



RESOLUTION

REQUESTING THE SUPPORT OF THE HAWAII STATE ASSOCIATION OF COUNTIES AND ITS EXECUTIVE COMMITTEE FOR THE HAWAII STATE LEGISLATURE'S APPROVAL OF AN EXTENSION OF THE HONOLULU GENERAL EXCISE AND USE TAX SURCHARGE AS NECESSARY TO ENABLE THE COMPLETION OF THE MINIMUM OPERABLE SEGMENT OF THE HONOLULU HIGH-CAPACITY TRANSIT CORRIDOR PROJECT.

WHEREAS, recent revenue and expenditure projections for the Minimum Operable Segment ("MOS") (from East Kapolei to Ala Moana Center) of the Honolulu High-Capacity Transit Corridor Project ("Rail Project") indicate that an additional \$2.847 billion in revenues will be needed for the City and County of Honolulu ("City") to complete the MOS of the Rail Project; and

WHEREAS, Section 2 of Act 247, Session Laws of Hawaii ("SLH"), Regular Session of 2005, codified as Hawaii Revised Statutes ("HRS") Section 46-16.8, authorized the Honolulu City Council to establish a one-half percent Honolulu general excise and use tax surcharge ("GET surcharge") to fund the operating and capital costs of the locally preferred alternative ("LPA") for the Rail Project and related improvements to comply with the Americans with Disabilities Act ("ADA"); and

WHEREAS, the LPA would connect West Kapolei with the University of Hawaii at Manoa, going through downtown Honolulu and skirting the Daniel K. Inouye International Airport and the Ala Moana Center; and

WHEREAS, pursuant to Act 247, the Honolulu City Council enacted Ordinance 05-07, which approved the GET surcharge, effective on January 1, 2007, and which was to be repealed on December 31, 2022; and

WHEREAS, the MOS, as established by Resolution 08-261, calls for a 21-mile alignment connecting East Kapolei with the Ala Moana Center with a total of 20 transit stations; and

WHEREAS, in the Final Financial Plan for the Full Funding Grant Agreement between the City and the Federal Transit Administration, dated June 2012, the estimated cost for the Rail Project was \$5.163 billion; and

WHEREAS, among other things, Section 3 of Act 240, SLH, Regular Session of 2015, amended HRS Section 46-16.8 to authorize the City to implement a five-year extension of the GET surcharge from December 31, 2022, to December 31, 2027; and



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WHEREAS, on October 15, 2015, the Honolulu Authority for Rapid Transportation ("HART"), the agency charged with construction of the Rail Project, projected that the cost for the Rail Project would be \$6.178 billion; and

WHEREAS, the Honolulu City Council thereafter enacted Ordinance 16-1 which, among other things, implemented the five-year extension of the GET surcharge to December 31, 2027; and

WHEREAS, recent discussions with officials of the Federal Transit Administration have indicated that the City may be required to repay the federal government for its financial contributions to the Rail Project to date if construction of the MOS is not completed as agreed upon in the Full Funding Grant Agreement; and

WHEREAS, on November 16, 2016, the Honolulu City Council passed Resolution 16-248, CD1, which reaffirmed the Honolulu City Council's support of extending the GET surcharge in order to complete the MOS of the Rail Project to Ala Moana Center; and

WHEREAS, on December 1, 2016, HART submitted the Draft Update of the Financial Plan for the Full Funding Grant Agreement, which stated that the estimated cost, with additional funding for the financing required to complete the MOS for the Rail Project, is approximately \$9.5 billion, which would result in a shortfall of \$2.847 billion; and

WHEREAS, during the 2017 regular legislative session, the Hawaii State Legislature ("Legislature") considered Senate Bill No. 1183 and various drafts thereof, which specified a number of funding sources to assist the City in its completion of the MOS and included proposals to further extend the GET surcharge or increase the transient accommodations tax ("TAT") by 30 percent, none of which was ultimately adopted by the Legislature; and

WHEREAS, it is anticipated that a special session of the Legislature will be held within the coming months to consider funding options to assist the City with its completion of the MOS; and

WHEREAS, the TAT is a much more volatile revenue source than the GET surcharge, thereby making it more difficult for HART to engage in any long-term planning and financing for the Rail Project; and

WHEREAS, raising the TAT would put the entire State, including all neighbor island counties, at a competitive disadvantage in regards to tourism, and could result in a ripple effect that may negatively impact small businesses in all of Hawaii's counties; and



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WHEREAS, to remain competitive, hotels may choose not to pass on the increased tax to guests and instead absorb the costs, which could lead to staffing cutbacks; and

WHEREAS, the GET surcharge is a comparatively stable funding source that is imposed only on business operations in the City, and would allow HART to engage in long-term planning for the Rail Project; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it respectfully requests the support of the Hawaii State Association of Counties and its Executive Committee for the Hawaii State Legislature's approval of an extension of the Honolulu General Excise and Use Tax Surcharge as necessary to enable the completion of the Minimum Operable Segment of the Honolulu High-Capacity Transit Corridor Project to Ala Moana Center; and

BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to each member of the Hawaii State Association of Counties Executive Committee.

INTRODUCED BY:

M. [Signature]

DATE OF INTRODUCTION:

AUG - 2 2017

Honolulu, Hawaii

Councilmembers