THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

June 19, 2012

Mr. Roger S. Penske
Chairman
M-1 Rail
600 Renaissance Center, Suite 1740
Detroit, MI 48243

Dear Mr. Penske:

I am writing to reiterate my strong support for the M-1 Rail Streetcar Project that I expressed both in our meeting 2 weeks ago and publicly. This project, if realized, holds the potential to assist in the revitalization of downtown Detroit, spur new local economic development, and offer reliable, affordable daily transportation to thousands of residents.

Before we can move forward, however, a number of issues must be resolved to ensure that M-1 Rail, along with the city of Detroit and the State of Michigan, can meet the challenges that remain. As we agreed, my team and yours will work together over the next 60 days to develop additional strategies to help move this project forward. These include achievement of the following:

- The development of a credible plan approved by all funding partners to cover both short-term and long-term operating costs.
- The establishment of a capital reserve or some other mechanism to ensure that sufficient funds will be available should project costs exceed the current budget, should any schedule delays result in cost escalation, or should assumed revenues not materialize.
- The execution of an agreement among M-1 Rail, State, and local stakeholders to establish and clearly define respective roles and responsibilities related to project delivery, including local permitting.
- The provision of assurances that the Southeast Michigan Council of Governments or another potential grantee has sufficient legal authority to perform the functions ascribed to it in M-1 Rail's business plan.
- And finally, considerable progress on the authorization of a properly constituted regional transit authority to serve the greater transit needs of the region and serve as the eventual operator of the M-1 Rail project.

Given these challenges, I regret to tell you that we do not anticipate being able to provide funding from this current round of TIGER grants. However, up to $25 million in alternative sources of Federal transportation funding may be rapidly available, contingent upon the ability of M-1 Rail, along with State and local stakeholders, to satisfactorily realize the mitigations cited above. In anticipation of our ability to resolve the remaining issues, I am directing the Federal Transit Administration to initiate the necessary Federal environmental work for the project.

I look forward to reconvening after our teams have had the opportunity to address these critical issues, and to continuing our partnership to help bring additional transportation choices to greater Detroit as part of a regional transportation strategy promoting sustainable economic growth and opportunity.

As a courtesy, a copy of this letter has been forwarded to the following officials: Governor Rick Snyder; Senators Carl Levin and Debbie Stabenow; Congressmen John D. Dingell, John Conyers, Jr., Sander M. Levin, Gary Peters, Hansen Clark; and Mayor Dave Bing.

Sincerely yours,

Ray LaHood