

# ***Updated* Interim Guidance and Instructions**

## **Small Starts Provision of the Section 5309 Capital Investment Grants Program**

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## Note on the Updated Interim Guidance

This updated guidance reflects several “lessons learned” gleaned from a) FTA’s work with Small Starts project sponsors over the past several months; and b) the preliminary results of the Government Accountability Office’s recent survey of Small Starts project sponsors. In sum, updates included in this guidance are intended to clarify and simplify - where possible - the determination of Small Starts eligibility, the performance of ridership forecasts for Small Starts, and the reporting (by project sponsors) and evaluation (by FTA) of the Small Starts criteria. Specifically, this update addresses the following items:

- clarification of Small Starts eligibility in transit corridors where certain elements of bus-based Small Starts have already been deployed;
- clarification of FTA’s consideration of alternative travel forecasting procedures and opening year ridership analyses for Small Starts projects;
- implementation of modest changes to the Small Starts evaluation and rating process, as promulgated by FTA’s June 4, 2007, *Final Guidance on New Starts/Small Starts Policies and Procedures*;
- clarification of the need to demonstrate project sponsor technical capacity;
- a revised checklist for the reporting of Small Starts and Very Small Starts information; and
- a revised Appendix A, which presents simplified reporting for the transit supportive land use criteria for Small Starts projects.

In addition, Small Starts-specific templates, which are linked to reduce duplicative data entry, have been developed to ease in the reporting of Small Starts information; these templates are available at FTA’s website at [http://www.fta.dot.gov/planning/newstarts/planning\\_environment\\_222.html](http://www.fta.dot.gov/planning/newstarts/planning_environment_222.html).

Updates to the July 31, 2006, guidance are presented in **bold**. Appendix A has been completely revised and is therefore not in bold.

## 1 Purpose

SAFETEA-LU amended 49 U.S.C. 5309, which authorizes the Federal Transit Administration's (FTA's) capital investment program, to add subsection (e) containing a new capital investment program category for projects requesting Section 5309 Capital Investment Grant funding of less than \$75,000,000 with a total project cost of less than \$250,000,000. That new capital investment program category, referred to as "Small Starts" is to be funded starting in FY 2007.

The "Small Starts" program category resulted from a blending of the Administration's reauthorization proposal and the House and Senate-passed surface transportation authorization bills. Provisions allowing for "Small Starts" were included by the Administration in its proposed reauthorization bill in order to create a simplified process for smaller projects and to extend eligibility to include bus corridor improvements (i.e., "Bus Rapid Transit"). No separate funding category was proposed. Eligibility would have been extended to any bus corridor project which successfully met the justification and financial criteria based on the results of the project development process. The bill which passed the Senate had similar goals to the Administration's bill by expanding eligibility to include bus corridor projects, but had a more detailed eligibility definition and included more specificity on process simplification. As in the Administration's proposal, it did not include a separate category of funding for Small Starts. The Senate provisions were intended to allow smaller cities to compete for Capital Investment funding by providing a simpler process and broader eligibility, including bus rapid transit. In contrast, the House bill provided for a separate funding category and expanded eligibility only to bus corridor projects which operated at least one half in a fixed guideway. A major goal of the House bill was to provide funding for streetcar projects. The provisions included in SAFETEA-LU represent a blend of the provisions and goals from the Administration, House, and Senate bills. Taking this legislative history into account, FTA believes that the Small Starts funding category is intended to provide for a simplified process commensurate with the smaller scale of eligible projects. Further, the Small Starts category is intended to fund a wide range of modal alternatives, including bus rapid transit, streetcar, commuter rail, and other fixed guideway projects.

FTA is in the process of undertaking a rulemaking, as required by SAFETEA-LU, but the current schedule for completing the "Final Rule for Capital Investment Grants" is Summer 2008. Therefore, as an initial step, FTA is issuing interim guidance and reporting instructions to allow projects into project development as well as for evaluating and rating projects as part of the *Annual Report on Funding Recommendations* and making funding recommendations until the Final Rule is in effect.

Like all transit capital investments, FTA intends to seek out those projects that address significant transportation problems or opportunities and provide significant mobility and economic development benefits in a cost-effective manner. And as congestion is one of the Nation's most daunting transportation challenges, FTA will facilitate meritorious projects that are a significant element of a congestion reduction strategy, in general, and a pricing strategy, in particular. This guidance further reflects FTA's intent to minimize changes to established New Starts processes, *except* where it provides for streamlining these processes in the spirit of SAFETEA-LU until any such changes are the subject of the aforementioned rulemaking.

In sum, this interim guidance provides sponsors of potential Small Starts projects with the information required to apply for funding for their projects before the Final Rule for Capital Investment Grants projects becomes effective. It also describes the process that FTA will use to evaluate proposed Small Starts projects to support the decision to approve or disapprove those projects into project development and to support decisions on Project Construction Grant Agreements. The guidance also defines “Very Small Starts” projects and explains how these projects will be evaluated and rated.

This interim guidance does not address how the FTA will make its funding decision nor does it address the division of funding between Small Starts and Very Small Starts. Like all projects in the Section 5309 Capital Investment Grant program, the evaluation and rating process for Small Starts is separate and distinct from the decision to recommend a project for funding. That decision is driven by a number of factors, including the “readiness” of projects for capital funding, geographic equity, the amount of available funds versus the number and size of the projects in the pipeline, and the project’s overall rating. As with the New Starts program, funding for Small Starts projects is subject to the availability of appropriations.

FTA further notes that SAFETEA-LU addressed the issue of the current exemption from the New Starts rating and evaluation process for projects requesting less than \$25 million in New Starts funds. These projects will remain exempt until the Final Rule becomes effective. At that point, all exempt projects will need to be evaluated as Small Starts projects. Since a project cannot always predict how long it may take to move through the pipeline, projects that are currently exempt may choose to remain exempt until the Final Rule becomes effective and hope that they will be in construction by that time, or they may choose to be evaluated and rated according to the procedures described in this interim guidance to ensure that they are eligible under the Small Starts criteria. Earmarks for exempt projects will come from the Small Starts portion of the Section 5309 Capital Investment Grants budget.

