



## Rail project cleared for federal funding

City officials are buoyed by the Federal Transit Administration's approval of its plans for the venture

By Kevin Dayton

POSTED: 01:30 a.m. HST, Dec 30, 2011

Supporters of the city's \$5.27 billion rail transit project received a late Christmas present Thursday in the form of a key federal approval that signals the venture is still on track to receive federal funding.

The city is banking on \$1.55 billion in federal New Starts transit funding to help pay for the 20-mile rail line, and the approval Thursday by the Federal Transit Administration means the FTA is comfortable so far with the city's financial plan, management and other aspects of the project.

"This is great news for Honolulu," said Mayor Peter Carlisle in a written statement announcing the approval. "We are grateful to Senator Inouye and to our congressional delegation for their strong support."

The approval technically cleared the city to begin "Final Design" for the project, but the city is already pressing ahead to seek federal permission to begin full-scale construction.

A spokeswoman for the Honolulu Authority for Rapid Transportation said the city applied earlier this week for an additional FTA clearance, known as a "Letter of No Prejudice," to allow the city to begin selected construction activities.

The city is seeking a letter from the FTA clearing the way for heavy construction to begin on the first segment of the elevated guideway, a \$487 million project that will extend from East Kapolei to Pearl Highlands.

The city is also seeking permission to begin construction on the next leg of the guideway from Pearl Highlands to Aloha Stadium for \$372 million, and on the \$195 million rail car maintenance and storage facility in Waipahu. The city is also seeking federal permission to begin construction of planned rail stations along Farrington Highway.

Toru Hamayasu, interim executive director of HART, said Thursday the city plans to start heavy construction work in February or March, to include foundations and support pillars for the guideway.

The announcement Thursday also positions the city to obtain still another federal approval next year that is known as a Full Funding Grant Agreement.

City officials hope to obtain that agreement in September, and hope it will commit the FTA to funding the entire \$1.55 billion federal share of the project.

However, FTA Regional Administrator Leslie T. Rogers warned in Thursday's approval letter that the city must make some improvements in its financial plan before the FTA will consider committing to the entire \$1.55 billion.

Rogers noted the city's current financial plan proposes several ways the city might raise additional money if construction costs escalate unexpectedly or if the anticipated local or federal funding does not materialize.

For example, the city suggested in its September financial plan that it might seek state approval to extend the half-percent excise tax to help cover any shortfall, and noted that extending the surcharge by two years, through Dec. 31, 2024, would generate an extra \$740 million.

The city also suggested that, if necessary, it might engage in "value capture" strategies to raise additional money if there is a shortfall.

Those might include issuing tax increment financing bonds, which would allow the city to borrow against expected future increases in property tax collections.

However, Rogers pointed out HART does not yet have the authority to execute those plans to raise extra cash.

Before the FTA will consider funding the \$1.55 billion, "HART should demonstrate the availability of additional revenue sources that could be tapped should unexpected events such as cost increases or funding shortfalls occur," Rogers wrote.

Hamayasu called the approval Thursday "a major milestone and signifies that we are in the final stage of project development."