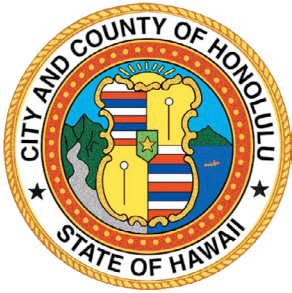




Office of the City Auditor



**City and County of
Honolulu
State of Hawai`i**

**Report to the Mayor
and the
City Council of Honolulu**

Audit of the City's Bikeshare Program, Resolution 19-290

**Report No. 20-08
December 2020**

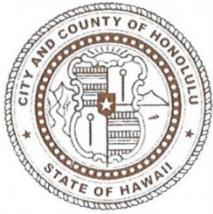
Audit of the City's Bikeshare Program, Resolution 19-290

A Report to the
Mayor
and the
City Council
of Honolulu

Submitted by

THE CITY AUDITOR
CITY AND COUNTY
OF HONOLULU
STATE OF HAWAII

Report No. 20-08
December 2020



OFFICE OF THE CITY AUDITOR
CITY AND COUNTY OF HONOLULU

1001 KAMOKILA BOULEVARD, SUITE 216, KAPOLEI, HAWAII 96707 / PHONE: (808) 768-3134 / FAX: (808) 768-3135

TROY SHIMASAKI
ACTING CITY AUDITOR

December 3, 2020

The Honorable Ann Kobayashi, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Kobayashi and Councilmembers:

A copy of our report, *Audit of the City's Bikeshare Program, Resolution 19-290*, is attached. This audit was conducted pursuant to Resolution 19-290, requesting the city auditor to conduct an audit of the city's relationship with Bikeshare Hawaii. In adopting Resolution 19-290, the city council expressed concerns about whether Bikeshare Hawaii's use of city property for Biki docking stations and equipment requires a lease agreement.

The audit objectives were to:

1. Evaluate the City's granting of the current contract with Bikeshare Hawaii without following the bidding requirements under the State Procurement Code;
2. Evaluate the City's granting Bikeshare Hawaii the exclusive use of City property for the Bikeshare Hawaii docking stations without awarding the use of the property through the bidding procedure required by Chapter 28 of the Revised Ordinances of Honolulu 1990;
3. Review the City Administration's conditioning of its approval of certain development projects on landowners/developers' commitments to place and maintain bikeshare docking stations and bicycles on their private properties;
4. Determine why the City allows the placement of advertisements on Bikeshare Hawaii's bicycles;
5. Calculate the amount of revenue the City receives from Bikeshare Hawaii for Bikeshare Hawaii's use of City property; and
6. Assess DTS' contract management of the Bikeshare Hawaii contract.

Background

Bikeshare Hawaii is the non-profit that was created with the purpose of bringing a public bikeshare system to life in Honolulu. With the partnership between the State of Hawai'i, DTS, Bikeshare Hawaii, and private interests, the Biki bikeshare program was launched on June 28, 2017 as Honolulu's sole public bikeshare provider. To date the system has over 130 docking stations and 1,300 bikes covering a 6.25 mile service area around the core of Honolulu. Biki has boasted increasing ridership and membership through the first two years of service.

Audit Results

The structure of the Biki bikeshare program, established in part by the city's agreement with Bikeshare Hawaii, lacks accountability and transparency. The agreement circumvented certain requirements from the Revised Ordinances of Honolulu resulting in an estimated 2019 revenue loss of \$460,728 from the displacement of metered stalls and exemption from permit fees. Additionally, per the agreement, the city does not share in fare or sponsorship revenue, despite similar arrangements between municipalities and bikeshare programs in other jurisdictions. We also found that DTS is not effectively monitor Bikeshare Hawaii because it does not sufficiently oversee the grantee or enforce seven of eleven grant agreement controls. As a result, the department is unable to hold the grantee accountable for its operational and fiscal performance.

The audit report made nine recommendations to promote fiscal responsibility and improve the Bikeshare program's transparency and accountability.

The Director of the Department of Transportation Services and Managing Director expressed agreement with most of the audit findings and recommendations, and provided clarifying information. In two instances, we address comments made by the department and amended the report accordingly. We also made technical, non-substantive changes to the report for purposes of accuracy, clarity, and style.

We would like to express our sincere appreciation for the cooperation and assistance provided us by the managers and staff of the Department of Transportation Services, Bikeshare Hawaii, and others we contacted for this audit. We are available to meet with you and your staff to discuss this report and to provide more information. If you have any questions, please call me at 768-3134.

Sincerely,



Troy Shimasaki
Acting City Auditor

c: Kirk Caldwell, Mayor
Roy Amemiya, Jr., Managing Director
Jon Nouchi, Acting Director, Department of Transportation Services
Manuel T. Valbuena, Acting Director, Department of Budget and Fiscal Services

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Chapter 1

Introduction

On December 4, 2019, the Honolulu City Council adopted Resolution 19-290, requesting the city auditor to conduct an audit of the City and County of Honolulu's relationship with Bikeshare Hawaii. The resolution requested that the city auditor address:

- The city's granting of the current contract with Bikeshare Hawaii without following the bidding requirements under the State Procurement Code;
- Why the city allows the placement of advertisements on Bikeshare Hawaii's bicycles;
- The city's granting Bikeshare Hawaii the exclusive use of city property for the Bikeshare Hawaii docking stations without awarding the use of the property through the bidding procedure required by Chapter 28 of the Revised Ordinances of Honolulu 1990;
- The amount of revenue the city receives from Bikeshare Hawaii for Bikeshare Hawaii's use of city property: and
- The city administration's conditioning of its approval of certain development projects on landowners/developers' commitments to place and maintain bikeshare docking stations and bicycles on their private properties.

Key Terms

Bikeshare: A public transportation service that provides low-cost, flexible, on-demand access to a network of public bicycles. Bicycles are densely located across a service area at fixed station locations. With the ability to make point-to-point trips, bikesharing systems can accommodate shorter trips that replace less efficient auto and transit trips.

Biki: Honolulu's large-scale bikeshare system with over 1,300 bikes at over 130 conveniently located self-service kiosks launched in the summer of 2017.

Bikeshare Hawaii: A not-for-profit organization established in January 2014 that launched and manages the Biki bikeshare program in Honolulu with funding and support from public and private partners.

Secure Bike Share Hawaii, LLC: The financing and operating partner of Bikeshare Hawaii that specializes in the management and deployment of large scale bicycle share systems and are a part of the Secure Parking Group.

Honolulu Bikeshare Organizational Study: A 2014 City and County of Honolulu funded study that identified the vision, goals, and objectives for bikeshare, engaged key stakeholders, proposed an organizational and governance strategy for Honolulu, and created a high-level business plan.

Bike Parking Ordinance: City Ordinance 17-55 established bicycle parking requirements in the Land Use Ordinance. The ordinance mandates that both short and long-term bike parking must be provided whenever new floor area, a new dwelling unit, or a new parking structure is proposed.

Bikeshare Advisory Group: A collaborative group of private and public partners that initiated a planning process to coordinate the bikeshare discussion and strategize on how to best implement bikeshare in Honolulu and across Hawai'i.

Background

Resolution 14-35 established a strong endorsement by the city council for the creation of a bikeshare program partnered with the State of Hawai'i and private interests. The Department of Transportation Services (DTS) and the Department of Planning and Permitting were encouraged to establish a public purpose bikeshare program in the City and County of Honolulu.

