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How a Train Through Paradise Turned Into a \$9 Billion Debacle

The project has tallied one of America's biggest transit cost overruns; a grand jury is investigating

By Dan Frosch and Paul Overberg / Photographs by Marco Garcia for The Wall Street Journal

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HONOLULU—The train through paradise should have been complete by now.

The dream was an elevated rail system to bypass what has been some of the country's worst traffic, whisking commuters from the farmland and swelling suburbs of West Oahu into the heart of Honolulu. The 20-mile route parallels one of the world's most glorious tropical shorelines.

More than a decade after inception, having spanned the tenures of three mayors and three governors and outlived its most powerful benefactor in Congress, the project is only half built. Hopes it might transform the crowded island city anytime soon are fading.

Among the cascade of problems: Honolulu pushed ahead before fully planning the project, and nearly 100 contracts had to be reworked, causing delays. The city began construction before fully checking Native Hawaiian burial grounds, and a judge halted the project for over a year. Planners built too close to power lines, so Honolulu must shell out hundreds of millions of dollars to move them.

Dogged by such blunders, the project has seen its price tag soar to more than \$9 billion from about \$5 billion. The cost overruns are among the largest that transportation experts say they've ever seen. The cost has led to an extra excise tax on businesses, which can affect the price of goods and services, and it has hit tourists through an expanded hotel tax.

The federal government has long since suspended payment of its share of the budget. And a recent state audit said officials misled the public about the train line's shaky finances.

A federal grand jury is now looking into the project. Last month, the municipal body overseeing it received three subpoenas from the U.S. Attorney for Hawaii, demanding files on consultant contracts, correspondence with agencies, relocation payments and other records. Federal

officials haven't disclosed the focus of the sweeping probe, which involves the Federal Bureau of Investigation.

Honolulu's elevated rail line shows how badly municipalities can stumble in tackling giant infrastructure projects, especially when they're powered by political urgency. This account is based on interviews with current and former local and state officials, along with a review of documents.



A rail station under construction in Kapolei in West Oahu.

Honolulu Mayor Kirk Caldwell acknowledged “crucial missteps” in the project but continues to laud the benefits of a rail route stretching west from Honolulu.

Mr. Caldwell said turning an hours-long car commute into a 40-minute train ride will improve life on an island where the laid-back lifestyle has grown stressful. “It’s just going to be so transformative,” he said.

Others wonder how well a commuter train line befits island life, since stations won't be within easy walk of celebrated destinations such as Waikiki Beach and Diamond Head park. Some are calling for the city to stop short of the most challenging section, downtown Honolulu, rather than spend any more money.

“They tried to force this as a major solution,” said Panos Prevedouros, civil and environmental engineering chairman at the University of Hawaii and a former mayoral candidate. “Now, we’re paying the dividends of all the lies, and we haven’t gotten any benefits.”

As early as the 1970s, politicians saw elevated rail as a way to relieve mounting congestion on Interstate H-1 running in and out of Honolulu. The late Sen. Daniel Inouye helped win more than \$700 million of federal funding in 1991, but the city council rejected a tax boost to help pay. In 2004, the idea got a boost from then-mayor Mufi Hannemann. The charismatic, 6-foot-7-inch mayor persuaded the state to let Oahu add a half-percentage-point surcharge to a state tax on business receipts.

Oahu residents voted to proceed in November 2008. Though it was in the midst of the financial crisis, city officials sought to move fast. Firms needed contracts, and Mr. Hannemann warned of a risk that state lawmakers might grab the money from the tax surcharge for another use.

“I thought it was prudent to move quickly,” Mr. Hannemann said in an interview, partly to show the Federal Transit Administration, which would provide part of the funding, that Honolulu was committed. “We needed to send a very strong positive message that the project was good to go,” he said.

Honolulu signed a \$483 million contract to design and build the first elevated section in November 2009.

The environmental-impact study wasn't complete. Neither were surveys of archaeological and historic sites, including *wahi pana*, which are places Native Hawaiians consider significant. The city hadn't coordinated plans with the electric utility, the state university or groups that owned land along the route.

Honolulu also hadn't received final approval from the FTA for a \$1.55 billion grant it was counting on, 30% of the project budget.



