



RESOLUTION

URGING THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION ("HART") TO EXPLORE ALL FORMS OF PUBLIC PRIVATE PARTNERSHIPS, INCLUDING THE UTILIZATION OF DESIGN BUILD FINANCE CONTRACTS, IN ORDER TO MAXIMIZE COST SAVING FOR THE OUTSTANDING WORK FOR THE HONOLULU HIGH-CAPACITY TRANSIT CORRIDOR PROJECT.

WHEREAS, the anticipated cost for the Honolulu High-Capacity Transit Corridor Project ("Rail Project"), the largest capital improvement project in the history of the City and County of Honolulu, has increased from \$5.163 billion in June of 2012 to \$9 billion on September 15, 2017; and

WHEREAS, on September 5, 2017, the Governor signed Act 001, Special Session of 2017, which will provide an estimated \$2.4 billion in additional funding for the Rail Project through an extension of the one-half percent Honolulu general excise and use tax surcharge, a one percent increase in the transient accommodations tax, and a reduction in the percentage of the general excise and use tax surcharge retained by the State before transmittal to the City; and

WHEREAS, even with the \$2.4 billion in additional funding, the City Administration estimates that the Rail Project will face an estimated \$578 million shortfall in project contingency funding; and

WHEREAS, on September 15, 2015 the Honolulu Authority for Rapid Transportation ("HART") submitted the Recovery Plan for the Rail Project ("Recovery Plan") to the Federal Transportation Administration; and

WHEREAS, in the Recovery Plan, HART estimates that \$160 million in City funding will be needed for the Rail Project; and

WHEREAS, the City Administration has stated that without viable alternatives, real property taxes would need to be increased substantially to fund any shortfall in funding for the completion of the Minimum Operable Segment ("MOS") of the Rail Project; and

WHEREAS, given the Council's opposition to and the undesirability of increasing real property taxes, it is incumbent on HART to investigate cost-savings alternatives for the Rail Project; and



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WHEREAS, according to a report commissioned by the Ulupono Initiative, rail projects using public private partnerships yielded a 15 to 25 percent cost saving when compared to traditional public procurements; and

WHEREAS, one form of public private partnership is a Design-Build-Finance ("DBF") contract, which bundles services; and

WHEREAS, DBF contracts could be incorporated into any outstanding Rail Project construction contracts and would bring upfront investor financing into the equation thereby delaying HART's payments until the contract is complete; and

WHEREAS, according to the report, a properly structured contract could maximize benefits to taxpayers by accelerating project delivery, while also eliminating costly delays due to funding shortfalls and provide better budget predictability; and

WHEREAS, the report notes that by using DBF provisions, the Rail Project could save as much as \$570 million in project costs on upcoming rail work that would be incurred without a DBF contract;

WHEREAS, it is likely that if DBF contracts, as well as other forms of public private partnerships, are used, HART will realize significant cost savings for the construction of the Rail Project; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it urges the Honolulu Authority for Rapid Transportation to explore all forms of public private partnerships, including the utilization of Design Build Finance contracts, in order to maximize cost saving for the outstanding work for the Honolulu High-Capacity Transit Corridor project; and

BE IT FURTHER RESOLVED that the Council also urges HART to hire a public private partnership advisor to perform an assessment on HART's potential options concerning public private partnerships and provide guidance on the optimal use of public private partnerships to maximize cost savings for the Rail Project; and



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. 17-262

RESOLUTION

BE IT FINALLY RESOLVED that copies of this resolution be transmitted to the Mayor, the Managing Director, the Director of Budget and Fiscal Services and the Executive Director and Chief Executive Officer of the Honolulu Authority for Rapid Transportation.

INTRODUCED BY:

Kimberly Rose

DATE OF INTRODUCTION:

SEP 22 2017

Honolulu, Hawaii

Councilmembers

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FILED
SEP 22 2018
PURSUANT TO ROH Sec. 1-2.5