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COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
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August 1, 2017

RECEIVED
2017 AUG -1 AM 11:54
OFFICE OF THE
COUNTY CLERK

The Honorable Mike White
Council Chair
County of Maui
Wailuku, Hawaii 96793

Dear Chair White:

**SUBJECT: EXTENSION OF THE HONOLULU GENERAL EXCISE
AND USE TAX SURCHARGE FOR THE HONOLULU
RAIL PROJECT**

May I request the attached proposed resolution, entitled "EXPRESSING SUPPORT FROM THE COUNTY OF MAUI FOR THE STATE LEGISLATURE'S APPROVAL OF AN EXTENSION OF THE HONOLULU GENERAL EXCISE AND USE TAX SURCHARGE NECESSARY TO ENABLE THE COMPLETION OF THE MINIMUM OPERABLE SEGMENT (EAST KAPOLEI TO ALA MOANA CENTER) OF THE HONOLULU HIGH-CAPACITY TRANSIT CORRIDOR PROJECT," be placed on the next Council meeting agenda.

Sincerely,

A handwritten signature in black ink, appearing to read "Crivello", is written over a circular stamp that contains the word "Crivello".

STACY CRIVELLO
Councilmember

ocs:proj:hsac:FY2018:Ltr:Rail_GET

Attachment

COUNTY COMMUNICATION NO. 17-309

Resolution

No. _____

EXPRESSING SUPPORT FROM THE COUNTY
OF MAUI FOR THE STATE LEGISLATURE'S
APPROVAL OF AN EXTENSION OF THE
HONOLULU GENERAL EXCISE AND USE TAX
SURCHARGE NECESSARY TO ENABLE THE
COMPLETION OF THE MINIMUM OPERABLE
SEGMENT (EAST KAPOLEI TO ALA MOANA
CENTER) 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, Regular Session of 2005, codified as 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, through downtown Honolulu and the Ala Moana Center, with the University of Hawaii at Manoa; and

WHEREAS, pursuant to Act 247, the Honolulu City Council enacted Ordinance 05-07, approving the GET surcharge, which was effective beginning on January 1, 2007, and 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 Shopping Center, with a total of 20 transit stations; and

Resolution No. _____

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, Session Laws of Hawaii, Regular Session of 2015, amended HRS Section 46-16.8 to provide for a five-year extension of the GET surcharge by the City and County of Honolulu beyond December 31, 2022, to December 31, 2027; and

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 legislatively authorized 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 must complete construction of the MOS as agreed in the Full Funding Grant Agreement or it may be required to repay the federal government for its financial contributions to the project to date; and

WHEREAS, on November 16, 2016, the Honolulu City Council passed Resolution 16-248, CD1, reaffirming 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 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 considered S.B. 1183 and various drafts thereof, in which the House and Senate considered a number of funding sources to assist the City to complete the MOS, including a further extension of the

Resolution No. _____

GET surcharge and increasing the transient accommodations tax ("TAT") by 30 percent; and

WHEREAS, the TAT is a much more volatile revenue source than the GET surcharge, so it would be 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 our community; and

WHEREAS, to remain competitive, hotels may choose not to pass the increased tax on to guests and instead absorb the burden, 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 will allow HART to engage in long-term planning for the Rail Project; now, therefore

BE IT RESOLVED by the Council of the County of Maui:

1. That it supports 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 Project to Ala Moana Center; and
2. That copies of this Resolution be transmitted to the Executive Director and Chair of the Board of Directors of the Honolulu Authority for Rapid Transportation, the Governor, the President of the State Senate, the Speaker of the State House of Representatives, the Chair of the State Senate Ways and Means Committee, and the Chair of the State House of Representatives Finance Committee.