Traffic creeps along H1 highway into Honolulu. An elevated rail system is being built to relieve it but has been dogged with delays and cost overruns.

Mr. Hannemann said he had no indication the FTA had concerns about the project moving too quickly, and had they asked him to slow down, he would have.

“Everything was by the book. There's no way we would have gone forward if the federal government said no,” he said.

Delays, such as losing bidders' appeals, triggered a cascade of contract adjustments, ultimately costing hundreds of millions of dollars. A financial analysis ordered in 2010 by then-Gov. Linda Lingle, a Republican, said the project would cost \$1.7 billion more than Honolulu anticipated. The report also said tax revenue for the project was likely to grow at 30% less than forecast. And it said ridership forecasts—about 100,000 a day when built and 120,000 daily a decade later—were too rosy.

A new governor, Democrat Neil Abercrombie, approved a final environmental study near the end of 2010. Supporters soon gathered in an empty field in Kapolei, where the line would start. There were ceremonial Hawaiian dances and the sacred blowing of conch shells. Honolulu Mayor Peter Carlisle, former mayor Hannemann and Sen. Inouye thrust Hawaiian O'o groundbreaking sticks into the dirt.

“It’s been a long time coming!” Mr. Carlisle told the crowd, and “it’s going to be a long time going on! Hallelujah!”

Eighteen months later, construction stopped. The Hawaii Supreme Court, ruling in a suit by a Native Hawaiian woman, said the city and state first needed to finish assessments of traditional burial and archeological sites. In a separate, federal suit filed by opponents of the project, a judge halted land acquisition downtown pending more study of the effects on historic sites.

The stoppage lasted 13 months, adding to costs because of schedules that were disrupted. It was among the project’s many complications:

Some federal officials had long been worried. A 2006 note from one FTA official to another, unearthed in a lawsuit, said, “We seem to be proceeding in the hallowed tradition of Honolulu rapid transit studies: never enough time to do it right, but lots of time to do it over.” Even so, the FTA approved its grant in December 2012, two days after the death of Sen. Inouye.

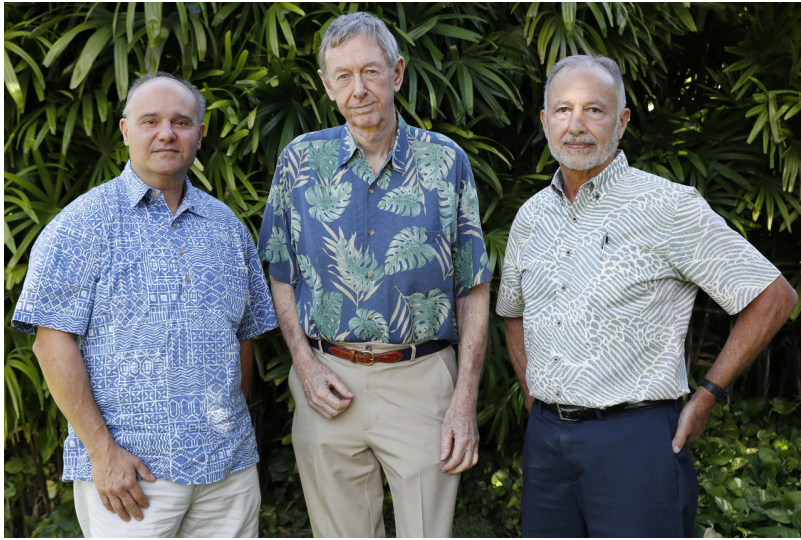
In retrospect, the FTA shouldn’t have approved money that soon, said Leslie Rogers, its top administrator in the West Coast when it gave the go-ahead.

“Some of the problems that later resurfaced would likely have been avoided if the FTA had been insistent on the resolution of plans and activities earlier on.” Mr. Rogers said. He and current FTA officials said the project had qualified under the law to get funding.

In their eagerness to build, rail officials didn’t initially ask Hawaiian Electric Co. how much space its crews needed to work around electrical lines and towers. Rail track was built so close that the Honolulu Authority for Rapid Transportation, or HART, will have to pay to bury 1½ miles of a 138,000-volt transmission line and buy 15 bucket trucks to help crews work in tight spots. A contract to relocate utilities in the final four miles will cost more than the initial budget for all such work. As costs mounted, state lawmakers allowed the municipality to extend the excise-tax surcharge.