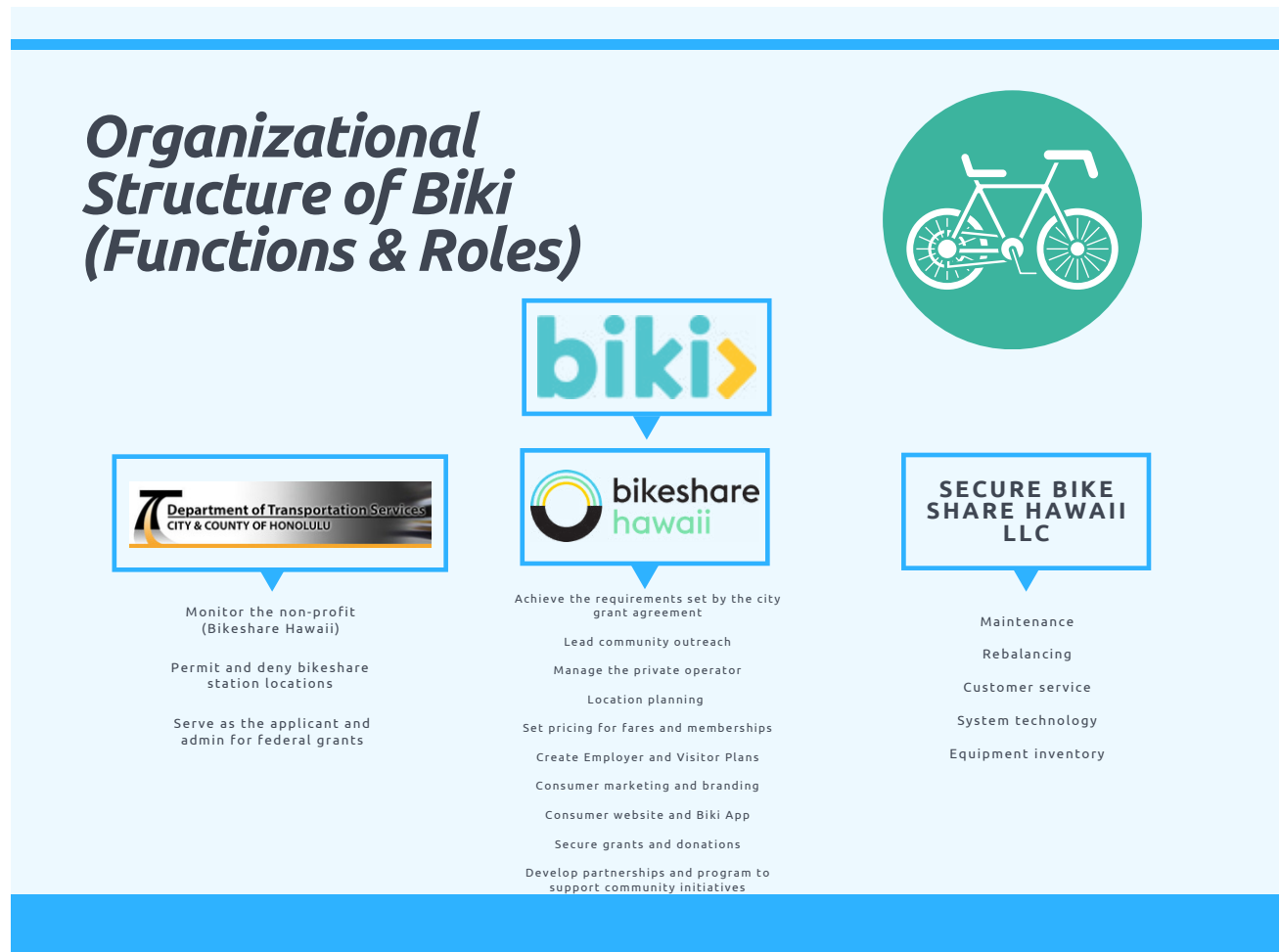
Bikeshare Hawaii is the non-profit that was created with the purpose of bringing a public bikeshare system to life in Honolulu. With the partnership between the State of Hawai'i, DTS, Bikeshare Hawaii, and private interests, the Biki bikeshare program was launched on June 28, 2017 as Honolulu's sole public bikeshare provider. To date the system has over 130 docking stations and 1,300 bikes covering a 6.25 mile service area around the core of Honolulu. Biki has boasted increasing ridership and membership through the first two years of service.

Current operations

Currently, there are three primary entities that comprise the city's Biki program. First, the Department of Transportation Services is tasked with oversight of bikeshare services. Second, non-profit Bikeshare Hawaii, manages the bikeshare service on behalf of the city. Third, Secure Bike Share Hawaii, LLC is contracted by Bikeshare Hawaii to operate Biki.

The exhibit below depicts Biki’s organizational structure.

**Exhibit 1.1
Organizational Structure of Biki**



Source: Office of the City Auditor

Department of Transportation Services

The Department of Transportation Services facilitates the movement of people and goods in the City and County of Honolulu through effective planning, design, engineering, and operations of Complete Streets, public transit and mobility, and transportation technology. The department’s goal is to provide greater safety for all modes of transportation and increased quality of life for residents. The department also incorporates Complete Streets principles that provide balance between travel

modes such as motor vehicles, bicycles and pedestrians into the planning, design and construction of city transportation facilities and projects.

The department's Transportation Engineering Division is responsible for implementing Biki. DTS provides oversight and support for the non-profit and program operations, monitors performance, approves potential station locations, aids in permitting, and serves as the applicant and administrator for federal grants. The division also administered the initial grant funding of \$2 million to Bikeshare Hawaii on behalf of the City (\$1 million) and the State of Hawai'i (\$ 1million).

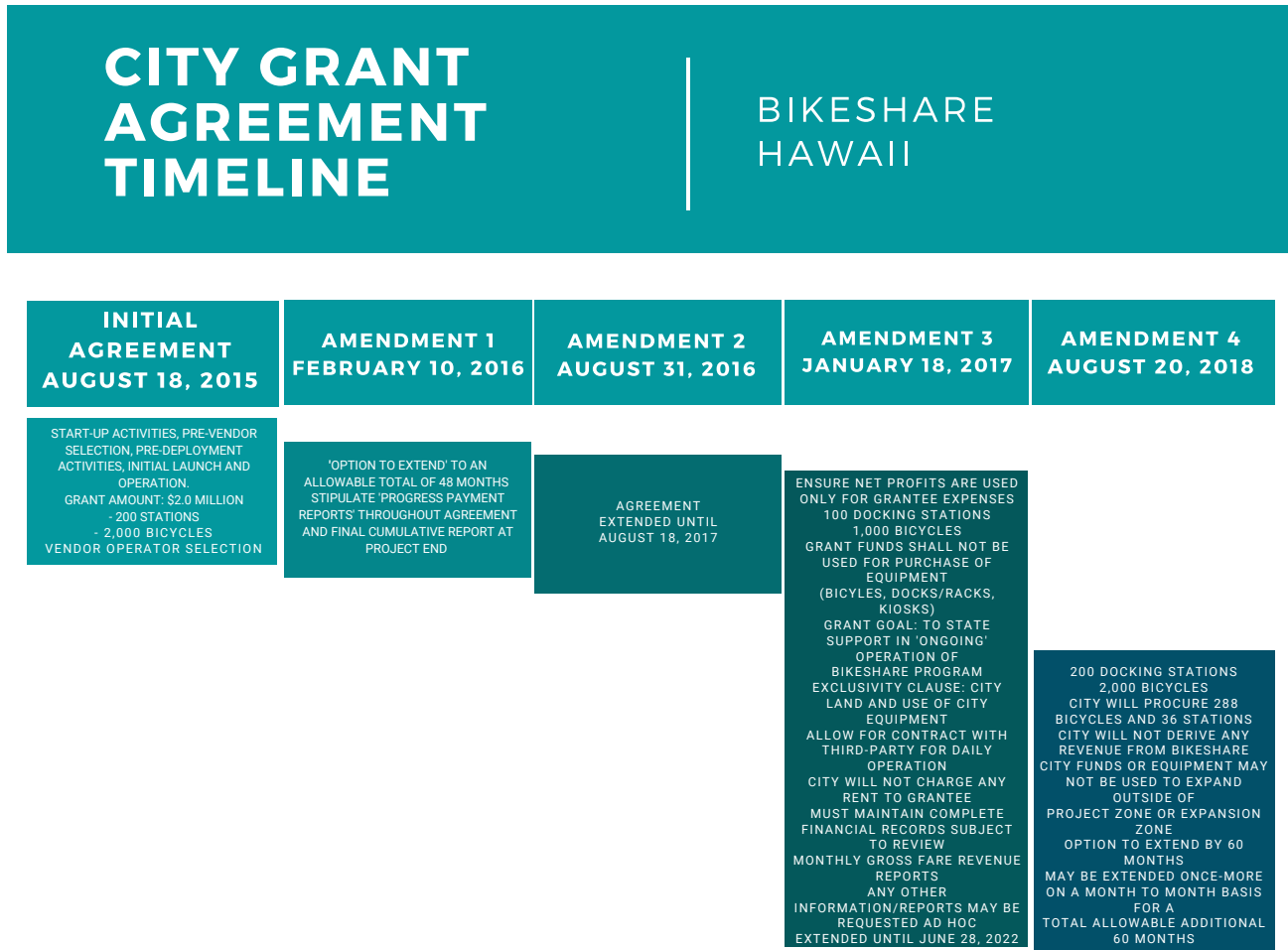
Initial grant funds were distributed in the following manner:

- \$200,000 may be requested on an advance payment basis for program startup costs
- \$1,600,000 will be paid on a reimbursement basis with supporting documentation upon approval of required documents by City and State for respective funds
- \$200,000 will be paid on a reimbursement basis and withheld until completion of the program and approval of grantee's final accounting report and final payment request

Per the grant agreement, DTS monitors Bikeshare Hawaii with controls that include reporting requirements, reviews, and inspections. See Appendix B for a description of these controls.

