		
Preliminary Engineering and Final Design	HIGH (5)	A significant amount of land in station areas is available for new development or redevelopment at transit-supportive densities. Local plans, policies, and development programs, as well as real estate market conditions, strongly support such development.
	MEDIUM (3)	A moderate amount of land in station areas is available for new development or redevelopment at transit-supportive densities. Local plans, policies, and development programs, as well as real estate market conditions, moderately support such development.
	LOW (1)	Only a modest amount of land in station areas is available for new development or redevelopment. Local plans, policies, and development programs, as well as real estate market conditions, provide marginal support for new development in station areas.
Ratings based on assessment of the following:		
<ul style="list-style-type: none"> • Adaptability of station area land for development; and • Corridor economic environment. 		

As Table II-3 indicates, FTA takes into consideration the stage of development of a proposed project in its evaluation of land use information. For example, the planning and policy oriented factors (existing land use, containment of sprawl, and corridor policies) are relevant in evaluating projects in all stages of project development, but particularly useful for projects early in project development. On the other hand, the implementation-oriented factors (supportive zoning regulations, implementation tools, and performance of land use policies) are more applicable in evaluating projects more advanced in preliminary engineering or final design.

II.D Mobility Improvements

In its evaluation of the mobility improvements that would be realized by implementation of a proposed project, FTA reviews three measures:

1. **Normalized Travel Time Savings**, as measured by transportation system user benefits per project passenger mile;
2. Number of current **Low-income Households** which would be served by the proposed New Starts investment; and
3. Number of current **Jobs** served by the proposed New Starts project.

The normalized travel time savings of New Starts projects is weighted 50 percent in the development of the mobility improvements rating; the low-income households and employment measures *combined* account for the other 50 percent of the rating. The process FTA uses to establish measure-specific ratings and the overall mobility improvements rating is described below:

Transportation System User Benefits per Passenger Mile This measure reflects the travel time savings, as measured by minutes of transportation system user benefits in the forecast year anticipated from the proposed project compared to its baseline alternative. In order to rate projects in comparison to other proposed New Starts, this

measure is normalized by the annual passenger miles traveled on the New Starts project in the forecast year.

As noted previously, projects are aligned in ascending order of user benefits per passenger mile and categorized into five groups, separated by the logical breakpoints indicated by the submitted data for the measure. Projects in the highest grouping (that is with the most user benefits per passenger mile) receive a “5,” while projects in the lowest grouping receive a “1.”

Number of Low-income Households and Jobs Served These two measures reflect the absolute number of low-income households (defined as below the poverty level) and jobs located within ½ mile of the "boarding points", or stations, associated with the proposed project. The total number of low-income households and jobs located within these ½ mile zones is then divided by the total number of stations to determine both the average number of low-income households and average number of jobs per station. Projects are aligned in ascending order of both low-income households per station and jobs per station, categorized into five groups, and assigned a numerical rating from “1” to “5.”

The numerical ratings assigned for both low-income households and jobs are compared for each project. FTA then considers the potential for connections of these two markets in assigning a single rating for both measures. In the case of projects which are new guideway systems in their regions, the lower of the low-income households or jobs rating is assigned as the combined rating for the two measures. For extensions to existing guideways, the higher of the low-income households and employment rating is utilized, unless the employment rating is higher and there are few low-income households living along the guideway. In this latter case, the low-income rating would be assigned as the combined rating of the two measures.

II.E Operating Efficiencies

FTA measures this criterion by evaluating the change in systemwide operating costs per passenger mile in the forecast year, comparing the Section 5309 New Start investment to the baseline alternative. FTA assigns a rating of *Medium* to all projects that have information submitted for this measure. As noted previously, FTA has found that information submitted in support of the operating efficiencies criterion does not distinguish with any meaning the merits of competing New Starts projects. While FTA reports the information submitted by project sponsors on operating efficiencies to Congress in the *Annual Report on New Starts*, it does not formally incorporate this measure into its evaluation.

II.F Environmental Benefits

In its evaluation of environmental benefits that would be realized through the implementation of a proposed project, FTA considers the current air quality designation by EPA. This measure is defined for each of the transportation-related pollutants (ozone, CO, and PM-10) as the current air quality designation by EPA for the metropolitan region in which the proposed project is located, indicating the severity of the metropolitan area's noncompliance with the health-based EPA standard (NAAQS) for the pollutant, or its compliance with that standard. New Starts project sponsors submit information to FTA on the forecast reductions in emissions resulting from the New Starts project for each transportation-related pollutant.