## **2 Eligibility**

Small Starts projects are defined as projects requesting under \$75 million in Section 5309 Capital Investment Grant funding with a total cost of less than \$250 million, both in year of expenditure dollars. FTA has scaled the planning and project development analysis to the size and complexity of the proposed projects. To this end, FTA has defined a class of projects that are very simple, low-cost and demonstrably effective called Very Small Starts projects within the Small Starts Program. Very Small Starts will qualify for an even simpler and expedited evaluation and rating process as described in Section 4.

As described in Section 4, Small Starts projects that do not meet the criteria for Very Small Starts will be evaluated and rated in a similar but much simpler manner as traditional New Starts projects, that is, only against the evaluation criteria that coincide with the criteria specified in Section 5309 (e) and based on information for the opening year of the project. Any public body is eligible to apply for Small Starts funds, as long as it has the legal, technical and financial capacity to carry out the project. If the applicant is not expected to be the operator of the project, the applicant must demonstrate how the project will be operated and maintained and provide an executed agreement before a Project Construction Grant Agreement can be finalized.

## 2.1 Small Starts

In addition to the cost and funding limits specified above, a Small Starts project must either (a) meet the definition of a fixed guideway for at least 50 percent of the project length in the peak period<sup>1</sup>, (b) be a **new** fixed guideway project, or (c) be **new** corridor-based bus project with **all of** the following minimum elements:

- Substantial transit stations,
- Traffic signal priority/pre-emption, to the extent, if any, that there are traffic signals on the corridor,
- Low-floor vehicles or level boarding,
- Branding of the proposed service, and
- 10 minute peak/15 minute off peak headways or better while operating at least 14 hours per weekday.

These elements have been identified because experience shows that they represent key features which contribute to transportation and economic development benefits. Further, research has shown that the service frequencies represent the maximum wait times for which passengers are likely to arrive randomly rather than having to consult schedules.

**Only projects which feature all of these elements are eligible for Small Starts funding. Projects proposed in corridors with any pre-existing elements are not eligible for Small Starts funding, but would be eligible under FTA's formula capital and discretionary bus programs.**

## 2.2 Very Small Starts

Very Small Starts projects are simple, low-risk projects that, based on their characteristics and the context in which they are proposed to operate, qualify for a highly simplified project evaluation and rating process. Small Starts projects that qualify as Very Small Starts are bus, rail, or ferry projects that possess the general elements described above, but which include other attributes which distinguish them from Small Starts. Very Small Starts must include the following features:

- Substantial transit stations,
- Traffic signal priority/pre-emption, to the extent, if any, that there are traffic signals on the corridor,
- Low-floor vehicles or level boarding,
- Branding of the proposed service,
- 10 minute peak/15 minute off peak headways or better while operating at least 14 hours per weekday (not required for commuter rail or ferries),
- Are in corridors with existing riders who will benefit from the proposed project that exceed 3,000 per average weekday, and

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<sup>1</sup> The fixed-guideway portion need not be contiguous, but should be located to result in faster and more reliable running times.

- Have a total capital cost less than \$50 million (including all project elements) and less than \$3 million per mile, exclusive of rolling stock.

If a project does not meet all of these criteria, it will be evaluated as a Small Starts project. **As noted above, projects proposed in corridors with any pre-existing elements are not eligible for Small Starts funding, but would be eligible under FTA's formula capital and discretionary bus programs.**

### **2.3 Subdividing Small Starts**

Projects that would otherwise qualify for funding as a New Starts project may not be subdivided into several Small Starts projects. Projects may be built in phases or a series of minimum operable segments, but all potential Small Starts projects envisioned for a single corridor will be evaluated together as a single project. If the combined cost or total requested funding amount, both expressed in year-of-expenditure dollars, is over the Small Starts limits, the projects will be evaluated as traditional New Starts projects. The same principle applies to Very Small Starts. All phases of a proposed project in a single corridor must meet the eligibility criteria for a Very Small Start when evaluated as a single project.

### **2.4 Submission Requirements to Prove Eligibility**

To prove that the proposed project qualifies as a Small Starts project based on project costs, sponsors shall submit a detailed cost estimate using FTA's Standardized Cost Categories. Further, project sponsors must document the funding strategy for the project, specifying the dollar amount and percent of Small Starts funds requested and the sources of the proposed non-Small Starts funds to demonstrate eligibility under the Small Starts share criterion. Project sponsors may request up to 80 percent of the net project cost in Small Starts funds, up to \$75 million, but, because of the competitive nature of the program, are encouraged to request the smallest amount necessary to complete the project. This does not preclude the grantee from applying Federal funds, other than Small Starts funds, to the project.

To prove the proposed project qualifies as a Very Small Starts, project sponsors shall submit:

- A detailed definition of the locally preferred alternative, describing the project elements demonstrating eligibility under this section;
- Documentation demonstrating that existing transit riders in the project corridor that will demonstrably benefit from the proposed Small Starts project exceed 3,000 per average weekday. This documentation will include the following:
  1. Raw data on transit vehicle loadings in the corridor based on ride checks of on's and off's for existing services for 3 days of typical ridership and service
  2. Description of the methods used to count riders in the corridor
  3. Grantee verification of reliable data collection practices
- A transit operating plan that documents the transit services to be impacted by the proposed Very Small Starts project. The operating plan should document the number of existing riders on each affected bus or rail line whose passengers will directly benefit from the

proposed Small Starts project. The operating plan must demonstrate the manner in which existing riders will benefit in terms of reduced travel time, added frequency, or improved passenger amenities.

### **3 Small Starts Planning Requirements**

As required by SAFETEA-LU, Small Starts projects must be the result of planning and alternatives analysis. The following sections describe the general requirements for an alternatives analysis appropriate to projects that are seeking funding as a Small Start to support decisions on entry into project development and to support eligibility for a Project Construction Grant Agreement.

#### **3.1 Alternatives Analysis**

While larger projects require that a number of alternatives be considered in an alternatives analysis to assess the numerous tradeoffs in costs, benefits, and impacts, the consideration of Small Starts often implies that fewer useful alternatives exist and in some cases, there may only be two alternatives, one representing the Small Start and the other today's service levels. Nevertheless, the number of alternatives considered must continue to meet the environmental requirements, good planning practices, and proper identification of project costs and benefits for funding recommendations.