Bikeshare Hawaii

Bikeshare Hawaii is the 501(c)3 non-profit that manages the Biki bikeshare program. The State of Hawai'i and city granted \$1 million each for the creation of a public bikeshare program which Bikeshare Hawaii used for initial start-up activities: Pre-vendor selection activities, pre-deployment activities, and Initial launch and operations. Moving forward Bikeshare Hawaii is intended to be fully funded through private support/donations and federal grant funds. Bikeshare Hawaii will also receive a percentage of fare revenue when a threshold is met; to date the threshold has not been met.

Exhibit 1.2**Bikeshare Hawaii Grant Agreement Timeline (See Appendix C for detailed timeline)**

Source: Department of Transportation Services

Specifically, Bikeshare Hawaii is tasked to:

Program Operation:

- Implement and operate a public bikeshare program in the City and County of Honolulu
 - o 2,000 bicycles
 - o 200 docking stations

- Exclusive privilege to install, manage, operate and maintain the bikeshare program; responsibility of any and all expenses associated with the privilege
 - May contract with a third party to operate day to day activities of the bikeshare program; grantee still responsible for the management, operation, and maintenance of the bikeshare program and all services provided by any such third party
- Responsible for obtaining sponsorship, marketing, and advertising necessary to support and maintain bikeshare program along with any associated costs
 - Spend a minimum of \$100,000 per year relating to marketing
 - Responsible to identify and sign contracts with sponsors and advertisers
- Net profits earned from the bikeshare program must be applied to costs or activities related to furthering the bikeshare program

Equipment:

- Furnish, deliver, install, operate, and maintain at no cost to the city all equipment necessary for the operation of the bikeshare program
- Keep a full inventory/itemized listing of all bikeshare program equipment
- Provide any design services as required for kiosks and docking stations
- Participate in public presentations, workshops, and/or community meetings as needed for review and approval from regulatory bodies

Maintenance:

- Maintain all bicycles, kiosks, stations in good working order
- Maintain regular maintenance logs and schedules
- Responsible for all alterations, repairs, or improvements

Expansion Efforts:

- Propose and submit selected expansion locations to accomplish the goals of the bikeshare program for approval by the city
- Determine site relocation as needed
- Procure all appropriate permits for site location/relocation efforts

Secure Bike Share Hawaii

Secure Bike Share Hawaii LLC is contracted by Bikeshare Hawaii to finance equipment costs such as bicycles and docking stations; and all costs associated to design, install, operate, maintain, refurbish, relocate, and remove equipment for Biki.

Specifically, Secure Bike Share Hawaii is tasked to:

Pre-Launch Period:

- Obtain a loan commitment (to finance equipment costs)
- Provide a three-year operating plan including projected financials and annual budget
- Provide three years of audited financial statements
- Provide to contractee information regarding any litigation involving contractor within the last three years

Program Operation:

- Design, supply, install, operate, maintain, refurbish, relocate and remove equipment as needed to provide the highest quality of service and running the program in the most efficient manner as possible
- Deploy reasonable efforts to provide a safe bikeshare system and provide any information or instructions as to inform the public of proper use of the system.

Program Launch:

- Purchase all equipment as required and will retain ownership of all such equipment

- Launch bikeshare program with the following:
 - o 1,000 bicycles
 - o 100 bicycle docking stations
 - o Installation and set-up costs for all of the above

Maintenance:

- Maintain the system properly in accordance with applicable laws, key performance indicators and under existing climate conditions
- Provide maintenance reports and complaint resolutions as needed

Operating Costs and Revenue Sharing:

- Responsible for all applicable operating costs
- Provide monthly fare revenue collection reports
- Pay Client 50 percent of the fare revenues exceeding the fare revenue threshold for the year:
 - o Years 1-5: \$3,800,000
 - o Years 6-10: \$2,500,000
- Maintain records of all transactions relating to design, fabrication, installation, maintenance and operation of the bikeshare programs

Biki usage to date

Biki was launched on June 28, 2017 with 100 stations and 1,000 bikes. In the first year ridership totaled 838,662 trips, which ranked Honolulu eighth out of 55 on the National Association of City Transportation Officials (NACTO) list of most utilized bikeshare programs. Biki also boasted that 64 percent of trips were taken by residents. In the second year, ridership increased to 1,247,251 trips, which placed Honolulu's program at sixth out of 38 in NACTO's ranking (count methodology differed in each NACTO report causing a reduction in total programs considered in 2018 and 2017). Over the last two years, the program has grown in ridership, service area, and membership.

Exhibit 1.3 Bikeshare Hawaii Service Data

	<i>FY 2018</i>	<i>FY 2019</i>
# of Bikes	1,000	1,300
# of Biki Stops	100	130
Service Area	5.15 miles	6.25 miles
Trips Taken	833,662	1,247,251
Casual Riders	83,528	97,876
Biki Members	12,002	18,669

Source: Department of Transportation Services

Audit Objectives, Scope and Methodology

This audit was conducted pursuant to City Council Resolution 19-290, requesting the City Auditor to conduct a performance audit of the city's Bikeshare Hawaii Program (Biki).

The audit objectives were to:

1. Evaluate the city's granting of the current contract with Bikeshare Hawaii without following the bidding requirements under the State Procurement Code;
2. Evaluate the city's granting Bikeshare Hawaii the exclusive use of city property for the Bikeshare Hawaii docking stations without awarding the use of the property through the bidding procedure required by Chapter 28 of the Revised Ordinances of Honolulu 1990;
3. Review the city administration's conditioning of its approval of certain development projects on landowners/developers' commitments to place and maintain bikeshare docking stations and bicycles on their private properties;
4. Determine why the city allows the placement of advertisements on Bikeshare Hawaii's bicycles;
5. Calculate the amount of revenue the city receives from Bikeshare Hawaii for Bikeshare Hawaii's use of city property; and
6. Assess DTS' contract management of the Bikeshare Hawaii contract.

For the audit, we interviewed and held discussions with pertinent DTS managers and staff, visited bikeshare facilities, reviewed invoices, equipment, and revenue reports from Bikeshare Hawaii. We also examined street usage permits relating to Biki and reviewed the grant agreement and related Biki documents. We reviewed best practices for bikeshare programs nationally and reviewed comparable bikeshare programs in the Bay Area, CA; Boston, MA; New York, NY; Chicago, IL; Washington D.C., and Portland, OR. We examined internal controls applicable to audit objectives.

Our review covered DTS data from FY 2017 to FY 2020.

This performance audit was performed in accordance with generally accepted government auditing standards (GAGAS). The audit was performed from February 2020 to September 2020. Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. We believe that the evidence obtained in this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results

The structure of the Biki bikeshare program, established in part by the city's agreement with Bikeshare Hawaii, lacks accountability and transparency. The agreement circumvented certain requirements of the Revised Ordinances of Honolulu resulting in an estimated revenue loss of \$460,728 from the displacement of metered stalls and exemption from permit fees. Additionally, per the agreement, the city does not share in sponsorship revenue, despite similar arrangements between municipalities and bikeshare programs in other jurisdictions. We also found that DTS is not effectively monitoring Bikeshare Hawaii because it does not sufficiently monitor or enforce seven of eleven grant agreement controls. As a result, the department is unable to hold the grantee accountable for its operational and fiscal performance.

Chapter 2

The Organizational Structure of Biki, Honolulu’s Bikeshare Program, Lacks Accountability and Transparency

Bikeshare Hawaii Receives a Myriad of City Exemptions That Are Informal and Lack Transparency to Support Its Operations

The Biki bikeshare program (Biki) was established to provide a low-cost, flexible transportation service that provides an on-demand network of publically-rentable bicycles. While we acknowledge that the city achieved implementing Biki, we found that the current organizational structure circumvents certain Revised Ordinances of Honolulu requirements and allows Bikeshare Hawaii to benefit from city resources inequitably. By agreement, the city cannot receive revenues from the bikeshare system. We found that the city is losing revenues from the replacement of metered stalls. In addition to fare revenues, Biki also receives monies from sponsorships, but does not report these amounts to the Department of Transportation Services (DTS) as required by contract agreement. We found that the current structure lacks accountability and transparency.