Specifically, FTA follows the following decision rule when assigning ratings for environmental benefits:

- Projects in non-attainment areas for any transportation-related pollutants that demonstrate a reduction in that pollutant receive a "high" rating.
- Projects that are in attainment areas that demonstrate reductions in any transportation-related pollutant receive a "medium" rating.
- All other projects are rated "low."

As noted previously, FTA has found that information submitted in support of the environmental benefits criterion does not distinguish with any meaning the merits of competing New Starts projects. While FTA reports the information submitted by project sponsors on environmental benefits to Congress in the *Annual Report on New Starts*, it does not formally incorporate this measure in its evaluation of New Starts projects.

II.G Other Factors

Consistent with Section 5309(d), FTA also includes a variety of other factors when evaluating project justification, including:

- Environmental justice considerations and equity issues;
- Opportunities for increased access to employment for low-income persons, and welfare to work initiatives;
- Livable communities initiatives and local economic development initiatives;
- Consideration of innovative financing, procurement, and construction techniques, including design-build turnkey applications;
- The cost effectiveness of the New Starts project based on alternative land use forecasts which consider the economic development impacts (benefits) of the proposed transit capital investment; and
- Any other factor which the New Starts project sponsor believes articulates the benefits of the proposed major transit capital investment but which is not captured within the other project justification criteria.

Only in the most compelling of cases are other factors formally assigned a rating. When they are rated, FTA considers other factors in the evaluation of candidate New Starts projects in two

ways. For evaluations in support of budget recommendations contained in the *Annual Report on New Starts*, the other factors rating is introduced *after* the assignment of an initial summary project justification rating. If the other factors rating are higher than the summary project justification rating, FTA may increase this initial summary justification rating by a maximum of one step.

For preliminary engineering and final design approvals, other factors are considered in the same way. In addition, the technical capability of the project sponsor to implement and operate the project is implicitly considered within the “other factors” criteria. This inclusion ensures that project management issues are adequately addressed in FTA’s decision to permit advancement into the next stage of the project development process.

III. Summary Finance Rating

The following provides a summary of FTA’s process for evaluating the local financial commitment of proposed New Starts projects.

III.A Financial Rating

FTA assigns a summary finance rating of *High, Medium-High, Medium, Medium-Low* or *Low* to each project following consideration of individual ratings applied to the following measures for local financial commitment:

1. **Share of non-New Starts funding;**
2. Stability and reliability of the proposed project’s **capital funding plan**, including the following factors:
 - Current capital condition;
 - Completeness of plan;
 - Commitment of capital funds;
 - Capital funding capacity; and
 - Reasonable capital planning assumptions and cost estimates.
3. Stability and reliability of the proposed project’s **operating funding plan**, including the following factors:
 - Current operating financial condition;
 - Completeness of operating plan;
 - Commitment of operations and maintenance (O&M) funds;
 - O&M funding capacity; and
 - Operations planning assumptions and cost estimates.

These ratings are based on an analysis of the Section 5309 New Starts Criteria and documentation submitted to FTA by local agencies. FTA’s evaluation takes into account the stage of project development, particularly when considering the stability and reliability of the capital and operating finance plans. Expectations for firm commitments of non-Federal funding sources become increasingly higher as projects progress further through development (preliminary engineering, followed by final design), and are rated accordingly.

The summary finance rating considers the non-Section 5309 New Starts share of project capital costs. The following ratings are assigned to the New Starts share of project costs:

- >60 percent = *Low* rating
- 50-60 percent = *Medium* rating
- 35-49 percent = *Medium-High* rating
- < 35 percent = *High* rating

In addition, FTA rates the capital and operating plan for each factor according to the standards defined in Tables III-1 and III-2 on the following pages.

Additional detail on FTA's process for rating local financial commitment is contained in its *Guidelines and Standards for Assessing Local Financial Commitment*. However, it should be noted that those guidelines do not reflect the way that FTA treated the non-Section 5309 New Starts share of the project in FY2007. Based on language in SAFETEA-LU, where there is any inconsistency between those guidelines and this appendix, the practices spelled out in this appendix supersedes those guidelines.

Numerical ratings from 1 to 5 (*Low* to *High*) are assigned to each of the factors reflecting each measure; these factors are weighted equally within each measure, then averaged and combined into ratings for each measure. Once measure-specific ratings have been determined, FTA weighs the proposed non-New Starts share as 20 percent of the summary financial rating; the strength and reliability of the capital plan counts as 50 percent of the rating; and the strength and reliability of the operating plan accounts for 30 percent of the rating. These ratings are combined and converted by FTA into a summary financial rating of *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low*.