In 2015, unsettled federal officials began withholding the FTA’s annual million contributions to the project. The FTA demanded HART provide a recovery plan showing it could rein in costs and cover overruns.

In spring 2016, an audit by the city found HART’s financial plan in disarray, with hundreds of millions of dollars unaccounted-for. The audit said financial disclosures and conflict-of-interest



Critics of the rail project include University of Hawaii civil and environmental engineering chairman Panos D. Prevedourous, businessman Cliff Slater and Randall Roth, retired law professor at the University of Hawaii.

reports for contractors were missing or never required, train officials had radically miscalculated costs, and the authority was paying for vacant office space.

In the wake of the scathing audit, two officials stepped down, including HART executive director Dan Grabauskas. He didn't respond to requests for comment, but news reports at the time said he criticized the audit as exaggerated.

In 2017, state lawmakers approved a second extension of the excise-tax surcharge, until 2030. They also raised the state lodging tax in Honolulu by a point to help pay the elevated-rail project's ballooning cost.

For Jocelyn Banks, it can't be finished soon enough. Traffic into Honolulu turns what should be a 30- to 45-minute commute from her home in Nanakuli on Oahu's leeward coast into a two-hour drive. In October, exhausted from waking up at 5 each day, she fell asleep driving home and hit the car in front of her, she said.

Ms. Banks lives 15 minutes from the nearest stop, so she'll still have to use her car. She might also have to crowd onto a bus after getting off the train five blocks from work.

"Because it has been so long, people are wondering is it even going to work, or is it a waste?" she said. "The people that have to commute far...those are the ones who are excited to try it."

HART's executive director, Andrew Robbins, vows to complete the project by the end of 2025. He said costs won't exceed the current projection of \$9.02 billion. Most overruns predate Mr. Robbins, the sixth person to lead the project.

"I came in understanding that when you're \$2.5 billion over budget and you're six years late, you've lost public trust," he said. "It's very hard to get it back."



Andrew Robbins, executive director of the Honolulu Authority for Rapid Transportation, inside a train car at the Rail Operations Center in Waipahu, Hawaii.

The nine stations farthest from downtown are scheduled to open next year. The FTA said there is just a 65% chance the entire line will be finished by the end of 2025.

Much hinges on a deal HART hopes to close this year that would have a private bidder build the last 4.2-mile section and then handle maintenance and operation of the whole line.

The FTA said it has no timetable for releasing the annual contributions it has been withholding—totalling \$744 million—but also noted it has no plans to permanently revoke the funding.

The city and state released new audits earlier this year. The city audit showed that of 96 contracts awarded from 2008 to 2016, two-thirds had to be revised, with 641 change orders and amendments. “The rush to approve the project was for political purposes,” the audit said.



Honolulu Mayor Kirk Caldwell, left, addressing the news media in May 2017 in Waipahu, Hawaii. He continues to laud the project despite its problems. PHOTO: CATHY BUSSEWITZ/ASSOCIATED PRESS

“We did not rush to meet anybody’s political schedule or agenda,” said Toru Hamayasu, who oversaw the project as head of Honolulu’s planning division from 2005 to 2012. “We needed to move as quickly as we could to control the cost, and that was truly our incentive.”

He added: “If we were out of step, you’d think the FTA would stop us, or the legal advisers within the city would stop us. And that never happened. Every step we made [was] with the acceptance and approval of the agencies who were watching over the project.”

In the wake of the federal grand-jury investigation, the Honolulu city council this month ordered the city auditor to examine the project again, this time in a forensic audit to determine whether any wrongdoing has occurred.

Mr. Robbins, HART’s executive director, said he has seen nothing that rose to the level of criminal activity and is confident the project will keep moving forward.

On a balmy morning in late December, by the same field where jubilant officials broke ground eight years ago, construction teams worked on the vacant first station. Farmland stretched south, a shimmer of the Pacific barely visible in the distance.

Nearby, on the highway into Honolulu, traffic began to build.

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