In addition, SAFETEA-LU states that the results of planning and alternatives analysis (AA) will be analyzed and considered when evaluating proposed Small Starts projects. Therefore, the alternatives analysis report should address the evaluation and rating criteria specified in this guidance that FTA will use to support a decision regarding entry into project development.

Given its limited staff resources, FTA does not expect to participate in Small Starts alternatives analysis studies to the extent that it desires to be involved in more complex New Starts planning efforts. However, FTA Regional Office and Office of Planning and Environment staff are always available to answer questions on both the technical and procedural aspects of AA studies. Moreover, Small Starts study sponsors are encouraged to submit to FTA key study deliverables such as ridership forecasts and capital costs as they are developed – and before formally requesting entry into project development – to ensure the acceptability of this information to support FTA's evaluation and rating of proposed projects.

##### **3.1.1 Small Starts**

FTA envisions that a simplified AA process will be possible for all Small Starts projects as long as one of the alternatives is not a potential New Starts project requesting Section 5309 Capital Investment Grant funds over \$75 million or with a total cost over \$250 million. Projects that cannot qualify as a Very Small Starts project should follow FTA's current guidance on alternatives analysis and proceed through planning; see the [New Starts Project Planning and Development page](#) on FTA's website for this guidance. This guidance is flexible enough to take into account the size and nature of the proposed capital investment. As noted previously, the nature of Small Starts investments may lend themselves to an evaluation of a more narrow range of alternatives. Furthermore, less complex analytical methods may be appropriate for estimating project costs, benefits, and impacts. FTA Office of Planning and Environment staff should be

consulted with any questions on an appropriate level of analysis to support the planning and development of Small Starts projects.

### **3.1.2 Very Small Starts**

Projects that are Very Small Starts may utilize a very simple project definition-based AA process. The key elements of the highly simplified alternatives analysis report are:

- A clear description and assessment of the transportation problem or opportunity to improve transportation service in the corridor;
- A clear description of the project designed to solve the problem or take advantage of the opportunity to improve transit service in the corridor. This section should include a clearly defined scope, list of project elements, their associated costs and expected effect on transit service in the corridor;
- A comparison of the Very Small Start to conditions today; including an assessment of the effectiveness of the proposed project in solving the problem or taking advantage of the opportunity in the corridor;
- A determination of whether or not the project sponsor can afford the capital and operating costs of the alternatives;
- A well supported explanation for the choice of a proposed project that includes an analysis of the likelihood of the proposed project to achieve the project goals and any uncertainties associated with achieving the project goals; and
- A plan for implementing and operating the proposed project that addresses the project sponsor's technical capability to build, operate and maintain the proposed project.

The above description of an AA for Very Small Starts applies only if FTA has determined that the project qualifies as a NEPA categorical exclusion. (See [23 CFR 771.117](#).) If the project will require an Environmental Assessment (EA) or an Environmental Impact Statement (EIS), and the AA is not being combined with the NEPA document, then the requirements of the FHWA/FTA guidance on [Linking Planning and NEPA](#) would apply in order for the AA to have standing in the subsequent NEPA document. If the project is not a categorical exclusion and the AA is being combined with the EIS or EA, then the NEPA requirements of the EIS or EA (whichever FTA has determined appropriate) would also apply, in addition to the AA requirements listed above.

## **3.2 Small Starts Baseline Alternative**

The measures of mobility that support project justification are based on a comparison between the proposed Small Starts project and a baseline alternative. FTA will approve the baseline alternative to be used in the evaluation of Small Starts before the project is allowed to enter into project development.

### **3.2.1 Small Starts**

Small Starts projects and fixed guideway Very Small Starts projects will in most cases define a transportation system management (TSM) alternative to use as the baseline. The TSM alternative will generally have the features and costs similar to a Very Small Starts arterial bus project. In general, the baseline alternative for Small Starts projects will be defined to address

the problem or opportunity in the corridor using low-cost non-fixed guideway improvements, while providing for comparable levels of service to the proposed Small Start.

### **3.2.2 Very Small Starts**

Very Small Starts Projects that do not involve constructing a new fixed guideway, and are composed of pre-approved low-cost elements, will use the future no-build alternative as the baseline alternative. The future no-build is defined as the continuation of existing transit service policies in the study area to the forecast year. Very Small Starts projects that include a fixed guideway will follow the Small Starts baseline guidance above.

### **3.3 Travel Forecasting for Small Starts**

**For some Small Starts projects such as downtown circulators or other proposed fixed guideway or corridor-based bus improvements that serve markets which are not typically well captured by regional travel demand models, the application of alternative tools and methods for estimating transportation benefits may be desirable. In addition, where enhanced bus service is proposed in corridors already served by transit, and where good data exists on existing ridership patterns and travel speeds in those corridors, “elasticity” or “pivot-point” analysis may be sufficient to estimate the transportation benefits of such projects. FTA is open to alternative travel forecasting approaches for Small Starts projects and invites sponsors to discuss such techniques with technical staff from the FTA Office of Planning and Environment.**

**In addition, sponsors of Small Starts projects should discuss with FTA the appropriate year of travel demand forecasting and impact analysis to be carried in alternatives analysis studies and any required documentation required by NEPA. SAFETEA-LU requires that the cost effectiveness of Small Starts projects be estimated using an opening year ridership forecast. As many Small Starts projects would not be expected to result in significant long-term environmental impacts, limiting ridership (and ridership-induced impacts) analyses to an opening year forecast in subsequent NEPA documents may be sufficient, thus abrogating a commonly perceived inconsistency between SAFETEA-LU and NEPA. FTA is developing guidance on the conditions under which an opening year travel forecast would be sufficient for NEPA, and expects to issue it shortly.**

## **4 Evaluation Criteria and Measures**

FTA’s objectives for all project evaluation efforts are that: (1) the evaluation measures are accurate indicators of the performance of proposed projects, (2) the measures are readily computed by project sponsors, (3) the measures are transit-mode-neutral, and (4) the measures are free of inherent biases that would distort the level playing field that is essential to FTA’s management of the New and Small Starts pipeline. Further, FTA hopes to ensure that the evaluation of proposed projects is sensitive to their scale and complexity.