Failure to submit either a capital or operating financial plan for evaluation will result in a *Low* rating for finance.

Table III-1 Capital Plan Rating Standards

	Reasonable Capital Planning Assumptions	Capital Funding Capacity	Commitment Of Capital Funds	Completeness	Current Capital Condition
High (5)	Financial plan contains very conservative capital planning assumptions and cost estimates when compared with recent historical experience.	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.	For final design - 100% of Non-Section 5309 New Starts Funds are committed or budgeted. For PE - Over 50% of Non-Section 5309 New Starts Funds are committed or budgeted. The remaining funds are planned.	Capital plan includes: - 20-year cash flow - All assumptions are clearly explained - High level of detail - Fleet Management Plan - Extensive Sensitivity analysis - More than 5 years of historical data	- 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) or better
Medium-High (4)	Financial plan contains conservative capital planning assumptions and cost estimates when compared with recent historical experience.	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.	For final design - Over 75% of Non-Section 5309 New Starts Funds are committed or budgeted. For PE - Over 25% of Non-Section 5309 New Starts Funds are committed or budgeted. The remaining funds are planned.	Capital plan is complete, i.e. it includes: - 20-year cash flow - Key assumptions - Moderate level of detail - Fleet Management Plan - Sensitivity Analysis - More than 5 years of historical data	- 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
Medium (3)	Financial plan contains capital planning assumptions and cost estimates that are in line with historical experience.	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. For PE - The applicant has a reasonable plan to cover cost increases or funding shortfalls equal to at least 25% of project	For final design - Over 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.	Capital plan is complete, i.e. it includes: - 20-year cash flow - Key assumptions - Missing some explanatory details - Fleet Management Plan - 5 years historical data	- 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
Medium-low (2)	Financial plan contains optimistic capital planning assumptions and cost estimates.	The applicant has a reasonable plan to cover only minor (under 10%) cost increases or funding shortfalls. For PE - The applicant has a reasonable plan to cover cost increases or funding shortfalls equal to at least 10% of estimated project costs.	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.	Capital plan is partially complete, i.e. it includes: - 20-year cash flow - Missing other items of supporting documentation (i.e. fleet management plan, key assumptions, historical data)	- 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
Low (1)	Financial plan contains capital planning assumptions and cost estimates that are far more optimistic than recent history suggests.	The applicant has no reasonable plan to cover cost increases or funding shortfalls.	For final design - Under 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.	Capital plan is incomplete. Missing some key components, including the 20-year cash flow.	- 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

Table III-2 Operating Plan Rating Standards

	Operating Planning Assumptions	O&M Funding Capacity	Commitment of O&M Funds	Completeness	Current Operating Financial Condition
High (5)	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are very conservative relative to historical experience.	- Projected cash balances, reserve accounts or access to line of credit exceeding 50 percent (6 months) of annual operating expenses.	For final design - 100% of the funds needed to operate and maintain the proposed transit project are committed or budgeted. 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.	Operating plan includes: - More than 5 years of historical data - 20-year cash flow - Key assumptions identified - Extensive level of detail - Extensive Sensitivity Analysis	- Historical and actual positive cash flow. No cash flow shortfalls. - Current operating ratio exceeding 2.0 - No service cutbacks in recent years.
Medium-High (4)	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are conservative relative to historical experience.	- Projected cash balances, reserve accounts or access to line of credit exceeding 25 percent (3 months) of annual operating expenses.	For final design - Over 75% of the funds needed to operate and maintain the proposed transit project are committed or budgeted. 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.	Operating plan is complete, including: - More than 5 years of historical data - 20-year cash flow - Key assumptions identified - Moderate level of detail - Sensitivity Analysis	- Historical and actual balanced budgets. Any annual cash flow shortfalls paid from cash reserves or other committed sources. - Current operating ratio is at least 1.5 - No service cutbacks in recent years.
Medium (3)	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are consistent with historical experience.	- Projected cash balances, reserve accounts or access to line of credit exceeding 12 percent (1.5 months) of annual operating expenses.	For final design - Over 50% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. For PE - While no additional O&M funding has been committed, a reasonable plan to secure funding commitments has been presented.	Operating plan is complete, including: - 20-year cash flow - 5 years of historical data - Key assumptions identified - Missing some explanatory detail	- Historical and actual 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
Medium-low (2)	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are optimistic relative to historical experience.	- Projected cash balances, reserve accounts or access to line of credit are less than 8 percent (1 month) of annual operating expenses.	For final design - Sponsor has identified reasonable potential funding sources, but has received less than 50% commitments to fund transit operations and maintenance. For PE - Sponsor does not have a reasonable plan to secure O&M funding. No unspecified sources.	Operating plan is missing no key components, i.e.: - 3 years or less of historical data - 20-year cash flow - Missing key assumptions	- Historical and actual cash flow show several years of revenue shortfalls. Any annual cash flow shortfalls paid from short-term borrowing. - Current operating ratio is at least 1.0 - Major Service cutbacks in recent years
Low (1)	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are far more optimistic than historical experience suggests is reasonable.	- Projected cash balances are insufficient to maintain balanced budgets.	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. For PE - Sponsor has not identified any reasonable funding sources for the operation and maintenance of the proposed project.	Operating plan is missing some key components, i.e.: - No cash flow - No historical data	- Historical and actual cash flow show several years of revenue shortfalls, or historical information not provided. - Current operating ratio is less than 1.0 - Major Service cutbacks in recent years

