



COUNCIL REPORT

DATE: October 24, 2023

CATEGORY: Consent

DEPT.: Public Works

TITLE: **California State Transportation Agency—
Transit and Intercity Rail Capital Grant**

RECOMMENDATION

Allocate \$20 million of the Transit and Intercity Rail Capital Program grant award from the California State Transportation Agency to the construction phase of the Rengstorff Avenue Grade Separation Project as recommended by the Council Transportation Committee.

BACKGROUND

The City is partnering with Caltrain and the Santa Clara Valley Transportation Authority (VTA) to deliver the Rengstorff Avenue and Castro Street (Transit Center) Grade Separation Projects. Caltrain is the lead agency responsible for final design and construction of the projects, and VTA is a funding partner providing 2016 VTA Measure B funds and general oversight of the Measure B grade separation program.

The Castro Street Grade Separation Project cost is \$136 million based on the 35% design phase cost estimate. The project has \$128 million in funding identified, including City funds, VTA Measure B, and grant funds (\$25 million from the Senate Bill 1 Competitive Local Partnership Program), and is eligible for \$5 million from the California Public Utilities Commission (CPUC) Section 190 Grade Separation Program. This leaves the project with \$3 million in unidentified funding based on the 35% design cost estimate.

The Rengstorff Avenue Grade Separation project cost is \$262 million based on the 35% design phase cost estimate. The project has \$197 million in funding identified, including City funds and VTA Measure B, and is eligible for \$5 million in CPUC Section 190 Grade Separation Program funding. The project currently has a \$60 million unidentified funding need.

As both projects proceed through final design, staff expects the project cost estimates will be higher due to recent substantial increases in construction costs with high inflation and supply chain challenges and unforeseen design challenges. The Rengstorff Avenue Grade Separation Project involves significant right-of-way acquisition and is, therefore, also susceptible to increasing land values. However, for grant application purposes, the most recently published

project cost estimates are used to determine the grant funding request and to indicate the potential for full funding through committed funds and the grant application amount.

Grant Applications and Awards

In partnership with Caltrain and VTA, a number of State and Federal grant applications have been submitted for these two grade separation projects. As noted above, the Castro Street Grade Separation Project was successful earlier this year in securing \$25 million from the Senate Bill 1, Competitive Local Partnership Program.

Staff also submitted two Federal Railroad Administration (FRA) funding requests, each requesting \$60 million, for the Rengstorff Avenue Grade Separation Project. Both grant applications were unsuccessful. More information about each of these grant programs is provided below:

- **Railroad Crossing Elimination (RCE) Program**—Upon evaluation of the RCE funding award recipients, the projects selected are receiving grants in amounts ranging from less than \$1 million to around \$40 million. Although the Rengstorff Avenue Grade Separation Project is eligible for RCE funding, the request of \$60 million may have been too high for the project to compete successfully for the funding.
- **Consolidated Rail Infrastructure and Safety Improvements (CRISI) Program**—Seventy (70) projects nationwide were successful in receiving CRISI grants. Similar to the RCE grant program, most of the grant awards were in the range of less than \$1 million to around \$40 million. There were a few projects that received \$60 million to \$100 million, but these were much larger-scale rail projects than the Rengstorff Avenue Grade Separation Project.

Transit and Intercity Rail Capital Program

In February 2023, the City, in partnership with Caltrain and VTA, submitted a \$25 million grant application to the California State Transportation Agency (CalSTA) for the Transit and Intercity Rail Capital Program (TIRCP). TIRCP was created to provide grants from the Greenhouse Gas Reduction Fund to fund transformative capital improvements that will modernize California's intercity, commuter, and urban rail systems to significantly reduce emissions of greenhouse gases, vehicle miles traveled, and congestion; expand and improve transit service to increase ridership; and improve transit safety. One of CalSTA's key goals for the TIRCP is for the funding to be used to leverage Federal grant funds.

In collaboration with the City's partner agencies, it was decided that one application would be submitted combining the City's two grade separation projects. By submitting one application, the City was able to increase competitiveness with combined project benefits, including improving safety, reducing greenhouse gas emissions, delay, and congestion. The \$25 million

grant application indicated that \$20 million would be for the Rengstorff Avenue Grade Separation Project and \$5 million for the Castro Street Grade Separation Project.

In July 2023, CalSTA announced the award of \$20 million in TIRCP funding to Mountain View.

ANALYSIS

The City is receiving \$20 million of the \$25 million requested. In informing City staff about the grant award, CalSTA staff indicated that the City could decide to put some of the funding toward the Castro Street Grade Separation Project, but they strongly recommended that the City use the full \$20 million to position the Rengstorff Avenue Grade Separation Project to compete for Federal funding.

Consistent with CalSTA's recommendation, staff recommends allocating the full \$20 million toward the Rengstorff Avenue Grade Separation Project for the reasons below.

Project Funding Needs

The Rengstorff Avenue Grade Separation Project still has a \$60 million funding gap. The final design and right-of-way acquisition phase is funded and has begun; however, the project will not be able to begin construction until all construction funding is secured. The FRA is expected to issue another call for projects for the RCE grant program later this year. By applying the \$20 million to the Rengstorff project, the RCE grant application request can be lowered to \$40 million, which may make the project more competitive.

California Environmental Quality Act and National Environmental Protection Act Clearances

Both the Rengstorff Avenue and Castro Street Grade Separations have California Environmental Quality Act (CEQA) clearance and are eligible to pursue State grant funding opportunities. The Rengstorff Avenue Grade Separation Project also has National Environmental Policy Act (NEPA) clearance, which makes it eligible to pursue future Federal grant funding opportunities. Applying Federal funds to the Castro Grade Separation Project may delay the project until NEPA clearance can be obtained.

Council Transportation Committee

The Council Transportation Committee unanimously approved a motion to recommend that the City Council allocate the \$20 million TIRCP to the Rengstorff Avenue Grade Separation Project at its meeting on October 2, 2023.

Next Steps

Staff will inform CalSTA, Caltrain, and VTA of the Council's decision for allocating the \$20 million TIRCP grant. This decision will assist with completing upcoming Federal grant applications for the Rengstorff Avenue Grade Separation project and updating the funding plans for both projects. The grant will be transferred to Caltrain for grant administration and payments when the project is ready to be constructed in two to three years. This will relieve City staff of the responsibilities for administering, documenting, and invoicing for the grant.

FISCAL IMPACT

The \$20 million TIRCP grant funding will help close the funding gap, currently estimated at \$60 million, for the Rengstorff Avenue Grade Separation Project and potentially help to leverage a Federal grant for this project. No appropriation of City funds is being requested at this time.

ALTERNATIVES

1. Allocate a portion of the grant funding to the Castro Street Grade Separation Project and direct staff to work with Caltrain to obtain NEPA clearance for the Castro Street Grade Separation Project.
2. Provide other direction.

PUBLIC NOTICING—Agenda posting.

Prepared by:

Dawn S. Cameron
Public Works Director

Approved by:

Audrey Seymour Ramberg
Assistant City Manager

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