The current agreement between the City and Bikeshare Hawaii is exempt from the state procurement code

We evaluated the city’s contract with Bikeshare Hawaii and found that the contract is a grant agreement. Under current law, grant agreements are exempt from competitive bidding requirements under the State Procurement Code (Chapter 103D of the Hawai’i Revised Statutes). Instead, city grant agreements follow Section 6.29, Revised Ordinances of Honolulu (ROH), for the competitive grant selection process. We found that the Department of Transportation Services and Department of Budget and Fiscal Services exempted Bikeshare Hawaii from Section 6.29, ROH, competitive grant selection requirements on grounds that it would not be practicable or advantageous for DTS to select a grantee by competitive means because Bikeshare Hawaii is the sole non-profit organization source for all public-private partnership bikeshare planning and programming in the State of Hawai’i.

Based on recommendations from the 2014 *Honolulu Bikeshare Organizational Study*, Biki relies on Bikeshare Hawaii as an administrative non-profit that contracts operations to Secure Bike Hawaii, a private company. The following criteria were used to

select the preferred organizational model for a bikeshare program in Honolulu:

- Capital ownership
- Operational Transparency
- Profit and Risk Sharing
- Operating Expertise
- Fundraising Capacity
- Ability to Innovate
- Expansion Potential (O’ahu and Statewide)
- Staff Capacity / Organizational Interest
- Key Stakeholder Support

Based on the study’s assessment, an **Administrative Non-Profit Model** (Public-Non-Profit Private Partnership) was chosen.

**Exhibit 2.1
Administrative Non-Profit Model for Biki**

<i>Public</i>	<i>Non-Profit</i>	<i>Private</i>
<ul style="list-style-type: none"> - Monitor the Non-Profit - Serve as applicant and admin for federal grants 	<ul style="list-style-type: none"> - Creation and management of the public bikeshare system 	<ul style="list-style-type: none"> - Day-to-day operator

Source: Department of Transportation Services

According to the study, the benefits of a Public-Non-Profit Private partnership are:

- Ability of non-profit to achieve key bikeshare objectives and potential to support statewide expansion;
- Ability of a non-profit organization to secure public, private, and non-profit funding sources (grant funding, general funds, non-profit contributions, and sponsor

support) – potential private and institutional sponsors expressed interest and support for a non-profit organizational structure;

- Offers the City and County of Honolulu the ability to influence station locations;
- Private operator provides operating expertise while allowing the non-profit control of the mission and broader program objectives;
- Limits impact on city staff capacity; and
- Limits public agency risk of financial liability, underperformance, and failure.

Exhibit 2.2 compares Biki's structure with bikeshare programs from other jurisdictions. Biki's operating structure is generally similar to other jurisdictions. See Appendix D for our complete review of other jurisdictions.

Exhibit 2.2
City Comparisons - Structure of Bikeshare Programs

City	System Name	Operator	Contract Procurement	Structure	Funding
Honolulu, Hawai'i	Biki Bikes	Bikeshare Hawai'i (manages) Secure Bike Share Hawai'i (operates)	<i>Sole Source - Non-Profit Program Manager</i> <i>Private Operator - RFP</i>	Public-Non-Profit-Private Partnership Non-Profit Managed Privately Operated & Owned	City & State Funds to help launch Federal Funds & Private Donations to expand
Bay Area, California	Bay Wheels	(Motivate - Lyft)	Private Operator - RFP	Public Managed (Multiple Municipalities) Privately Owned - Operated	Started with \$11M various public funding Private funded with Ford > Lyft Sponsorship *After Lyft acquisition dropped Ford branding
(Greater) Boston, Massachusetts	BlueBikes	(Motivate - Lyft)	<i>Private Operator - RFP</i>	Public Owned-Managed (Multiple Municipalities) Privately Operated	Federal and Local Govt. grant funded launch Sponsorship (title and station) to expand and sustain revenue Expanding with CIP Budgeting
New York, New York	Citi Bike	(Motivate - Lyft)	Private Operator - RFP	Privately Owned-Managed-Operated	Fully Privately Funded (<i>Citi</i> Title Sponsor) w/agreements to exclusive rights Further private sponsorship funds expansions Self-sustained with membership and advertising revenue
Chicago, Illinois	Divvy Bike	(Motivate - Lyft)	Private Operator - RFP	Public Owned Privately Managed-Operated	Launched with City & Federal Funds Expanded with State Grant & Private Sponsorship
Washington D.C.	Capital Bikeshare	(Motivate - Lyft)	Private Operator - RFP	Public Owned-Managed (Multiple Municipalities) Privately Operated	Launched with City & Federal Funds Expanded with Local, Federal, & Private Funds
Portland, Oregon	Biketown Bikes (NIKE Corp. Sponsor)	(Motivate - Lyft)	Private Operator - RFP	Public Owned-Managed Privately Operated	Federal fund startup Sponsorship funds expansion Sponsorship expected to cover 1/3 of operating costs

Source: Office of the City Auditor

We note that the 2014 study, which was the basis for Honolulu's Biki program, referenced three bikeshare programs as potential models for Honolulu. They were Denver B-Cycle, Puget Sound Bikeshare, and Portland Bikeshare. We found that since the study's release: Portland Bikeshare changed its structure to a public owned-managed and privately operated structure; the Puget Sound Bikeshare program was discontinued in 2017 due to low ridership, delayed expansion, and insolvency; and the Denver B-Cycle was discontinued due to lower ridership from other available transportation and bikeshare options.

The current agreement between the City and Bikeshare Hawaii circumvents Chapter 28, ROH, requirements and the city has foregone an estimated \$157,000 in street usage fees

We found that DTS exempted Bikeshare Hawaii from paying street usage permit fees, as provided by ordinance, valued at over \$157,000. Chapter 28, ROH, sets policies for the lease or rental of property owned by the City and County of Honolulu or the award of concessions. The ordinance also requires public advertisements and bids, except under specific circumstances. Under this ordinance, no real property or any concession or concession space in any building or on any land owned by, or under the jurisdiction of, the City and County of Honolulu should be leased or rented except under contract let under public advertisement for sealed tenders in a manner prescribed. Furthermore, entities using city property are required to pay applicable fees. According to DTS, awarding use of city property to Bikeshare Hawaii for Biki docking stations is exempt from public advertisements and bidding requirements. Bikeshare Hawaii is also exempt from fees for docking stations located on city property.

DTS has exempted Bikeshare Hawaii from street usage permit fees totaling \$157, 036

To circumvent Chapter 28 requirements, DTS issues Biki street usage permits to allow bikeshare operations on city property. Per a verbal agreement with DTS, Biki is also exempt from paying street usage permit fees. We also found that, to date, Biki bike stations have displaced 44 metered parking stalls and the city has forgone an estimated \$303,692 in annual revenue since 2019.

According to a DTS manager, the city used a request for grant exemption pursuant to Chapter 6.29, ROH and Budget and Fiscal Services (BFS) Policy Index 01-13, to exempt the selection of Bikeshare Hawaii from the city's competitive grant selection process. BFS Policy Index 01-13 states that generally, a city agency will follow standard selection procedures, unless the city agency determines that a competitive selection process is either not practicable or not advantageous to the city. In addition, DTS cited Chapter 6.29, ROH, BFS Index 01-13, and Section 28-3.3, ROH as grounds for exempting Bikeshare Hawaii from paying applicable fees under Chapter 28, ROH. While we acknowledge these exemptions as a means to ensure the Biki's initial success, as the program grows, we question the exemptions going forward.

Bikeshare Hawaii is responsible for selecting potential docking station sites according to its program and expansion goals which are to provide the public with high quality, convenient, reliable bikeshare services and to strengthen Hawai'i's public transportation system. According to a DTS manager, after docking sites are identified, a street usage permit application is sent to the city department that holds jurisdiction over the site and the

application is reviewed for placement, safety, accessibility, and approval. Street usage permits hold a six month term and must detail the location, parking meter numbers replaced (if any), and street view photos of the designated area with measurements of the dock and distances from any street features (fire hydrants, driveways, crosswalks, etc.). DTS' Transportation Engineering and Transportation Safe and Alternate Modes Divisions review and provide input to the Street Usage Division on adjustments needed to approve the permit requests. Upon approval, a street usage permit fee is assessed. According to Chapter 15-22.4, ROH, permit holders are assessed a \$12 per-day fee for the duration of the permit, excluding weekends, holidays, and other exemptions.

We found that DTS has exempted Bikeshare Hawaii from paying applicable street usage permit fees for docking stations located on city property. The city's contract with Bikeshare Hawaii is silent on payment of such fees. According to a DTS manager, the decision to exempt Bikeshare Hawaii from street usage permit fees was based on an informal decision at the department level. As a result, the city has forgone an estimated \$157,036 in street usage permit fees for the period from January 2019 to December 2019. Exhibit 2.3 shows the fee amounts Bikeshare Hawaii did not have to pay and the amount of revenue the city gave up.

