From: Ryan, James <FTA>
To: Day, Elizabeth <FTA>
Sent: 3/31/2009 4:39:27 AM
Subject: 090331 Honolulu update for Matt Welbes -- DRAFT, ANY COMMENTS?

Update on the Honolulu High-Capacity Transit Project
31-MAR-2009

1. Background
    a. The City and County of Honolulu expects to request PE approval in the next several months.
    b. The project is championed by the mayor.
    c. In 2006, the state legislature authorized individual counties to add an excise-tax increment for 15 years to generate local funding for construction of rail transit; the Honolulu city council exercised that option shortly thereafter.
    d. In November 2009, the mayor won a plurality against two opponents in his bid for reelection (settled in a later run-off against the 2nd-place candidate) in which the rail project was a central issue.
    e. Also in November 2009, a ballot question on the rail project passed with a 53-47 majority.
    f. The City needs at least the $1.2 billion in New Starts funding that FTA has identified as the likely upper limit on the funding they can expect. That would constitute 21-23 percent of the $5.2-5.8 billion project.
    g. Projected mobility benefits for the project are substantial and may well yield a cost-effectiveness index of less than $20 per hour.
    h. The comment period for the recently circulated DEIS has just closed and the City is processing the large number of comments received.

2. Potential issues in the PE request
    a. Capital costs: the PMOC review of the City's $5.2 billion cost estimate suggests that a more likely cost is $500 million higher.
    b. Funding (capital): it now seems clear that the 15-year tax increment plus $1.2 billion in New Starts funds will be insufficient to build the 20-mile initial project. Possible remedies include an extension of the 15-year period and/or a higher contribution of New Starts funding.
    c. Funding (operating & maintenance deficit): the City projects that the annual share of the City budget devoted to transit will increase from its current 11 percent to 14 percent.
    d. Environmental: the elevated guideway appears to have a significant adverse impact on viewsheds that cannot be mitigated.
    e. Construction strategy: the City intends to initiate early construction on the outlying portion of the project for the purpose of meeting the mayor's schedule objectives – a strategy that may run counter to FTA funding, procurement, and environmental requirements.
3. Status
    a. FTA awaits the PE application.
    b. FTA may want to provide additional guidance to the City on:
        - Reasonable expectations on New Starts funding
        - Packaging of New Starts funding (perhaps in more than one FFGA)
        - Capital costs, set at the $5.8 billion concluded from the PMOC review
        - Local intentions on an early start to construction
        - Other items?