Until the issuance of the final rule, the Small Starts evaluation framework and measures will be consistent with the framework established for evaluating New Starts, with the exception that fewer measures are required and their development is simplified. Specifically, FTA’s evaluation and rating process for Small Starts will diverge from traditional New Starts in several important ways. First, project cost effectiveness will be rated based on a shorter time frame, i.e. opening

year, and less data, as presented below and in Section 7. Second, other technically acceptable ridership forecasting procedures, besides traditional “four-step” travel demand models, will be allowed with FTA concurrence. Third, while FTA intends to use the same cost-effectiveness breakpoints that are applied to all New Starts projects, the opening estimate of year user benefits will be adjusted upward, using a nationally estimated 20-year growth forecast, to account for the additional user benefits that are expected to accrue from the project over a 20-year period. The factor used in this adjustment will be 1.5; meaning user benefits will be increased by 50 percent. Without this adjustment, Small Starts projects would be held to a higher standard since the breakpoints were originally calculated assuming a 20-year forecast. Fourth, FTA has developed simplified financial and land use reporting requirements for Small Starts. Information for FTA’s evaluation of local financial commitment is presented below, while Appendix A of this guidance describes the land-use submission requirements that will apply to Small Starts projects.

Fifth, SAFETEA-LU requires that FTA consider economic development and the reliability of cost and ridership forecasts in its evaluation of proposed New Starts projects. The measures for these criteria and how they will be used by FTA in its evaluation of Small Starts projects is the subject of formal rulemaking. Until issuance of the Final Rule, FTA will implement the statutory requirement in SAFETEA-LU to consider economic development by evaluating this criterion as an “Other Factor” as provided for by Section 5309(d)(3)(D) of SAFETEA-LU. This in no way diminishes the importance of economic development as a rating factor. Project sponsors are strongly encouraged to submit, in as much detail as possible, any documentation that supports the finding that the proposed project will result in economic development benefits. This documentation should be focused on evidence showing that proposed development is directly related to the Small Starts project and would not occur without the Small Start being built. FTA will evaluate and rate this factor and consider economic development in the project justification rating. In addition, FTA will continue to qualitatively report on the reliability of cost and ridership forecasts for specific projects in the *Annual Report on Funding Recommendations* and correspondence with Small Starts project sponsors.

**Effective June 4, 2007, with the issuance of FTA’s [Final Guidance on New Starts/Small Starts Policies and Procedures](#), Small Starts projects must also submit, for consideration as an “Other Factor” a “Making the Case” document. While the document itself is not a new requirement, its formal evaluation as an “Other Factor” is a new feature of the New and Small Starts evaluation process. Finally, if a Small Starts project is proposed as a significant element of a comprehensive congestion reduction strategy in general, and pricing, in particular, this information should also be reported to FTA as an “Other Factor.” Inclusion of this information as an “Other Factor” will result in a project’s rating being increased.**

With respect to Very Small Starts projects, as described below there is an even more simplified submittal for information to support an evaluation under the existing framework.

## **4.1 Project Justification**

### **4.1.1 Small Starts**

As mentioned above, Small Starts projects that are not Very Small Starts projects will be evaluated and rated according to the criteria established in law using a framework similar to

traditional New Starts projects. In other words, Small Starts projects will have a separate rating for Project Justification, which will include land use, cost effectiveness, and other factors (including economic development). As noted, cost effectiveness must be estimated and reported for the opening year of service, but the number of user benefits used in the calculation will be increased by a factor of 1.5, reflecting a national 20-year growth assumption. Project sponsors should use the Annualized Cost Worksheets for the Small Starts build and baseline alternatives contained in FTA's Standard Cost Categories **and the new Cost Effectiveness for Small Starts Template (see Section 5.1 below)** for calculating project cost effectiveness; these resources are available on the FTA website for *New Starts Project Planning and Development* at [http://www.fta.dot.gov/planning/newstarts/planning\\_environment\\_222.html](http://www.fta.dot.gov/planning/newstarts/planning_environment_222.html).

FTA uses three primary rating categories in its evaluation of the transit supportive land use which supports candidate New Starts. These categories reflect the desire to clearly distinguish among three primary aspects of land use: 1) existing land use patterns; 2) transit supportive plans and policies; and 3) the performance and impacts of these policies. For Small Starts, the same categories will be utilized. However, several factors which are included under each category have been either streamlined or eliminated, and the reporting of both qualitative and quantitative data by project sponsors has been reduced. Appendix A of this guidance presents simplified land use reporting instructions for Small Starts (which are not Very Small Starts).

Finally, and as noted previously, FTA encourages candidate Small Starts projects to report on the anticipated economic development impacts of their proposed transit investments. In this interim period until issuance of a Final Rule, FTA is not prescribing any specific measures or format for the reporting of this information. Rather, FTA seeks well-reasoned, strongly-justified, and verifiable qualitative and quantitative explanations of the expected economic development benefits and outcomes of the proposed Small Starts project. Care should be taken to distinguish the economic benefits of the project from other local factors and conditions which may contribute to favorable economic development.

#### **4.1.2 Very Small Starts**

The interim procedures used for Very Small Starts will be very simple and streamlined compared to both traditional New Starts *and* other Small Starts projects. FTA believes that meritorious transit projects provide transportation benefits commensurate with the cost required to achieve them, increase mobility for existing and new transit riders, support transit oriented land-use, and promote economic development. For Very Small Starts, project effectiveness will be proven simply by qualifying as a Very Small Starts project. FTA, using a variety of existing projects, developed the criteria for Very Small Starts projects in such a way that such projects are “warranted” as being effective and cost-effective at producing significant mobility benefits and supporting land use and economic development *by their very nature*. More specifically, FTA has identified required elements for Very Small Starts projects (see Section 2.2) ensuring that they produce significant transportation benefits at a very low cost. FTA has already determined that such projects are cost-effective so no further analysis is required and each project will receive a “medium” rating for cost-effectiveness.