Exhibit 2.3 Street Usage Permit Fees in CY 2019

<i>Location</i>	<i>Bike Station No.</i>	<i>Issue Date</i>	<i>Parking Meter No.</i>	<i>Street Usage Permit Fees</i>
Kukui Street, northwest of Fort Street	105	12/10/2018	634	\$3,569
Kukui Street, northwest of Fort Street	105	12/10/2018	635	\$3,569
Bishop Street, mauka of Nimitz Highway	108	12/10/2018	1630	\$3,569
Bishop Street, mauka of Nimitz Highway	108	12/10/2018	1631	\$3,569
Bishop Street, mauka of Nimitz Highway	108	12/10/2018	1632	\$3,569
Mililani Street, makai of Merchant Street (relocation 5/15/20 to Richards Street)	124	12/10/2018	1888	\$3,569
Mililani Street, makai of Merchant Street	124	12/10/2018	1889	\$3,569
Punchbowl Street, southwest of King Street	125	12/10/2018	2440	\$3,569
Punchbowl Street, southwest of King Street	125	12/10/2018	2441	\$3,569
Lauhala Street, makai of Lusitana Street	128	12/10/2018	4003	\$3,569
Lauhala St, makai of Lusitana Street	128	12/10/2018	4004	\$3,569
Kawaiahao Street St, northwest of South Street	200	12/10/2018	2228	\$3,569
Kawaiahao Street, northwest of South Street	200	12/10/2018	2229	\$3,569
Pohukaina Street, northwest of south Street	202	12/10/2018	3946	\$3,569
Pohukaina Street, northwest of south Street	202	12/10/2018	3947	\$3,569
Auahi Street, southeast of Keawe Street	204	12/10/2018	3615	\$3,569
Auahi Street, southeast of Keawe Street	204	12/10/2018	3616	\$3,569
Auahi Street, northwest of Cooke Street	207	12/10/2018	3624	\$3,569
Auahi Street, northwest of Cooke Street	207	12/10/2018	3625	\$3,569
Makaloa Street, ewa of Keeaumoku Street	232	12/10/2018	3264	\$3,569
Makaloa Street, ewa of keeaumoku Street	232	12/10/2018	3265	\$3,569
Kanunu Street, east of Keeaumoku Street	233	12/10/2018	2701	\$3,569
Kanunu Street, east of Keeaumoku Street	233	12/10/2018	2702	\$3,569
Amana Street, north of Makaloa Street	235	12/10/2018	3075	\$3,569
Amana Street, north of Makaloa Street	235	12/10/2018	3076	\$3,569
Olahana Avenue, northeast of Kuhio Avenue	312	12/10/2018	4512	\$3,569
Kalaimoku, southwest of Ala Wai Boulevard	313	12/10/2018	4552	\$3,569
Kalaimoku, southwest of Ala Wai Boulevard	313	12/10/2018	4553	\$3,569
Lewers Street, northeast of Kuhio Avenue	318	12/10/2018	4576	\$3,569
Lewers Street, northeast of Kuhio Avenue	318	12/10/2018	4577	\$3,569
Seaside Avenue, mauka of Kuhio Avenue	320	12/10/2018	4662	\$3,569
Seaside Avenue, mauka of Kuhio Avenue	320	12/10/2018	4663	\$3,569
Seaside Avenue, mauka of Kuhio Avenue	320	12/10/2018	4664	\$3,569
Walina Street, northeast of Kuhio Avenue	325	12/10/2018	4731	\$3,569
Walina Street, northeast of Kuhio Avenue	325	12/10/2018	4732	\$3,569
Walina Street, mauka of Kuhio	325	5/20/2019	4744	\$3,569
Walina Street, mauka of Kuhio	325	5/20/2019	4745	\$3,569
Hale Makai Street, mauka of Hotel Street	400	12/10/2018	4026	\$3,569
Hale Makai Street, mauka of Hotel Street	400	12/10/2018	4027	\$3,569
Hale Makai Street, mauka of Hotel Street	400	12/10/2018	4028	\$3,569
Victoria Street, makai of Young Street	404	12/10/2018	2306	\$3,569
Victoria Street, makai of Young Street	404	12/10/2018	2307	\$3,569
Young Street, east of Victoria Street	404	3/6/2019	2898	\$3,569
Young Street, east of Victoria Street	404	3/6/2019	2899	\$3,569
			Total	\$157,036

Source: Office of the City Auditor

Street usage permit process for bike docking stations is informal and lacks proper controls

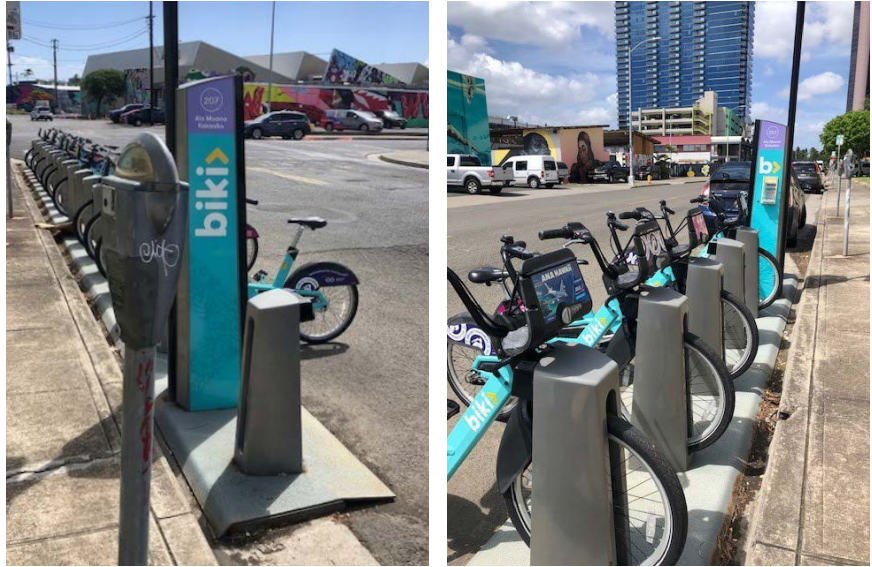
According to a DTS manager, Bikeshare Hawaii is allowed to resubmit the same permit requests by simply updating the dates as an expedited process for permit renewals and station adjustments/relocations. Furthermore, DTS relies on Bikeshare Hawaii to keep track of when permits need to be submitted for renewal; the department does not monitor when renewals are due. As a result, we found that DTS has ported its oversight and monitoring responsibilities to its grantee. The department does not effectively enforce permit controls for the bikeshare program.

Annual estimated revenue loss from 44 metered stalls totaled \$303,692

To date, the Bikeshare Hawaii program has replaced 44 city-owned parking meters with Biki bike stations. The on-street parking meters generated income for the city; Biki bike stations do not. We found that the city has foregone an estimated \$303,692 for the period January 2019 to December 2019. We also found that DTS does not have an active list of parking meters displaced by bike docking stations and does not track the amount of revenue loss from the displaced metered stalls. DTS did not take into account the loss of revenues from the displacement of metered stalls when it planned the Bikeshare project. As a result, DTS is unable to determine the financial impact of removing unmetered stalls to the city.

The photos in Exhibit 2.4 show a bicycle docking station that replaced two metered parking stalls in the Ala Moana/Kakaako area.

Exhibit 2.4 Metered Parking Replaced by Biki Docking Station



Source: Office of the City Auditor

We requested to review planning and operational documents from DTS regarding cost impacts to the city as it related to the Bikeshare Hawaii program. This request included an inventory of city-owned parking stalls that were displaced by bike docking stations and the estimated revenue those meters would have generated. The department did not have any documents related to metered parking and the potential revenue impact to the city.

For purposes of this audit, we researched the number of metered parking stalls displaced by the Bikeshare program and calculated the potential revenue loss based on a meter's highest revenue generating capability. Exhibit 2.5 shows the number of city metered stalls displaced by the Bikeshare Hawaii program and Exhibit 2.6 displays the on-street parking meter rates.

