

**Committee on Transportation and Infrastructure  
U.S. House of Representatives  
Washington, DC 20515**

*Oversight of the Federal Transit Administration's Implementation of the Capital  
Investment Grant Program  
Hearing – Tuesday, July 16<sup>th</sup>, 2019*

Testimony

Tom Gerend  
Executive Director  
Kansas City Streetcar Authority  
Kansas City, Missouri

Honorable Chairman DeFazio, Ranking Member Graves, members of the committee, and members of our Kansas City regional delegation, good morning.

My name is Tom Gerend and I have the honor of serving as the Executive Director of the Kansas City Streetcar Authority, in Kansas City, Missouri. Today I come before you on behalf of our regional partnership to share a bit about our local history, our experience, and our aspirations and suggestions related to the Capital Investment Grant Program, in the hope these comments prove insightful in your committee deliberations and support our collective efforts to make these programs, and more importantly, the resulting projects, the best they can possibly be.

Our Kansas City story is likely not unique, it is one built on a history of regional collaboration and strong and productive local and federal partnerships. Thanks to great work by our friends at the City of Kansas City Missouri, Mayor James and City Council, our Streetcar Authority Board of Directors, and the Kansas City Area Transportation Authority, we have ignited a transit renaissance that is now reshaping and reconnecting our city and our region like never before.

Why is this important to Kansas City? This is incredibly important to us because we believe there is no more impactful way of connecting people to opportunity and building a livable, sustainable, and prosperous city for the next 50 years than through coordinated and well executed public transit investments. Our KC Streetcar starter line which opened in 2016 is an example of this impact. In three short years of operation, the \$100m investment has produced more than \$3B in economic activity, a 30 to 1 return on our investment, has attracted 30% more of our city residents to public transportation,

and with over 6 million trips to-date has redefined how residents, visitors and employees experience and move around our City. Perhaps most significantly, the unique model was built upon a revenue capture district, and this district surrounding our streetcar route has seen sales tax revenue grow by over 60% since the start of operations, benefiting downtown business while supporting a sustainable revenue stream for operations and maintenance of the system in the years to come.

As strong as our regional partnership is however, it has only been successful in delivering projects due to the ability and opportunity to leverage well-placed and adequately funded Federal Transit Administration programs that have made these projects a reality. **Without programs like CIG these projects would not be possible.**

Some indicate the Capital Investment Grant Program simply is not accessible to small and mid-sized regions. Yes, it can be challenging, costly, and a long road but I am here today as evidence that this claim isn't entirely true.

Kansas City, Missouri is currently home to 488,000 residents and our Kansas City region is home to 2.1 million people. Since 2005 we have successfully funded and advanced three bus rapid transit projects through the CIG program, one streetcar project thanks to federal TIGER and Surface Transportation Program support, and a streetcar extension project currently in the New Starts pipeline, with the most recent grant award for Prospect MAX BRT, which acting administrator Jane Williams was kind enough to come to for the groundbreaking in October of last year. This project is now under construction and moving towards opening later this year.

Kansas City's major capital transit project list includes;

2005 - KCATA Main Street MAX BRT	CIG, New Starts	\$21m
2009 - KCATA Troost Ave. MAX BRT	CIG, Very Small Starts	\$30.6m
2016- KC Streetcar Starter-Line	TIGER, STP, CMAQ	\$102m
2018 - KCATA Prospect Ave MAX BRT	CIG, Small Starts	\$55.8m
2024- KC Streetcar Main Street Extension	CIG, New Starts	\$330m (PD Phase)

This is all to say we have had some experience and have learned a great deal navigating the CIG program so I am pleased to be here today to share our collective learnings and I will start with two overarching facts.

Importance of Federal CIG Program- The existence of a well-supported and adequately funded CIG program is absolutely critical to the advancement and modernization of our transit systems in Kansas City in addition to systems across the country. Without CIG, other federal programs, and an active and engaged federal partnership the most prominent and impactful transit projects constructed in Kansas City's history would not have happened, and the economic opportunity, investment, community revitalization, and benefits that have been realized from these projects would have been lost.

Strong support from FTA and Region VII at every step- Yes, the CIG program is rigorous, demanding, and complicated but at every step our Federal Transit Administration partners and staff in Region VII have been helpful and doing their very best to guide our region through the process. We thank current acting administrator Williams and Region VII Administrator Mokhtee Ahmad for your great support.

Not surprisingly, complicated programs like CIG are ever-evolving and each pass at the program reveals a slightly different experience and learning. The four take aways that I will touch on and share with you in more detail relate to the areas we feel most strongly about helping to improve, and they include; 1) process stream-lining, 2) program thresholds and categories, 3) project due-diligence demands, and 4) incenting innovation in project finance and delivery.

1. Opportunity for Process Stream-lining - We understand the need for a well thought-out due diligence process to ensure the CIG process yields strong projects that can be delivered as promised but our belief is work can be done to make this process less burdensome, less time consuming, and less costly, particularly for projects on the lower end of the cost spectrum. As an example our Streetcar starter-line, successfully implemented outside of the CIG program with support from TIGER and Surface Transportation Funding, was completed from planning to operations in record time, in just five years, and is a demonstration that this is possible. We estimate that had we proceeded through CIG this would have added 2 years and 20% in additional cost to this project potentially making it unfeasible.