In addition, FTA considers projects in corridors that meet the minimum existing ridership threshold, noted in Section 2.2, to be in corridors with transit supportive land use appropriate to

the proposed level of investment. Because Very Small Starts projects will demonstrably provide more accessibility to corridors with transit supportive land uses, the projects will provide land use/economic development benefits commensurate with their costs. Therefore, the land use ratings for “warranted” projects will automatically be “medium.”

## **4.2 Local Financial Commitment**

For all Small Starts – including Very Small Starts - FTA will evaluate the financial capability of the project sponsor to construct and operate the proposed investments. However, due to the small scale and relative simplicity of these projects, FTA will streamline the financial evaluation significantly.

If the project sponsor can demonstrate the following, the project will receive a “medium” financial rating:

- A reasonable plan to secure funding for the local share of capital costs or sufficient available funds for the local share (all non-New Starts funding must be committed before receiving a Project Construction Grant Agreement);
- The additional operating and maintenance cost to the agency of the proposed Small Starts project is less than 5 percent of the agency’s operating budget; and
- The agency is in reasonably good financial condition.

To prove these conditions, the project sponsor shall submit:

- The Small Starts Project Finance Worksheet, available at [http://www.fta.dot.gov/planning/newstarts/planning\\_environment\\_222.html](http://www.fta.dot.gov/planning/newstarts/planning_environment_222.html);
- A detailed plan to secure funding for the local share of project costs which includes the sources, amount, and steps needed to secure funding commitments;
- A detailed operating and maintenance cost estimate;
- The current agency budget documenting that the project’s O&M costs would constitute no greater than 5 percent of systemwide O&M costs; and
- Three years of audited financial statements documenting the financial health of the transit agency.

**Moreover, effective June 4, 2007, and in accordance with FTA’s [Final Guidance on New Starts/Small Starts Policies and Procedures](#), Small Starts and Very Small Starts projects which can prove these conditions *and* which propose a Small Starts share of no greater than 50 percent of total project costs may boost their financial rating to “high.”**

If a sponsor for a Small Starts project does not have all of the relevant information to prove these conditions, then the project sponsor will need to develop and submit a financial plan consistent with [FTA’s June 2000 Guidance for Transit Financial Plans](#), but only covering the period up to and including the opening year. The financial plan will be evaluated and rated based on 1) the New Starts funding share, 2) the strength of the capital funding plan, and 3) the strength of the operating funding plan. The plan will be rated based on the framework outlined in the [FY 2009 New Starts and Small Starts Evaluation and Rating Process](#).

## 5 Entry into Project Development

### 5.1 Small Starts

In the Small Starts program, all preliminary engineering and final design work is combined into one phase, referred to as “Project Development.” In general, Small Starts projects that cannot qualify as Very Small Starts must demonstrate the same “readiness” (i.e. completion of an alternatives analysis study, selection of a locally preferred alternative from that study and its adoption in the region’s constrained long range plan, development of a project management plan, etc.) and prepare and submit the same information for evaluation and rating as traditional New Starts projects entering preliminary engineering with the following key differences:

- FTA’s cost-effectiveness measure and related travel forecasting results will be calculated and reported using the opening year forecast,
- The land use information should be appropriate to the importance of land use to the proposed project’s success,
- The financial plan need only cover the period up to and including the opening year, and
- Project sponsors are not required to submit information on mobility improvements.

**To aid in the reporting of information for FTA evaluation and rating, FTA has developed Small Starts-specific templates, which are available at [http://www.fta.dot.gov/planning/newstarts/planning\\_environment\\_222.html](http://www.fta.dot.gov/planning/newstarts/planning_environment_222.html). These templates include the following:**

- **Project Description Template**
- **Travel Forecast Template**
- **Cost Effectiveness for Small Starts Template**
- **Quantitative Land Use Information for Small Starts Template**
- **Qualitative Land Use Information for Small Starts Template**
- **Finance Template**

**Information which supports the development of these templates and a firm understanding of the project, its costs, and its benefits, is also required. Such information includes project cost information summarized in FTA’s Standard Cost Category format, a “Making the Case” document which describes the benefits of the proposed project and why it is the most appropriate investment for addressing identified problems and/or opportunities in the corridor (Guidance on the “Making the Case” document can be found in the [May 2007 Reporting Instructions for the Section 5309 New Starts Criteria](#)), supporting project and agency financial materials, and evidence that the project has met metropolitan planning, technical capacity, and other requirements. A checklist of information required to be reported for the purpose of Small Starts evaluation is provided in Section 8 of this guidance.**

All Small Starts projects will need to achieve an overall rating of “medium” or better, comprising of a “medium” or better rating for both project justification and local financial commitment as defined in Section 4 of this interim guidance. FTA approval to enter into project development will be subject to any required Congressional notice.

## 5.2 Very Small Starts

For Very Small Starts projects, while the general principles described above apply, even fewer items are required in support of a request for project development. Specifically, of the templates summarized above, Very Small Starts sponsors need only submit the following:

- **Project Description Template**
- **Finance Template**

**Some supporting information is also required. A checklist of information required to be reported for the purpose of the evaluation of Very Small Starts is provided in Section 8 of this guidance.**

## 5.3 Technical Capacity

Given the wide range of the complexity of project scopes (from buses and shelters to fixed guideway systems), capital costs (from a few million dollars to \$250 million), and the experience of sponsors (previous New Starts grantees to non-transportation providers) of proposed Small Starts investments, FTA is not defining specific requirements for the demonstration of project sponsor technical capacity at this time. Typically, preparation of a Project Management Plan, consistent with a) 49 CFR 633, Subpart C and b) applicable sections of FTA's Project and Construction Management Guidelines (available at [http://www.fta.dot.gov/funding/oversight/grants\\_financing\\_3875.html](http://www.fta.dot.gov/funding/oversight/grants_financing_3875.html)) will be the foundation for the development and implementation of any major transit capital investment project. It is suggested that sponsors of candidate projects contact their FTA Regional Office during alternatives analysis to discuss the proposed management of the subsequent project development effort and how the sponsor can best prepare for it.

## 6 FTA Funding Recommendations

FTA may recommend proposed Small Starts/Very Small Starts projects for funding after they have been approved to enter into project development, are “ready” to implement their proposed project and continue to be rated at least “medium” for both project justification and local financial commitment. Projects that meet these conditions may be recommended for funding in the *Annual Report on Funding Recommendations*, subject to funding availability.