Exhibit 2.5 Forgone Metered Parking Revenues in CY 2019

<i>Location</i>	<i>Bike Station No.</i>	<i>Issue Date</i>	<i>Parking Meter No.</i>	<i>Estimated Annual Revenue Loss</i>
Kukui Street, northwest of Fort Street	105	12/10/2018	634	\$4,851
Kukui Street, northwest of Fort Street	105	12/10/2018	635	\$4,851
Bishop Street, mauka of Nimitz Highway	108	12/10/2018	1630	\$1,799
Bishop Street, mauka of Nimitz Highway	108	12/10/2018	1631	\$4,257
Bishop Street, mauka of Nimitz Highway	108	12/10/2018	1632	\$4,257
Mililani Street, makai of Merchant Street (relocation 5/15/20 to Richards Street)	124	12/10/2018	1888	\$4,851
Mililani Street, makai of Merchant Street	124	12/10/2018	1889	\$4,851
Punchbowl Street, southwest of King Street	125	12/10/2018	2440	\$9,702
Punchbowl Street, southwest of King Street	125	12/10/2018	2441	\$9,702
Lauhala Street, makai of Lusitana Street	128	12/10/2018	4003	\$4,851
Lauhala St, makai of Lusitana Street	128	12/10/2018	4004	\$4,851
Kawaiahao Street St, northwest of South Street	200	12/10/2018	2228	\$4,851
Kawaiahao Street, northwest of South Street	200	12/10/2018	2229	\$4,851
Pohukaina Street, northwest of south Street	202	12/10/2018	3946	\$4,851
Pohukaina Street, northwest of south Street	202	12/10/2018	3947	\$4,851
Auahi Street, southeast of Keawe Street	204	12/10/2018	3615	\$4,851
Auahi Street, southeast of Keawe Street	204	12/10/2018	3616	\$4,851
Auahi Street, northwest of Cooke Street	207	12/10/2018	3624	\$4,851
Auahi Street, northwest of Cooke Street	207	12/10/2018	3625	\$4,851
Makaloa Street, ewa of Keeaumoku Street	232	12/10/2018	3264	\$4,851
Makaloa Street, ewa of keeaumoku Street	232	12/10/2018	3265	\$4,851
Kanunu Street, east of Keeaumoku Street	233	12/10/2018	2701	\$4,851
Kanunu Street, east of Keeaumoku Street	233	12/10/2018	2702	\$4,851
Amana Street, north of Makaloa Street	235	12/10/2018	3075	\$4,851
Amana Street, north of Makaloa Street	235	12/10/2018	3076	\$4,851
Olahana Avenue, northeast of Kuhio Avenue	312	12/10/2018	4512	\$14,112
Kalaimoku, southwest of Ala Wai Boulevard	313	12/10/2018	4552	\$14,112
Kalaimoku, southwest of Ala Wai Boulevard	313	12/10/2018	4553	\$14,112
Lewers Street, northeast of Kuhio Avenue	318	12/10/2018	4576	\$14,112
Lewers Street, northeast of Kuhio Avenue	318	12/10/2018	4577	\$14,112
Seaside Avenue, mauka of Kuhio Avenue	320	12/10/2018	4662	\$14,112
Seaside Avenue, mauka of Kuhio Avenue	320	12/10/2018	4663	\$14,112
Seaside Avenue, mauka of Kuhio Avenue	320	12/10/2018	4664	\$14,112
Walina Street, northeast of Kuhio Avenue	325	12/10/2018	4731	\$6,960
Walina Street, northeast of Kuhio Avenue	325	12/10/2018	4732	\$6,960
Walina Street, mauka of Kuhio	325	5/20/2019	4744	\$9,312
Walina Street, mauka of Kuhio	325	5/20/2019	4745	\$9,312
Hale Makai Street, mauka of Hotel Street	400	12/10/2018	4026	\$4,851
Hale Makai Street, mauka of Hotel Street	400	12/10/2018	4027	\$4,851
Hale Makai Street, mauka of Hotel Street	400	12/10/2018	4028	\$4,851
Victoria Street, makai of Young Street	404	12/10/2018	2306	\$4,851
Victoria Street, makai of Young Street	404	12/10/2018	2307	\$4,851
Young Street, east of Victoria Street	404	3/6/2019	2898	\$3,630
Young Street, east of Victoria Street	404	3/6/2019	2899	\$3,630
			Total	\$303,692

Source: Office of the City Auditor

**Exhibit 2.6
Metered Parking Rates Are As Follows, Per the Revised Ordinances of Honolulu**

<i>Locations</i>	<i>Hours and Days</i>	<i>Metered Rates</i>
Downtown/Civic Center Area ¹	7:00 am to 6:00pm Except Sundays and Public Holidays	\$0.50 for 10 minutes \$1.50 for 30 minutes \$3.00 per hour
Waikiki	6:00am to 10:00pm	\$0.50 for 10 minutes \$1.50 for 30 minutes \$3.00 per hour
Areas other than Downtown/Civic Center Area and Waikiki	Varies	\$0.50 for 20 minutes \$1.50 per hour

¹ Bounded by River Street to Vineyard Boulevard, then along Vineyard Boulevard to Punchbowl Street, then along Punchbowl Street to Beretania Street, then along Beretania Street to Alapai Street, then along Alapai Street to King Street, then along King Street to Punchbowl Street, and along Punchbowl Street to the waterfront

Source: Chapter 15-22.4, Revised Ordinances of Honolulu

Planning for Biki did not include a cost-benefit analysis of removing metered parking stalls for bicycle docking stations. By not estimating the potential loss in revenue, DTS was unable to determine whether the placement of bicycle docking stations was financially beneficial to the city. The annual revenue loss to the city should be considered when planning the bikeshare program's future.

Other jurisdictions minimize loss of parking meters or collect fees to compensate for the revenue loss

We reviewed comparable bikeshare programs from other jurisdictions and found that some municipalities have cost-recovery provisions to offset revenue loss due to parking meter displacement. In one jurisdiction, we found that the bikeshare operator pays \$1 million to the local government for forgone parking meter revenues and focuses on selecting sites that minimize the reduction of metered parking stalls.

**Exhibit 2.7
Loss of Metered Parking Revenues Comparison**

<i>Jurisdiction, Bikeshare Operator</i>	<i>Parking Meter Impacts in Bikeshare Program Agreement (Bikeshare Operator)</i>	<i>Amount Bike Operator Agrees to Reimburse Local Government</i>
Honolulu, Bikeshare Hawai'i	None	None
New York City, Citi Bike	Minimize the reduction of metered parking stalls in site selection	\$1 million payment annually
Bay Area (Metropolitan Transmission Commission), Motivate	Must make best effort to avoid taking metered parking spaces. If a city requires reimbursement of lost parking meter revenue for a given site, the city must also provide an alternative site location within one city block that is not sited in metered parking areas.	At the city's discretion

Source: Office of the City Auditor

Other concessionaires pay fees to operate on city property

Bikeshare Hawaii’s operation does not bid for the use of city property. Section 28-3.3, Revised Ordinances of Honolulu (ROH), authorizes the Department of Budget and Fiscal Services to exempt bikeshare operations from competitive bidding requirements as a concessionaire and for paying requisite fees. According to Chapter 28, ROH, a concession means granting to a private individual, partnership or corporation the privilege to conduct operations essentially retail in nature, involving the sale of goods, wares, merchandise or services to the general public in or on land or buildings owned or controlled by the City and County of Honolulu. In our assessment, although Bikeshare Hawaii provides a worthwhile public service and is consistent with the department’s Complete Streets vision, exempting this operation from competitive bidding requirements going forward is questionable. Exhibit 2.8 details city contracts that involve the leasing or renting of city property and their fees.

Exhibit 2.8
City Contracts and Agreed Upon Fees for Lease or Rental of City Property

	<i>Beach Boys Stand #2</i>	<i>Beach Boys Stand #3</i>	<i>TheBus</i>
Year 1	\$ 48,000	\$ 42,000	\$168,000
Year 2	\$ 48,000	\$ 60,000	\$168,000
Year 3	\$ 48,000	\$ 60,000	\$168,000
Year 4	Re-bid	Re-bid	\$168,000
Year 5	Re-bid	Re-bid	\$168,000
Total	\$ 144,000	\$ 162,000	\$840,000

Source: DocuShare and Department of Transportation Services

Although Bikeshare Hawaii is a non-profit organization, it does raise revenues and receives sponsorship fees. As the program grows, and its revenues increase, we believe that Bikeshare Hawaii should conform to Chapter 28 requirements. Even if the department continues to exempt Bikeshare Hawaii from competitive bidding requirements, it should assess requisite concession fees. This would bring the bikeshare program in line with other revenue-generating entities that operate and pay fees for the use of public property.

The city did not share in the \$5.6 million Bikeshare revenues collected between FY 2017 and FY 2019

Between FY 2017 and FY 2019, Bikeshare Hawaii collected over \$5.6 million in bike rental fees. Revenue increased 190 percent from CY 2017 (\$939,788) to CY 2019 (\$2,724,925). Exhibit 2.9 shows Bikeshare Hawaii revenues for the three-year period CY 2017 to CY 2019.

