



RESOLUTION

URGING THE BOARD OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION TO ESTABLISH A RAIL PROJECT INTERIM TERMINUS AT THE MIDDLE STREET STATION, AND TO SUSPEND ALL FUTURE CONTRACTS AND LAND ACQUISITIONS RELATING TO THE AREA BETWEEN MIDDLE STREET AND ALA MOANA CENTER UNTIL ALTERNATIVE OPTIONS ARE CONSIDERED TO ADDRESS EXPONENTIAL COST OVERRUNS, A FINALIZED RECOVERY PLAN IS PRESENTED TO THE HONOLULU CITY COUNCIL AND THE FEDERAL TRANSPORTATION ADMINISTRATION, AND SUFFICIENT FUNDING SOURCES ARE SECURED.

WHEREAS, Sections 17-101 and 17-103.1 of the Revised Charter of the City and County of Honolulu 1973 (Amended 2017 Edition) establish the Honolulu Authority for Rapid Transportation ("HART"), which has the authority to develop the City's fixed guideway system, known as the Honolulu Rail Transit Project ("Rail Project" or "Project"); and

WHEREAS, the 2008 ballot measure presented to and approved by the duly registered voters of the City and County of Honolulu ("City") stated as follows: "Shall the powers, duties, and functions of the city, through its director of transportation services, include establishment of a steel wheel on steel rail transit system?"; and

WHEREAS, at the 2010 General Election, the voters approved the establishment of a public transit authority (now known as "HART") to assume the functions of the Department of Transportation Services relating to the establishment of the rail transit system; and

WHEREAS, pursuant to Ordinance 07-001, the Locally Preferred Alternative ("LPA") for the Rail Project is a planned 20.1-mile, 21-station fixed-guideway rail transit system extending from East Kapolei to the Ala Moana Shopping Center on the island of Oahu; and

WHEREAS, in 2012, the City and the Federal Transit Administration ("FTA") entered into a Full Funding Grant Agreement for the Rail Project providing federal grant funding to the City in the amount of \$1.55 billion, with the City pledging to complete the system for public use by 2020 at a total cost of \$5.2 billion; and

WHEREAS, since 2014, following escalating costs and numerous Project delays, the FTA has refused to release about \$744 million of the federal grant funds pending receipt of an acceptable Project recovery plan demonstrating how the City and HART intend to address the Project's increased costs and implementation delays; and



RESOLUTION

WHEREAS, U.S. Senator Brian Schatz recently noted that the Rail Project should not approach the Federal government about a bailout, stating, "The expectation should be that as long as local agencies can provide a path forward for completing rail, that all of the federal funding previously committed will be made available, but not a penny more. The time for magical thinking is over. Billions of dollars will not fall out of the sky from Washington."; and

WHEREAS, despite: 1) dedicated tax revenues approved by the State Legislature for the Rail Project worth \$1.5 billion in 2015 (extending the general excise and use tax surcharge) and \$2.4 billion in 2017 (further extending the general excise and use tax surcharge and dedicating a portion of State transient accommodations tax revenues for the Rail Project) to address Rail Project cost overruns, and 2) conservative estimates in the Financial Plan attached to the updated Rail Project Recovery Plan (Resolution 19-115) that State tax revenues for the Rail Project will exceed a total of \$2 billion through Fiscal Year 2021, then-Mayor Kirk Caldwell announced in late 2020 that the price tag for the Project had risen to approximately \$11 billion, resulting in a \$3 billion budget shortfall, and that the Rail Project would not be completed until 2033; and

WHEREAS, because of anticipated continuing shortfalls of State general excise and use tax and State transient accommodations tax revenues for 2021 due to the COVID-19 pandemic, State legislative leaders have already signaled that the City and Rail Project officials should not approach the Legislature looking for any further extension of the Rail-dedicated general excise and use tax and transient accommodations tax revenue streams; and

WHEREAS, with the subsequent cancellation of the Public-Private-Partnership contract procurement to build the final leg of the Project, coupled with the termination of the City Center Utilities Relocation contract, the Rail Project is at a critical juncture regarding its financial and scheduling challenges; and

WHEREAS, although the Rail Project faces a \$3 billion budget shortfall, HART has put forth no viable options for addressing this deficit and raising the funding necessary to continue the Rail Project beyond Middle Street; and