As with all New Starts, the rating process is separate from the budget decisions. Projects that achieve a “medium” or better rating for project justification and local financial commitment will be eligible to receive Small Starts funds, but are not guaranteed to receive any funding in the President's Budget.

## 7 Project Construction Grant Agreement

In any instance in which FTA decides to provide financial assistance under Section 5309 for construction of a Small Starts project, including Very Small Starts projects; FTA will negotiate a Project Construction Grant Agreement with the grantee during project development. The terms and conditions of the Project Construction Grant Agreement will include, at a minimum, the following terms:

- The grantee will be required to complete construction of the project, as defined, to the point of initiation of revenue operations, and to absorb out of local or non-Section 5309 Capital Investment Grant funds, any additional costs incurred or necessitated by the project during construction;
- FTA and the grantee will establish a schedule for anticipating Federal contributions during the construction period; and
- Specific annual contributions under the Project Construction Grant Agreement will be subject to the availability of appropriations and the ability of the grantee to use the funds effectively.
- The total amount of Federal funding under Project Construction Grant Agreements and potential funding under Letters of Intent will not exceed the amount authorized for Small Starts under 49 U.S.C. Sec. 5309.

FTA may also make a “contingent commitment,” which is subject to future congressional authorizations and appropriations, pursuant to 49 U.S.C. 5309(g)(B) 5338(c), and 5338(f).

Execution of the Project Construction Grant Agreement will be subject to a 60 day congressional review.

All Small Starts that receive a Project Construction Grant Agreement will be subject to the Before-and-After Study requirement. The Before-and-After Study describes the impact of the project on transit services and ridership and evaluates the consistency of predicted versus actual project characteristics and performance. Small Starts that cannot qualify as Very Small Starts shall follow FTA guidance on the Before-and-After Study requirement for New Starts. For Very Small Starts, the Before-and-After Study will consist of a very simple analysis of the following:

1. A post-construction cost summary in FTA standardized cost categories compared to the cost estimate at the time of entry into project development;
2. A comparison of actual ridership (on’s and off’s) in the corridor provided in the application to enter project development and new counts done two years after opening; and
3. A comparison of transit schedules and frequencies between the transit services in the corridor as it existed at the time of entry into project development and two years after opening.

## 8 Small Starts/Very Small Starts Reporting Checklist

The following checklist is provided to aid project sponsors in preparing applications to enter into project development for Small Starts and Very Small Starts. Specific information and instructions regarding reporting Templates, Standardized Cost Categories, Summit reports, financial plans, etc., are provided in much greater detail in the FTA guidance at its website for [New Starts Project Planning and Development](#).

Reporting Item	Required Information		Small Starts	Very Small Starts
<b>Evidence of Basic Project Readiness</b>				
Alternatives Analysis Report	Final Report			
Selection of the Locally Preferred Alternative and Adoption into Constrained Long Range Plan	Proof of local action			
Agreement on Baseline Alternative	FTA concurrence			
Initial Information for Before and After Study	Ridership and cost inputs and estimates			
NEPA Scoping (as appropriate to the NEPA Class of Action)	Scoping report or memorandum evincing completion			
Evidence of Sponsor Technical Capacity	Preliminary Project Management Plan, and/or other materials			
<b>Project Background</b>				
Project Description	Project Description Template			
Make the Case Document	Narrative, Data, Maps, Graphics			
Certification of Technical Methods and Planning Assumptions	Signed Certification			
<b>Project Maps</b>				
Project Site Map	Map			
Vicinity Map	Map			
<b>Capital Costs</b>				
Standard Cost Categories, including schedule, inflation, and funding	SCC Worksheets			
Annualized Cost Worksheets for Build and Baseline	SCC Worksheets			
<b>Travel Forecasts*</b>				
User Benefits Forecasts	Summit Reports			
Thematic Maps and Legend	Summit Output			
Summary of Travel Forecasts	Travel Forecast Template, Narrative, Data (as necessary)			
<b>O/M Costs</b>				
Summary of O&M Cost Productivities	Narrative, Data			

\* Simplified travel forecasting procedures and results may be acceptable. Sponsors should discuss such procedures with FTA.

Reporting Item	Required Information		Small Starts	Very Small Starts	
<b>Project Justification</b>					
Cost Effectiveness (Opening Year)	Cost Effectiveness for Small Starts Template				
Annualization Factor Justification	Narrative, Data				
<b>Transit Supportive Existing Land Use and Future Patterns</b>					
Quantitative Land Use Information for Small Starts	Quantitative Land Use Information for Small Starts Template				
Qualitative Land Use Information for Small Starts	Qualitative Land Use Information for Small Starts Template, Narrative, Data, Maps				
<b>Other Factors (Optional)</b>					
Evidence of Economic Development, Congestion Pricing, and other project benefits	Narrative, Data, Maps				
<b>Local Financial Commitment**</b>					
Financial Plan Summary	Finance Template				
Evidence of Agency Financial Condition	Audited Financial Statements				
Evidence that Project O/M Costs are Within 5% of Systemwide O/M Costs	O/M Cost Analysis				
Supporting Financial Documentation	Narrative, Plans, Data, etc				

\*\*Assumes Small Starts/Very Small Starts qualify for streamlined financial evaluation. If not, New Starts financial reporting requirements must be met.

## **APPENDIX A:**

# **Transit Supportive Land Use: Reporting for Small Starts Projects**

### **Existing Land Use, Transit Supportive Land Use Policies, and Future Patterns**

FTA gathers and reviews summary information, supporting documentation, and quantitative data prepared by local agencies to assess the existing land use, transit supportive land use policies, and future patterns associated with proposed New Starts projects, including Small Starts projects. This guidance is intended for Small Starts project sponsors to assist in the preparation and submission of the materials that FTA uses to assess and rate a proposed project's transit supportive land use.

FTA uses three primary rating categories in its evaluation of New Starts and Small Starts projects. These rating categories reflect the desire to clearly distinguish among three primary aspects of land use:

- 1. Existing Land Use**
- 2. Transit Supportive Plans and Policies**
- 3. Performance and Impacts of Policies**

As explained in the *Interim Guidance and Instructions*, Very Small Starts projects do not have to report land use information for evaluation.