Exhibit 2.9
Bikeshare Hawaii Revenues, CY 2017 – CY 2019

<i>Calendar Year</i>	<i>Fare Revenue</i>
2017	\$939,788
2018	\$1,970,707
2019	\$2,724,925
Total	\$5,635,420

Source: Bikeshare Hawaii

Despite the revenue growth, the city does not share in the revenues. According to the city's contract with Bikeshare Hawaii, the city does not receive any revenues from the bikeshare program. Instead, Bikeshare Hawaii has an agreement with Secure Bike Hawaii to receive excess revenue (in the event of profit). According to its contract with Bikeshare Hawaii, Secure Bike's fare revenue thresholds are \$3.8 million in years one through five and \$2.5 million in years six through ten. Secure Bike agrees to pay Bikeshare Hawaii 50 percent of the excess revenues collected in those respective years. Fare revenues do not include revenues from merchandising, licensing, and sponsorships.

Other jurisdictions have municipalities also sharing in revenues generated. The Bay Area and New York City bikeshare programs include provisions for the local government jurisdiction to receive a share of revenues when certain thresholds are met. The revenue sharing for these bikeshare programs are as follows:

- Bay Area Bikeshare
 - o Ridership Revenue Hurdle \$18 million (per calendar year, subject to CPI adjustment)
 - o Pay 5 percent of *excess ridership revenue* over \$18 million for each contract year
- New York City
 - o One-time credit of \$1.5 million in the first contract year
 - o Pay 5 percent of *excess ridership revenue* over \$30 million for each contract year

Biki sponsorships revenues totaled nearly \$1.4 million from FY 2017 to FY 2020

Biki receives sponsorships from various companies. In return, sponsors are visible on bicycles. Per the agreement between the city and Bikeshare Hawaii, the city does not receive any revenues or fees from bikeshare sponsors. Bikeshare Hawaii and Secure Bike, not the city, authorizes the placement of sponsor logos on Biki bicycles. According to DTS, the city has not placed any of its own messages on Biki bikes and has no agreement with Bikeshare Hawaii to do so. During our review, we found that sponsorships totaled nearly \$1.4 million from FY 2017 to FY 2020. According to DTS, Bikeshare Hawaii offers sponsorship, not advertising. In exchange for a sponsorship fee, select businesses and organizations are allowed to affix their logo and other messaging on Biki bikes. Exhibit 2.10 details the total amount of revenues Bikeshare Hawaii receives from its major sponsorships.

Exhibit 2.10
Bikeshare Hawaii Major Sponsorships FY 2017 to FY 2020

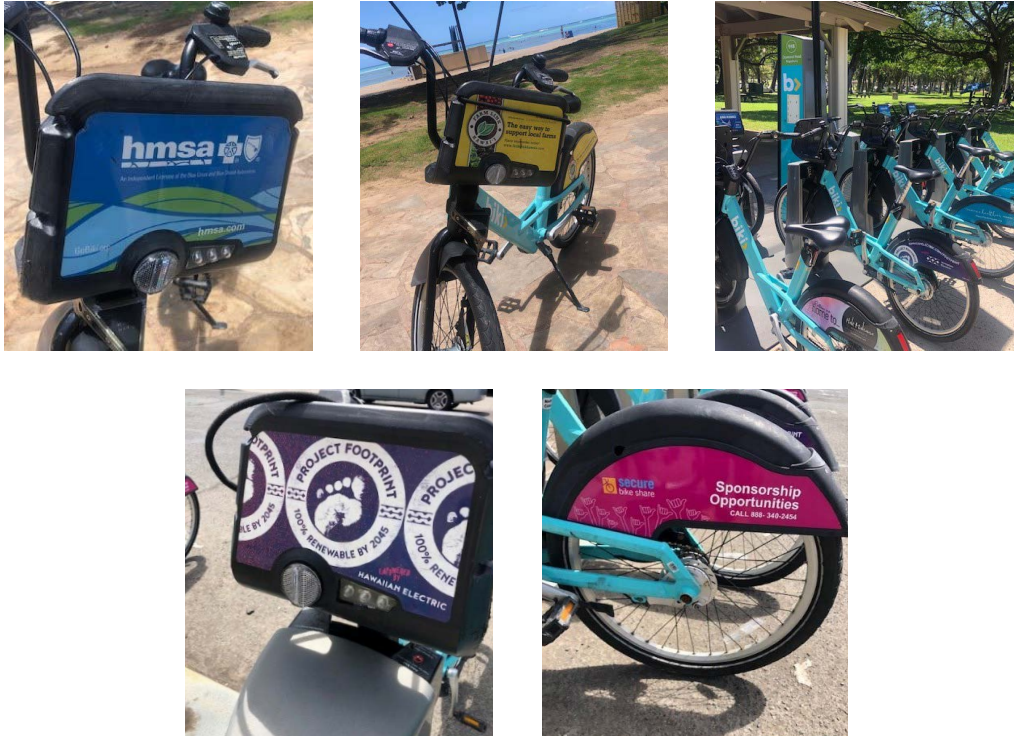
<i>Fiscal Year</i>	<i>Total Amount</i>
2017	\$195,000
2018	\$290,000
2019	\$475,000
2020	\$320,000
Total FY 2017 to FY 2020	\$1,380,000

Source: Bikeshare Hawaii

Sponsorship revenues have increased steadily since 2017. We found that sponsorship increased 64 percent from \$195,000 in 2017 to \$320,000 in 2020. We also note that sponsorship revenues are collected in addition to Biki operating revenues. With these two revenue sources combined, we believe that Bikeshare Hawaii could pay for street usage permit fees or concessionaire fees, or both. This would provide some relief to the city and Honolulu taxpayers for supporting the program beyond its initial implementation.

In addition, despite foregoing over \$400,000 in projected revenues and fees, and providing various exemption to the bikeshare program, the city is not a recognized sponsor by Bikeshare Hawaii. Based on its contributions, the city should negotiate to place its own messaging or public service announcements on Biki bikes. This could include promoting city enterprises like the Honolulu Zoo, municipal golf courses, or farmers markets. Public service announcements encouraging citizens to vote during an election year, promoting pedestrian safety, or emergency preparedness could also be featured on bikes.

Exhibit 2.11 Sponsorship Logos on Biki Bikes



Source: Office of the City Auditor

The city cannot assess advertising fees because Biki bikes are not city-owned

Although Biki bike stations are located on city property, the bikes and bikes stations are not owned by the city. As a result, the city does not control advertising or assess advertising fees. If the Biki program were owned and operated by the city, advertising revenues could be realized. For example, we found that TheBus has a formal advertising program and contract where it charges monthly fees for advertisements placed in city buses. While it does not rely on advertising as its primary source of income, TheBus does receive monthly revenues from its advertisements. Per the agreement, the bus advertising contractor pays a monthly fee or a monthly percentage fee to the city, whichever is greater. The monthly fee is \$14,000 and the monthly percentage fee is 50 percent of gross revenue based on the total number of revenue spaces/area sold at the monthly price per standard card. Exhibit 2.12 shows the amount of revenues TheBus receives from its advertisements per agreement.

Exhibit 2.12**Total TheBus Advertisement Revenues from FY 2017 to FY 2020**

<i>Fiscal Year</i>	<i>Revenues</i>
FY 2017	\$132,243
FY 2018	\$168,837
FY 2019	\$178,260
FY 2020	\$140,077
Total FY 2017 to FY 2020	\$619,417

Source: TheBus

Unlike the Biki program, the city is allowed to place public service announcement messages on TheBus per its advertising program agreement and does not have to pay to place such messages.

Other jurisdictions allow municipalities to share in sponsorship and operating revenues

In our review of best practices, the Bay Area Bikeshare includes a sponsorship revenue hurdle that allows the municipality to share in sponsorship revenue. For its sponsorship revenue hurdle, the contractor pays the commission 5 percent of excess sponsorship revenue over \$7 million for each contract year, subject to CPI adjustment. In New York, the bikeshare operator agrees to pay the local government 5 percent of excess sponsorship revenue over \$10 million for each contract year.

Because the city does not have an agreement with Bikeshare Hawaii regarding sponsorship or revenue sharing, the city is forgoing potential revenues. With plans to grow bikeshare in the future, the city should consider revenue sharing options to help offset costs of supporting this program.

The city is not involved with the approval of Biki stations on private property

Biki docking stations are located on public and private property. To date, there are ten docking stations on private property. According to Bikeshare Hawaii, these contracts are proprietary agreements specifically between Bikeshare Hawaii and each private property owner. A Bikeshare Hawaii manager noted that site licenses are, and have always been, \$0 rent agreements that operate on a *handshake* basis. The agreement is enforced as long as there is mutual benefit for all parties and the general public.

