

**Subcommittee on Highways and Transit**  
**Rick Gustafson**  
**Executive Director, Portland Streetcar, Inc.**  
**Portland, Oregon**

Chair DeFazio, distinguished members of the Committee, my name is Rick Gustafson, Executive Director of Portland Streetcar, Inc. PSI is a nonprofit corporation that contracts with the City of Portland to design, build, operate and maintain the Portland Streetcar system.

Portland Streetcar inaugurated modern low floor streetcar service in 2001. We have extended the line three times to reach a 4.0 mile line serving the Central City of Portland. We carry over 3 million riders per year and have been a part of extraordinary urban redevelopment that has occurred in Portland. Since we announced the streetcar, there has been \$2.8 billion of new investment along the corridor with over 7,000 new residential units built. The streetcar operates in mixed traffic and serves a shorter trip than light rail and provides the connections between centers in denser populated areas.

I want to congratulate the Committee on making great progress in the last authorization bill SAFE-TEA LU. The establishment of Small Starts is an important break through for supporting lower cost fixed guideway projects that serve denser areas of our cities and provides quality service for shorter trips.

**Prototype Manufacturer Important Action by the Committee:** Before we discuss the implementation of Small Starts, I want to express my appreciation for including a grant for a US-owned manufacturing company to manufacture a modern low-floor streetcar in the US. I believe streetcars are in a similar place that light rail was in the early 1980's where there were no new systems in the country and Portland, San Diego and Buffalo committed to build theirs. Since then over 2,500 vehicles have been delivered to US cities with an average of 135 vehicles per year over the last 11 years. To date, not one light rail car has been manufactured by a US-owned company. Your help with the prototype grant is a part of making sure we do not repeat the light rail story with streetcars.

**Portland Approved for Project Development:** The Portland region has been an active participant in the development of the Small Starts program when the concept was first introduced to this Committee. The initial year of rule making with FTA was frustrating and discouraging as no progress was made in streamlining or in accommodating the benefits of streetcar. Since September of last year, there has been a significant change in attitude at FTA. In November, FTA contacted TriMet, our regional transit agency, to encourage our application. The Portland region submitted the application for Small Starts funding for the Portland Streetcar Loop Project which extends the existing line 3.3 miles and creates a Central City Loop connecting both sides of our river. The application for the Portland Streetcar Loop Project with an estimated total cost of \$152 million project was submitted on February 9, 2007. FTA notified us of approval on March 20. Congress was notified by FTA on April 16. We received excellent response and support from FTA through this process. April 26, 2007, FTA issued the letter of approval for Project Development for the Portland Streetcar Project. They gave our project an overall rating

of Medium. But in the next paragraph, they destroyed the project by reverting to their previous position that no project with a low cost effectiveness rating can be recommended for funding.

**Cost Effectiveness:** The most discouraging aspect of FTA review is the application of the same Cost Effectiveness measure used for New Starts to the Small Starts program. The FTA measurement tool, known as TSUB, does not account for the benefits that are derived from the streetcar investment. Our Streetcar proposal projects 10,000 average weekday trips, equal to some of the best bus lines in the region. However, streetcar trips are shorter in length and do not result in significant travel time savings compared to similar bus lines. But a streetcar, which links inner-city housing to close by employment and shopping opportunities, facilitates a travel pattern with reduced reliance on autos, and more reliance on walking, and short transit trips. This reduces vehicle miles of travel and vehicle trips – with accompanying environmental, energy and transportation system benefits. FTA’s cost-effectiveness measure is short-sighted and does not include these benefits.

Because the travel time on streetcars is generally the same as a bus, the current FTA cost effectiveness measurement tool guarantees a “low” rating for streetcars. I would urge that the Committee include language in the next authorization that either changes the current cost effectiveness measure to reflect the system benefits from these shorter and foregone trips, or automatically provide streetcars with a pass on cost effectiveness when packaged to serve, create, and enhance high density urban neighborhoods.