### **Key Differences in Reporting Requirements Compared to New Starts Requirements**

The three primary categories for evaluating transit-supportive land use – existing land use, plans and policies, and performance and impacts – are the same for Small Starts projects as for standard New Starts projects. The reporting requirements have been simplified, however, to reduce the burden on project sponsors and also to respond to Congressional direction regarding the Small Starts program. Rather than completing the land use reporting template for New Starts projects, which includes narrative text and references supporting documentation for seven land use factors and various associated subfactors, Small Starts project sponsors are simply asked to provide a brief narrative (up to 3 pages each) for each of the three land use rating categories. Provision of supporting documentation is recommended (though not required) as it allows FTA reviewers to make a more informed assessment of the project; however, it should be limited to only the most relevant documentation and should be submitted in the format – electronic or hardcopy – which is most readily available, which should further reduce the reporting burden.

The quantitative data requirements also are reduced compared to the requirements for standard New Starts projects. Only metropolitan area population and employment, central business district (CBD) employment, and total station area population and employment (within a ½ mile buffer of stations) are required. Station area data need not be reported for individual stations.

The inherent nature of Small Starts projects should also reduce the reporting burden compared to standard New Starts projects. For example, the reporting scope for Small Starts projects is likely to be more limited than for New Starts projects. Since Small Starts projects often involve closely-spaced stops within a relatively small project area, it will be sufficient in most cases to provide a description for the project corridor as a whole (1/2 mile buffer around all station areas), rather than for individual station areas. The fact that most Small Starts projects will be contained within a single local jurisdiction also simplifies reporting requirements relative to many New Starts projects.

### **How FTA Evaluates Small Starts Projects**

The criteria by which FTA and its contractors evaluate and rate Small Starts projects are largely similar to the criteria for rating standard New Starts projects. The same qualitative criteria and quantitative benchmarks are used to evaluate factors including existing land use, transit-supportive corridor policies, supportive zoning near transit stations, tools to implement land use policies, performance of land use policies, and potential impact of transit investment on regional land use. These criteria and benchmarks are described in FTA's [\*Guidelines and Standards for Assessing Transit-Supportive Land Use \(May 2004\)\*](#), Tables 4 and 5. There are two primary differences for Small Starts projects, however:

- The “Growth Management” factor (referred to as factor 2A in the *Reporting Instructions for the Section 5309 New Starts Criteria*) has been eliminated, acknowledging the relatively smaller scope and more limited regional influence of Small Starts projects, compared to New Starts projects.
- The “Other Land Use Considerations” factor has been eliminated. In FTA’s experience, land use-related issues reported under this factor can generally be considered appropriately under one or more of the existing land use factors.

In addition, it should be noted that economic development impacts, which can be defined as increases in employment, population, and related factors such as personal income and business sales, are considered an integral part of the land use criterion. In particular, the second and third land use categories – plans and policies, and performance and impacts –directly assess the expected *increase* in station area development as a result of the proposed Small Starts project, which can be viewed as a measure of economic development impacts. Land use plans, policies, and implementation tools include “economic development” plans and tools that are directed at increasing development, jobs, and related economic benefits in the Small Starts corridor. The “performance and impacts” category directly assesses actual examples of development occurring, as well as the potential for additional development to take place, considering market demand as well as planning factors.

### **Reporting Method and Data Sources for Existing Land Use, Transit Supportive Land Use Policies, and Future Patterns**

At the time of its request to enter project development, local agencies will submit qualitative and quantitative land use information and supporting materials to assist in information gathering during the Small Starts review process. FTA has developed land use templates specific to the reporting of such information for Small Starts projects; these templates are available on FTA’s website for New Starts/Small Starts Project Planning and Development at [http://www.fta.dot.gov/planning/newstarts/planning\\_environment\\_222.html](http://www.fta.dot.gov/planning/newstarts/planning_environment_222.html). Local agencies are not expected to generate additional analyses, documents, or quantitative data addressing land use issues in order to satisfy the reporting requirement for the *Existing Land Use, Transit Supportive Land Use Policies, and Future Patterns* criterion. In most instances, agencies will be able to rely on readily available materials that have been prepared in conjunction with other studies and analyses, such as station area planning activities, local comprehensive planning, and economic development initiatives and corridor studies. Local land use planning and economic

development staff also can serve as a knowledgeable resource to provide the requested information.

Information on the *Existing Land Use, Transit Supportive Land Use Plans, and Future Patterns* criterion should be organized as follows:

**Table of Contents:** Local agencies should provide a Table of Contents at the beginning of their submission, summarizing all provided materials.

**Maps:** Project maps should be submitted that clearly indicate the location of the project and all stations, with reference to: 1) the major highway network; 2) other major transit connections; 3) the CBD and other major activity centers; 4) boundaries of local jurisdictions; and 5) boundaries of the project study corridor.

**Summary Information (Qualitative Data):** Project sponsors should submit a summary narrative describing existing land use, land use plans and policies, and evidence on the performance and impacts of plans and policies. This narrative should include three parts:

- **Part 1, Existing Land Use** – A concise narrative (suggested 1 to 2 pages) describing the existing land use context of the project. FTA suggests that the narrative address the general issues noted in Table A-1. It does *not* need to include a detailed, station-by-station description of land use characteristics.
- **Part 2, Plans and Policies** - A concise narrative (suggested 2 to 3 pages) summarizing planning efforts and other tools or actions intended to increase the transit-supportiveness of land use patterns in the proposed station areas. This narrative should reference land use and economic development planning activities and tools completed, underway, or proposed by local jurisdictions, the project sponsor, and/or the regional planning agency. As an alternative to completing a narrative, the project sponsor may choose to provide letters of support from each local jurisdiction in the project corridor describing their transit-supportive land use planning efforts. The narrative or letters of support should address the general questions posed in Table A-1.
- **Part 3, Performance and Impacts** – A concise narrative (1 to 2 pages) providing evidence of the successful application of transit-supportive policies (i.e., existing and/or proposed development and infrastructure projects exhibiting transit-supportive design) as well as local and regional factors supporting development in the proposed corridor. The narrative should address the general questions posed in Table A-1.

