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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. Local opposition is well organized and vocal.
- 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. Further, the City has changed a portion of the alignment (20 percent or so, based on length) to serve the airport – and add \$200 million to the cost.
- b. Funding (capital): it now seems clear that the 15-year tax increment plus \$1.2 billion in New Starts funds will be insufficient, for two reasons: (1) the ≈20-mile initial project plus the airport alignment change plus the PMOC recommendation of a \$500 million addition to the cost estimate would make this a \$6 billion project; and (2) revenues from the excise-tax increment are running below expectations. 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, plus the \$200 million increment associated with the rerouting through the airport
 - .. Local intentions on an early start to construction
 - .. Other items?