III.B Financial Rating Decision Rule

In addition to the non-Section 5309 New Starts share, capital and operating financial rating considerations and weights described above, FTA uses the following decision rules to calculate the overall financial rating.

- If the New Starts share, which accounts for 20% of the financial rating, brings the overall financial rating to less than *Medium*, it will be excluded from the overall financial rating calculation. In other words, a New Starts share of less than 80 percent can improve the project's rating but it cannot hurt it. This rule was applied for the first time in FY2007 in order to respond to direction in SAFETEA-LU that we evaluate the percent of New Starts share, as required by Section 5309(d)(4)(B)(v), while ensuring that no project is required to provide more than the required 20 percent match as provided in Section 5309(h)(5). If and how this rule is applied in future years will be subject to the New Starts rulemaking.
- If either of a proposed project's capital or operating finance plan receives a *Medium-Low* or *Low* rating, the summary finance rating for the project cannot be higher than a *Medium-Low*.
- To receive a summary financial rating of *Medium-High*, both the capital and operating funding plan must be rated at least *Medium-High*.

IV. Ratings and Funding Recommendations

Section 5309(d)(1)(B)(ii) directs FTA to consider for full funding grant agreements (FFGA) only those projects which receive a *Medium*, *Medium-High*, or *High* overall project rating. (Note that for the FY 2007 funding recommendations FTA did not use the *Medium-High* overall rating.) FTA notes, however, that project ratings are intended only to reflect the worthiness of each project, not the readiness of a project for an FFGA. A rating of *High* or *Medium* does not translate directly into a funding recommendation in any given fiscal year. Proposed projects that are rated *High* or *Medium*, will be eligible for multi-year funding recommendations in the Administration's proposed budget if other requirements have been met (completion of the Federal environmental review process, demonstrated technical capability to construct and operate the project, development of a firm and final cost estimate and financial plan, etc.) and if funding is available. In addition, notwithstanding their overall project rating, as a general practice the Administration will target its funding recommendations in FY 2007 and beyond to those proposed New Starts projects able to achieve a *Medium* or higher rating for cost effectiveness, unless the project has been exempt from this policy.

When determining annual funding allocations among proposed New Starts, the following general principles are applied:

- Any project recommended for new funding commitments should meet the project justification, finance, and process criteria established by Section 5309(e) and be consistent with Executive Order 12893, "Principles for Federal Infrastructure Investments," issued January 26, 1994.

- Existing FFGA commitments should be honored before any additional funding recommendations are made, to the extent that funds can be obligated for these projects in the coming fiscal year.
- The FFGA defines the terms of the Federal commitment to a specific project, including funding. Upon completion of an FFGA, the Federal funding commitment has been fulfilled. Additional project funding will not be recommended. Any additional costs beyond the scope of the Federal commitment are the responsibility of the grantee.
- Funding for initial planning efforts such as alternatives analysis is provided through grants out of the Section 5303 Metropolitan Planning or Section 5307 Urbanized Area Formula programs or from the newly created Section 5339 Alternatives Analysis program.
- Firm funding commitments, embodied in FFGAs, will not be made until the final design process has progressed to the point where costs, benefits, and impacts are accurately forecasted.
- Funding should be provided to the most worthy projects to allow them to proceed through the process on a reasonable schedule, to the extent that funds can be obligated to such projects in the upcoming fiscal year. The results of the project evaluation process and resulting finance, justification, and overall ratings determine whether particular projects are “worthy.”

Again, FTA emphasizes that project evaluation and rating is an on-going process. As proposed New Starts projects proceed through the project development process, information concerning costs, benefits, and impacts is refined and the ratings may be updated to reflect new information.