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CMS-APOO-01189

HONOLULU AUTHORITY for RAPID TRANSPORTATION

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April 3, 2015

The Honorable Therese McMillan
Acting Administrator
Federal Transit Administration
U.S. Department of Transportation
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

Dear Administrator McMillan:

I am writing to follow up on recent meetings that you have had with Honolulu Mayor Kirk Caldwell and, separately, Honolulu City Council Chair Ernie Martin and Honolulu City Council Members Manahan, Ozawa, and Elefante. This letter is to respectfully request that you confirm the essential elements of those discussions as they relate to the responsibilities of the City and County of Honolulu's ("the City") and, in turn, the Honolulu Authority for Rapid Transportation's ("HART") obligations under the Full Funding Grant Agreement for the Honolulu Rail Transit Project ("FFGA"). The City and HART fully understand that there are specific obligations on the City and HART under the terms of the FFGA. We wish to merely confirm those obligations.

1. Technology

We understand that the FFGA and the federal funds provided under that agreement is limited exclusively to the project described in the FFGA's "Scope of the Project", i.e. "the design and construction of a 20-mile, grade separated fixed rail system from East Kapolei to Ala Moana Center... the project will operate in an exclusive right of way and will be powered with third rail electrification." The project also includes 80 light metro fully automated driverless rail vehicles and a maintenance storage facility.

At this stage of project implementation, we understand that we cannot change the project's technology. Were HART to elect a change of technology now, it would constitute a "new project" with a completely different scope that would necessitate a new Environmental Impact Statement for the entirety of the new project and a return to the beginning of the FTA New Starts project development process in competition with all other pending New Start applicants. In addition, the City would be required to repay all federal funds provided to the project under the existing FFGA including all funds already expended on the current project as further detailed below.

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2. Project Route

As further defined in the FFGA's Scope of the Project, the project includes 21 stations with passenger canopies, seating areas, and artwork at specifically designated locations. The project proceeds from East Kapolei to the University of Hawaii at West Oahu, then turns east to Pearl Harbor and the Honolulu International Airport, and ends at Kona Street adjacent to the Ala Moana Center.

We understand that any deviation from the project length, number of stations, and related essential elements of the project would constitute a breach of the FFGA and that the City and HART are required by the terms of the FFGA to deliver the project described in the FFGA, including among its most basic elements is a project of 20 miles in length, with 21 stations operating on an electrified rail system with fully automated driverless rail vehicles.

3. Repayment of Federal Funds

Should the City and County of Honolulu and HART be unable to complete the project as specified in the FFGA, Section 19 of the FFGA specifies remedies available to the FTA. That section states in pertinent part that "in the event of a default, [on the project which would include terminating work undertaken thus far, or eliminating stations or reducing the length of the project as specified in the FFGA "Scope of the Project"] the Government may demand all federal funds provided to the Grantee for the project be returned to the Government. Furthermore, the default of this Agreement will be a factor considered before the decision is made with respect to the approval of future Grants requested by the Grantee".

4. Deletion of FTA Formula Funds in the Project Financial Plan

The Financial Plan for the project, which is incorporated by reference into the FFGA, specifies the inclusion of \$210 million of Section 5307 formula grant funds that are currently used for the capital maintenance of TheBus and related ADA complimentary transit service. We understand that in the next update to the project's Financial Plan that a decision by the City or HART to remove FTA formula funds from the existing Financial Plan must result in the full replacement of the \$210 million Section 5307 funds removed from the Financial Plan with some other source of local, non-federal funding.

We respectfully request that you confirm these understandings so that there is a uniform and broadly understood appreciation of the duties and responsibilities that the City and HART have under the terms of the FFGA.

The Honorable Therese McMillan
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We are grateful to you for your continued cooperation and support of our project and look forward to your confirmation of these understandings at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Grabauskas', with a stylized flourish at the end.

Daniel A. Grabauskas
Executive Director and CEO