



U.S. Department
of Transportation
**Federal Transit
Administration**

The Deputy Administrator

400 Seventh St., S.W.
Washington, D.C. 20590

January 23, 2006

The Honorable Richard C. Shelby
Chairman, Committee on
Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

I write regarding 49 U.S.C. Sec 5309(e)(11), as added by Section 3011(a) of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This provision directs the Federal Transit Administration (FTA) to submit a report to your committee on the methodology to be used in evaluating the land use and economic development impacts of non-fixed guideway or partial fixed guideway projects funded under 49 U.S.C. Sec. 5309(e) (capital investment grants less than \$75,000,000, commonly called "Small Starts"). Specifically, I want to let you know that FTA is developing an Advance Notice of Proposed Rulemaking (ANPRM) that will address the evaluation and rating process for projects seeking funding from the Small Starts program. We hope to publish this ANPRM in the *Federal Register* in early 2006. This ANPRM will give us an opportunity to receive information, data, and comment from the transit industry before we draft the text of a proposed regulation in the form of a Notice of Proposed Rulemaking, per se.

Historically, as you know, FTA's guiding principles for the Section 5309 New Starts program have been to establish evaluation measures that are accurate indicators of the performance of proposed projects, readily computed by project sponsors, transit-mode-neutral, and free of inherent biases that would distort the level playing field that we strive to maintain for all project sponsors. As we begin to apply these same principles to the Small Starts program, we expect to treat fixed guideway and non-fixed guideway projects identically with respect to the evaluation process to be used for land use and economic development. Specifically, we are developing a framework that will identify the key causal characteristics of a project and its setting that affect economic development and land use, regardless of whether the project includes a fixed guideway.

A particular challenge is the appropriate inclusion of land use in the evaluation. Land use might usefully play a role in two parts of the evaluation framework: as part of the economic development criterion and as part of the risk assessment. Our current evaluation of New Starts projects employs land use measures (current land use, plans and policies, and the track record of those plans and policies) that effectively address the risk perspective. Specifically, the measures seek to evaluate the transit friendliness of the project corridor – both now and in the future – to

indicate the extent to which the proposed project would be implemented in a setting conducive to its success. The proposed evaluation of Small Start projects might employ measures that address the costs and benefits of land use development patterns. Public transportation supportive land use plans and policies may result in compact development patterns that reduce the cost of suburban sprawl, including the cost of local infrastructure. Compact land use development may also have positive impacts on the capacity, utilization, or longevity of other surface transportation assets and facilities and may reduce vehicle miles traveled, energy consumption and air pollutants. Consequently, an appropriate strategy for consideration might be to define “land-use and economic development” as a composite measure of project effectiveness that reflects the costs and benefits of both economic development and the anticipated pattern of land development that might result from the proposed Small Start project.

In the past, it has been difficult to predict development impacts with sufficient reliability for use in the New Starts evaluation. Accordingly, FTA is exploring methods to evaluate the land use and economic development impacts of non-fixed guideway or partial fixed guideway projects to identify appropriate land use and economic development measures. This effort may identify methods for predicting land use and economic development impacts with sufficient reliability for use in the New Starts evaluation. In addition, the “transit-orientation of land-use” could also serve as a measure of risk in both the mobility benefits and the land-use and economic development benefits.

Predicting economic development impacts of transit improvements – particularly the types of improvements anticipated to be funded through the Small Starts program – is a particular challenge. No predictive tools are available in standard practice and development of new tools is infeasible in the short run. Consequently, the best-available measures of likely economic development/land-use benefits may be derived from the circumstances in which the projects would be implemented rather than from forecasts of their specific development impacts. A survey of available research on the development impacts of transit suggests that increased accessibility and permanence of the transit investment are the primary transit-related drivers of development. Those project-related characteristics, plus indicators of the availability of land for development or redevelopment, may provide a workable representation of likely development benefits. Specific measures might be: (1) current land-use conditions; (2) development plans and policies; (3) the economic development climate in the corridor and region; (4) the project-related change in transit accessibility for developable areas in the corridor; and, (5) the economic lifespan of new transit facilities proximate to those developable areas.

Let me emphasize, again, that the concepts set forth in the ANPRM will be thoroughly vetted with the transit industry and other stakeholders through the rulemaking process. We are pleased to keep you informed of our progress on the Small Starts program and would be happy to address any questions you might have.

Identical letters have been sent to the Ranking Member of the Senate Committee on Banking, Housing, and Urban Affairs and the Chairman and Ranking Member of the House Committee on Transportation and Infrastructure.

Sincerely yours,

Sandra K. Bushue
Deputy Administrator