Our concern here is one size does not fit all. As an additional example the current structure of the program holds our proposed streetcar project, a relatively straight forward extension to an existing system, to the same standards and expectations as multi-billion dollar projects

that naturally bring with them more complexity and risk. In all cases the rigor of the CIG process is unlike any other federal transportation program we have experienced and an order of magnitude more complicated than a similarly funded roadway or interchange projects that are routinely advanced across our region.

2. CIG Program Thresholds and Categories- There is a need and opportunity to better align the program categories, and their related requirements, with the complexity and risk of respective projects.
  - I. We would suggest and propose a reintroduction of a Very Small Starts Program (Under \$75m) to allow low cost projects with high benefits, located primarily within existing right-of-way, to advance rapidly through the process with reduced reporting and documentation requirements. This model has been proven successful with our region’s Troost BRT project and would no doubt be advantageous and appropriately scaled for other projects in the pipeline.
  - II. We would suggest expanding the Small Starts project category (\$75-\$500m), and propose eliminating the \$100m federal allocation cap on Small Starts Projects. The existing \$300m project cost threshold coupled with the \$100m federal allocation cap creates a dynamic where projects costing between \$250m and \$300m are actually encouraged to get more expensive and move to New Starts in order to bypass the \$100m federal cap and pursue more advantageous cost-share commonly found in New Starts grant agreements.

***Example of local project sponsor benefiting by increasing the cost of project***

<u>\$275m Small Starts Project</u>		<u>\$300m New Starts Project</u>	
\$100m Federal (max allowed)	36.4%	\$150m Federal	50%
\$175m Local	63.6%	<b>\$150m Local</b>	<b>50%</b>

- III. Modify New Starts and raise threshold to only include projects over \$500m. Very few New Starts projects actually fall between the \$300m and \$500m cost range and those that do more appear to more closely align with project characteristics and risks found in Small Starts Projects. Once again one size does not fit all and aligning

the actual project characteristics to the related due diligence requirements should be an important objective to ensure fair and appropriately placed requirements.

3. Project Due-Diligence is increasingly costly and time consuming. Again, we recognize and appreciate the need for a sufficient due-diligence process for all CIG categories and applaud FTA for doing their very best to work within the rules of the program to move projects expeditiously, but as currently structured, the process places excessive financial burden on project sponsors, who are expected and required to spend millions of local dollars at risk prior to a federal grant commitment. For our pending streetcar application, it is possible we could be betting \$20m or more in local funds on the hope of a federal grant award at the end of the process. This is a hard pill for strapped local governments to swallow and it impedes quality projects from advancing through the process. Two recommendations that we would raise for your consideration that would aid local sponsors in managing this burden include;
  - I. Consideration of project development/engineering funding that would set aside a small percentage of program resources for awards to eligible project sponsors to support FTA required due-diligence. This would formalize a low-risk but meaningful local-federal partnership earlier in the process and make it easier for local governments and agencies to justify front end costs associated with the process when the anticipated award date of FFGA is unknown.
  - II. Re-evaluation of requirements related to entry into Engineering. This approval stage within the New Starts program is peculiar as it currently stands because it includes detailed requirements related to organizational capacity, risk assessments, financial commitment and numerous other requirements prior to the completion of Project Development and prior to any federal commitment for project funding. Deferring some or all of these requirements beyond “engineering approval” to serve as prerequisites to a Full Funding Grant Agreement would allow projects sponsors time to fully leverage the “engineering phase” to inform project plans and strategies while still allowing FTA the ability to require satisfactory completion of these requirements prior to full funding grant agreement. Our pending streetcar expansion project is an example of this dynamic at play. We have secured a dedicated voter approved tax (with a 70-30 margin) and have secured local

approvals and adopted ordinances committing to 100% of local match and bonding obligations. But even with these significant actions there are still some questions if these action are sufficient to demonstrate the local financial commitment required for entry into Engineering, again an approval to proceed to the next phase of the process that is still absent federal commitment and federal risk. Projects demonstrating meaningful progress and real local commitment should be promoted and advanced through the process.

4. Incenting Innovative Finance and Project Delivery Models- Projects like our pending streetcar extension that will bring newly committed and dedicated funding to public transit investment and support 100% of the local share of project costs, including operations and maintenance, through a revenue-capture district should receive special consideration. This is a one-time local-federal partnership, designed to launch an impactful project that otherwise would not happen, and after which will be supported 100% by newly captured and self-generated local revenues. This is the future for how, together, we can grow the impact of your federal investment and leverage the economic return these projects create.

In closing, I want to thank you for your interest and support for the CIG program and I want to lift up those on the Committee and at FTA that are doing the hard work to make this program the best it can be. These projects greatly benefit communities, like Kansas City, that they serve. We thank you immensely for your support and I look forward to answering any questions you may have. Thank you.

Tom Gerend

07/16/19



*KC Streetcar – Starter-line, 2017*



*KC Streetcar- Main Street Extension Rendering, New Starts, Project Development*



*KC Streetcar- Starter-Line - new hotel under construction*



*KC Streetcar – Starter-Line- Crowd boarding at Kansas City Union Station Streetcar Stop*