WHEREAS, the Council notes that as far back as July 2016, the FTA sent a letter to the Mayor stating that "[F]or the future of the Project the City and County must make a fundamental choice to either reduce the scope of the Project, consistent with the financial resources currently available, or seek additional, non-Federal resources sufficient to complete the functional scope of work. . . Logically, your first step will be to identify a range of viable options for cost containment, new investments in the Project,



RESOLUTION

perhaps an interim terminus or deferral of certain stations, and an analysis of the costs and estimated ridership associated with each such option."; and

WHEREAS, the Council finds that given the uncertainty surrounding the rail project's future planning, funding, and construction activities, all actions leading to additional contracts and the acquisition of additional real property are premature and unwise; and

WHEREAS, the Council further finds that without additional State or Federal funding, the City will have to pay for the Rail Project's \$3 billion budget shortfall by:

- a) Dramatically increasing real property taxes across the board, resulting in business hardships and failures, as well as forcing longtime residents to sell family legacy homes that they can no longer afford to keep;
- b) Floating massive amounts of City bonds, which the Director of Budget and Fiscal Services has already testified would lower the City's currently favorable bond rating, increasing costs to the City and its residents; or
- c) Most likely, implementing some combination of both large real property tax increases and debt level escalations; and

WHEREAS, the Council further finds that by establishing an interim terminus, and suspending all new contracts and real property acquisitions beyond Middle Street, the Rail Project will be able to:

- a) Hold the line on the \$214 million City funding cap as stipulated in Ordinance 18-39, thereby reassuring residents and businesses that no additional City funding will be extracted for the Rail Project;
- b) Begin interim operations and realize revenue coming into a long-promised multimodal transportation system;
- c) Initiate real-world assessments of the Rail Project's electrical needs and energy capacity impacts; and
- d) Finally utilize the rail cars, alignment infrastructure, remote guidance system, rail transit stations, and other equipment and inventory that are currently aging in place, depreciating, and, in some cases, falling into disrepair or becoming obsolete; and



RESOLUTION

WHEREAS, the Council further notes that it:

- a) Is responsible for the approval of HART's operating and capital budgets;
- b) Maintains budgetary authority over City revenue sources, including bond authorizations and setting the real property tax rates;
- c) Holds exclusive authority over the enactment and amendment of City legislation, including revisions to the LPA, if necessary; and
- d) Reserves the authority to approve or object to the acquisition of real property for the Rail Transit Project by eminent domain; and

WHEREAS, the Council finally notes that it has already approved the following general obligation debts on behalf of HART for the Rail Project:

- a) \$350 million in General Obligation commercial paper notes, which HART must repay (Resolution 15-314);
- b) \$2.150 billion in reimbursable General Obligation bonds, which HART must repay (Resolutions 17-173, 18-127, 19-141, 19-334, and 20-143); and
- c) \$139 million in City subsidy General Obligation bonds, which represent the City's "skin in the game" payments (Resolutions 18-132, 18-237, 19-285, and 20-144); now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it urges the Board of the Honolulu Authority for Rapid Transportation to establish a Rail Project interim terminus at the Middle Street Station, and to suspend the procurement of all future contracts and land acquisitions relating to the LPA segment between Middle Street and Ala Moana Center until alternative options are considered to address exponential cost overruns, a finalized recovery plan is presented to the Honolulu City Council and the FTA, and sufficient funding sources are secured; and

BE IT FURTHER RESOLVED that it is not the Council's intent or purpose that any current Rail Project contracts for work in those Project segments between East Kapolei and the Middle Street Station, including the construction of the 1,600-stall parking garage and transit center at Pearl Highlands, be canceled, or that any prior condemnation authorizations for real properties along those segments be halted, repealed, rescinded, or reversed; and



RESOLUTION

BE IT FINALLY RESOLVED that copies of this resolution be transmitted to the Mayor, the Managing Director, the Chair of the Board of the Honolulu Authority for Rapid Transportation, the Executive Director and CEO of the Honolulu Authority for Rapid Transportation, and the Administrator of the Federal Transit Administration.

INTRODUCED BY:

Hiedi Tsunayoshi

DATE OF INTRODUCTION:

MAY 10 2021

Honolulu, Hawaii

Councilmembers