In this regard, we were recently very surprised that FTA’s letter approving the Portland Streetcar Loop project requires that the project achieve a ‘medium’ FTA cost-effectiveness measure before being granted funds. This was contrary to earlier communication with FTA, which indicated that a ‘ high ‘ land use score would balance with a ‘low’ in this particular cost-effectiveness score to achieve an overall ‘medium’ rating – the statutory requirement for funding. I question whether Congress intended this one ‘low’ rating to trump all the other criteria in SAFE-TEA LU, land use, economic development, etc., as FTA’s recent letter to us implies.

The Portland Streetcar Loop Project has a \$35 TSUB rating and \$22.49 is the maximum cost per benefit for a medium rating. We made our application with FTA’s encouragement, and full knowledge of our TSUB score. But, because of these changing signals from FTA, we now believe our project is ‘high centered.’

The refusal of FTA to allow other benefits to balance the narrowly defined cost effectiveness criteria is the primary reason that Portland is currently the only applicant for streetcars in the Small Starts process. With clear legislative intent and broad base of interest in streetcar development in our cities, it is inexcusable for FTA now two years later to refuse to follow congressional intent of facilitating smaller fixed guideway projects.

**Economic Development:** The Committee was successful in adding economic development to the criteria for approval of projects. Portland has conducted economic studies of the Central City before and after streetcar was built. Before streetcar offered the higher quality access, developers built at much lower densities preferring townhouses and rowhouses for the in-town living. When the streetcar came to the RiverPlace (downtown development), a new condo tower

is built in response to the higher quality access. Prior to the streetcar, developers averaged 30% of the zoned density for parcels along the streetcar. After announcing the streetcar, the average has been 90% of allowed density has been built along the streetcar line. More important, 53% of all the new development in the Central City since 1997 has been within one-block of the streetcar line. Streetcars can attract higher density and attract development.

**Trip Not Taken:** Streetcars support a much higher density of development. One of the most important benefits to an area is not currently taken into account by the FTA criteria, namely the reduction in vehicle miles traveled. Creating livable mixed use environments that are attractive to residents result in very different travel behavior. A family living in a mixed use environment will satisfy their trip needs by walking 25% of the time they need to travel. The average family in a mixed use environment will travel 9 vehicle miles per day while the same family will travel 21 in a suburban environment with limited transit. The 7,248 new households built in Portland along the streetcar line, if located in the suburbs, would have added 59 million vehicle miles per year to the system. It is possible to calculate trip reduction and congestion relief in this form. And believe me, it is a benefit. It is time we started counting the obvious benefits in managing travel in our cities.

**Exempt Projects:** In SAFE-TEA LU, Congress eliminated the exemption for projects requesting less than \$25 million federal funding. While FTA has developed a Very Small Starts Program, it is written in a way to make it impossible for streetcars to qualify. I would urge that the exemption for Small Starts projects seeking less than \$25 million be restored in the next authorization. Two very successful streetcar projects partially funded by FTA have relied upon the exemption to be implemented: Little Rock which is operating very successfully and Seattle that will open in December of this year. Neither project could have been accomplished without the exemption provision of the law. I know that many cities in the US are evaluating streetcars with numerous ones needing less than \$25 million federal funds. Kenosha, Wisconsin is one example.

**Streetcar Potential is Real:** There are over 80 cities in the country that are conducting streetcar studies. The Small Starts program is a good start for a federal partnership with cities and transit districts that are committed to high quality, mixed use and higher density environments. The Streetcar supports and incents the higher density development that supports livable, sustainable environments. It does it with domestically produced power, and, with your help, we can domestically manufacture the vehicles. To summarize the recommendations:

- 1. Support the establishment of a US owned manufacturer of streetcars.**
- 2. Require cost effectiveness to include all the benefits of transit not just travel time savings.**
- 3. Establish a balance in the criteria with cost effectiveness, land use and economic development.**
- 4. Restore the exemption for fixed guideway projects requiring less than \$25 million.**