**Quantitative Data:** Quantitative data to be reported for Small Starts projects is shown in Table A-2. The objective of gathering this data is to better understand base year information about population and employment associated with the project. These subjects are addressed at the metropolitan, CBD, and station area levels. Appendix A of the *Reporting Instructions for the Section 5309 New Starts Criteria*<sup>2</sup> provides a sample methodology for estimating station area population and employment. FTA requests that sponsoring agencies follow this methodology in

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<sup>2</sup>[http://www.fta.dot.gov/planning/newstarts/planning\\_environment\\_2619.html](http://www.fta.dot.gov/planning/newstarts/planning_environment_2619.html)

order to ensure consistent reporting of quantitative data among New Starts and Small Starts applicants.

FTA recognizes that some agencies may have to collect a modest amount of data to provide the requested quantitative data. Population and employment data for the base year may be obtained from the regional MPO at a traffic analysis zone (TAZ) level, since these data are collected as inputs to travel demand forecasting models. Recent population data at a block group or tract level may also be obtained from the U.S. Census. FTA intends to use the quantitative data to arrive at a more complete understanding of proposed projects and to develop more thorough information about existing population and employment densities. It is hoped that, in cases where agencies have not prepared these data previously, the development of this information will be as useful for agency planning and analysis as it is for FTA's Small Starts project review.

**Supporting Documentation:** FTA recommends that project sponsors provide only enough documentation to support their narrative on existing land use, plans and policies, and performance and impacts in the proposed New Starts corridor. Publicly-accessible resources, such as orthographic imagery using GoogleEarth, are available to FTA and its reviewers, and therefore project sponsors are *not* expected to provide similar materials<sup>3</sup>. Sponsors are strongly encouraged to provide Web links for resources available in that medium, rather than submitting hard copies of reports. Any other information may be provided electronically, although hard copy reports are acceptable if they have not previously been digitized. Agencies should provide only information that is readily available rather than generate new supporting information if it does not exist. In the absence of documentation, FTA and its reviewers may research and rely upon publicly available information to verify the submitted narrative.

Specific examples of useful supporting information include:

- Maps of existing land use
- Maps showing street layout and sidewalk availability in proposed station areas
- Aerial and/or ground-level photographs of station areas
- Other existing documentation (for example, from an EIS, MIS, or station area planning study) illustrating and describing station area land use
- Web links, electronic copies, or hard copies of available planning and policy documents addressing land use in the project corridor and station areas (e.g., local comprehensive or general plans, corridor plans, neighborhood plans, station area plans, institutional master plans, design guidelines)
- Web links, electronic copies, or hard copies of zoning ordinances that apply to the proposed station areas (including base zoning as well as any applicable overlay districts, proposed revisions to zoning ordinances, etc.)
- Market studies assessing the potential for economic development in the Small Starts corridor

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<sup>3</sup> Sponsors may choose to provide marked-up orthographic imagery that identifies station locations, local plan and policy areas, locations of major trip generators, etc. if they have already been prepared, but such documentation is not required.

- Conceptual drawings, master plans, site plans, photographs, Web sites, and/or news articles describing recent and/or proposed development projects in station areas
- Inventories and/or maps summarizing the locations, size, and uses of recent and/or proposed development projects in station areas

**TABLE A-1**

**Qualitative Land Use Information**

<b>1. EXISTING LAND USE</b>
<p>Address the following issues in a 1-2 page narrative:</p> <ul style="list-style-type: none"> <li>• What is the general character of land use in the proposed New Starts station areas (e.g., types of uses, density of development, pedestrian-oriented design features)?</li> <li>• What major trip generators are served that are not reflected in the reported quantitative population and employment data (e.g., professional sports stadiums, colleges and universities, hospitals and medical centers)?</li> <li>• What are typical parking costs and supply (e.g., on-street, off-street lots, structured) in station areas?</li> </ul>
<b>2. TRANSIT SUPPORTIVE PLANS AND POLICIES</b>
<p>Address the following issues in a 2-3 page narrative:</p> <ul style="list-style-type: none"> <li>• What efforts have been undertaken to develop transit-supportive policies for the proposed Small Starts corridor (e.g., local comprehensive plans, subarea plans, economic development plans, transit station area planning activities)? Who is responsible, and what is the timeframe for completion of these efforts?</li> <li>• What are the approximate or typical densities, types of uses, and mix of uses allowed under existing and/or proposed zoning in the proposed Small Starts station areas? How do existing and/or proposed zoning regulations support pedestrian-friendly design? What is the timeline for adopting changes to station-area zoning?</li> <li>• What financial, regulatory, or other tools and incentives are available to promote transit-supportive development in station areas (e.g., tax breaks, low-interest loans, reduced impact fees, expedited development review, assistance with land assembly, infrastructure finance, joint development programs)? Have these tools and incentives been applied in practice?</li> </ul>
<b>3. PERFORMANCE AND IMPACTS OF LAND USE POLICIES</b>
<p>Address the following issues in a 1-2 page narrative:</p> <ul style="list-style-type: none"> <li>• What examples exist of recent or proposed transit-supportive development in the Small Starts station areas, or in other areas served by transit in the jurisdiction?</li> <li>• To what extent do local and regional economic conditions and market trends support development in the corridor?</li> <li>• To what extent is land in the station areas available for development or redevelopment? What barriers exist to redevelopment (e.g., land assembly, contamination, inadequate infrastructure)?</li> </ul>

## TABLE A-2

### Quantitative Land Use Information

Project sponsors should adhere to the following guidelines when reporting quantitative data:

1. Please indicate the specific year for reporting base year estimates.
2. Please report the density of population and employees *per mile* (not per acre).
3. The base year should match what is reported in the Project Description Template.

Data	Base Year 20 __
Metropolitan Area	
Total Population	
Total Employment	
Central Business District <sup>4</sup>	
Total Employment	
All Station Areas (1/2 mile radius)	
Total Population	
Total Employment	
Land Area (indicate sq. mi.)	
Population Density (persons per sq. mi.)	
Employment Density (persons per sq. mi.)	

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<sup>4</sup> If the project does not serve a regional CBD, employment for the largest activity center(s) served by the Small Start project may be reported.