Similarly, Biki docking stations on city property do not pay rent or fees. The site licenses for Biki docking stations are exempt from requirements in Chapter 21-6.150, ROH, which mandates that both short and long-term bike parking must be provided whenever new floor area, a new dwelling unit, or a new parking structure is proposed.

Exhibit 2.13 shows the number of docking stations by landowner. See appendix E for a detailed table.

**Exhibit 2.13
Docking Stations by Owner**

<i>Owner</i>	<i>No. of Docking Stations</i>
Department of Transportation Services (DTS)	96
Department of Parks and Recreation (DPR)	15
Department of Enterprise Services (DES)	4
Department of Facilities Maintenance (DFM)	1
Private	10
State of Hawai'i	8
Total	134

Source: Bikeshare Hawaii

Exhibit 2.14 shows the number of docking stations on city property, the city agency with jurisdiction over the docking station site, and the type of agreement.

Exhibit 2.14 Docking Stations by City Department

Owner	No. of Docking Stations	Permits	Procedures & Policies
Department of Transportation Services (DTS)	96	Yes Street Usage	Informal Verbal
Department of Parks and Recreation (DPR)	15	Yes Right of Entry ¹	Informal Verbal
Department of Enterprise Services (DES)	4	Unknown	Unknown
Department of Facilities Maintenance (DFM)	1	None	None ²

¹ Right of Entry Permits are used to allow the work of installing docking stations and dated only for the time period where work must be done; are the only form of documentation/agreement kept of Biki docking stations on DPR property.

² DFM refers to the Bikeshare Hawaii grant agreement terms of exclusivity of city property use for the Biki docking station on DFM property

Source: Office of the City Auditor

We found that there are no formal written procedures or policies to allow Biki docking stations on city property. Furthermore, similar to DTS' street usage permits, we found that Bikeshare Hawaii is exempt from paying Department of Parks and Recreation's right of entry permitting fees.

Recommendations

The Department of Transportation Services should:

1. Establish formal policies and procedures for issuing street usage permits for docking stations, to include the collection of appropriate fees or criteria for exemptions to fee assessment;
2. Begin assessing and collecting street usage permit fees from Bikeshare Hawaii going forward;
3. Begin assessing and collecting concessionaire fees under Chapter 28, ROH;
4. Formally calculate and monitor lost revenue from converting metered parking stalls to bike docking stations;

5. Negotiate sponsorship status that allows the city to place messaging on Biki bikes;
6. Revisit terms of its grant agreement with Bikeshare Hawaii to include opportunities for the city to share in revenues, similar to other city programs and best practices; and
7. Coordinate with Bikeshare Hawaii and explore opportunities for revenue enhancements through an advertising or sponsorship program.

Chapter 3

DTS Does Not Hold Bikeshare Hawaii Accountable for Its Operational and Fiscal Performance as Required by Agreement

Contract Terms, Including Proper Monitoring, Are Not Enforced to Ensure That Funds Are Properly Used

The grant agreement between the city and Bikeshare Hawaii includes internal control provisions that allow the Department of Transportation Services (DTS) to exercise proper monitoring and oversight of Bikeshare Hawaii on behalf of the city. During our review, DTS could not provide documentation for 7 of 11 internal control requirements. We found that DTS does not effectively monitor Bikeshare Hawaii in these areas and does not enforce grant agreement requirements. As a result, Biki lacks transparency and accountability. Currently, DTS cannot assure Honolulu citizens that the Bikeshare program is operating as intended and that the contracted operator is fulfilling its responsibilities. Bikeshare Hawaii is falling short of its responsibility to be transparent and justify their use of city property.

Quarterly Financial and Progress Payment Reports Were Not Provided, No Semiannual Grant Reviews Conducted

As a part of the grant agreement between DTS and Bikeshare Hawaii, which runs from August 18, 2015 to June 28, 2022, Bikeshare Hawaii is subject to monitoring during the contract term for fiscal and performance compliance. According to the grant agreement, the city reserves the right to conduct semi-annual grant monitoring reviews. The city may schedule additional reviews, on behalf of the State of Hawai'i, depending on the nature, status of the program and scheduling. Furthermore, Bikeshare Hawaii is required to submit quarterly program and financial reports and progress payment reports. The quarterly program and financial reports should contain, but are not limited to, accounting of city and state funds used, financial status regarding the remaining balance of funds, and a narrative report regarding past and proposed work to be funded by the grant. The progress payment reports shall include, but not be limited to, expenditures to date and a final report for the entire project at the completion of the agreement. The agreement also requires Bikeshare Hawaii to provide the status of funding for ongoing operating costs, and an updated list of federal funding sources, private foundations, grants, one-time gifts, sponsorships, advertising, fundraising, etc. A complete list of grant agreement controls and requirements can be found in Appendix B.

Although proper grant monitoring controls are set forth in the grant agreement, DTS could not provide quarterly financial reports and progress payment reports because it does not collect such information or enforce grant agreement terms. Although the city made the final grant payment to Bikeshare Hawaii, Bikeshare Hawaii did not provide its required final report. To date, semiannual grant reviews have not been conducted. As a result, we find that DTS is unable to ensure that grant funds were properly used.

We found that DTS did not enforce 7 of 11 contract controls or requirements. Exhibit 3.1 details select contract terms and our review of compliance with these terms.

Exhibit 3.1 Contract Terms-Internal Controls and Monitoring

<i>Contract Term</i>	<i>Contract Term Description</i>	<i>Contract Requirement Compliance</i>	<i>Impact</i>
1 Reporting Requirements	Grantee shall submit quarterly program and financial reports on the use of city funds to city, and the use of state funds to state, due on or before the fifteenth day of the month following the close of the quarter (January 15, April 15, July 15, October 15), and a final report on the same within ninety (90) days following the completion of the proposed program or use of all grant funds (whichever comes first). Reports shall contain, but are not limited to: a. Accounting of city and state funds used, respectively, including a description with discrete accounting funds disbursed by payee, check number and date; b. Financial Status regarding the remaining balance of city and state funds, respectively, if any; c. A narrative report regarding past and proposed work to be funded by the grant; d. Any other information requested by city related to the grant funds	Missing Documentation	DTS could not provide reports Not monitoring if funds are appropriately and properly used
2 Reporting Requirements	Grantee shall provide progress payment reports to the city and state. The city/state shall not be obligated to continue payments in the event the grantee does not submit and approved progress payment report. The city/state reserves the right to terminate the agreement in the event the Grantee's progress payment reports are continuously not approved. Progress payment reports shall include but not be limited to expenditures to date and a final report for the entire project at the completion of the agreement; the status of funding for ongoing operating costs; and an updated list of federal funding sources, private foundations, grants, one-time gifts, sponsorships, advertising, fundraising, etc.	Missing Documentation	DTS could not provide reports. DTS does not track Biki revenues from different sources. Not monitoring if funds are appropriately and properly used and revenues received
3 Grant Monitoring	The Grantee shall be subject to monitoring during the term if the contract by the city or the state for fiscal and performance adherence. The city reserves the right to conduct semi-annual grant monitoring reviews. The city may schedule additional reviews, including for state oversight, depending on the nature, status of the program and scheduling.	Missing Documentation	DTS did not conduct semi-annual grant monitoring. Combined with lack of quarterly and progress payment reports, DTS is not properly monitoring grantee
4 Final Payment of Grant Funds	Final payment of \$200,000.00 will be made after completion of the program and submission and approval of: (1) Grantee's final report with full accounting of all funds awarded; and (2) Grantee's completed final payment request. Grantee must submit the final report and final payment request. Grantee must submit the final report and final payment request within (90) days of following the completion of the project.	Missing Documentation	DTS could not provide the grantee's final report. Payment made without final report. Insufficient grantee monitoring for proper use of funds
5 Audit and Inspection of Records	Grantee agrees to maintain and make available to the city or the state, during regular business hours, accurate books and accounting records relating to its work under this grant. Grantee will permit the city or the state to audit, examine and make excerpts and transcripts from such books and records, and to make audit of all invoices, materials, payrolls, records of personnel and other data related to all other matters covered by this grant. Grantee shall maintain such data and records in an accessible location and condition for a period of not less than three years after final payment under this grant or until grant of until after final audit has been resolved, whichever is later. The city acknowledges that the documents and records presented for inspection may be grantee's confidential information.	Missing Documentation	See terms above. DTS could not provide reports; does not maintain data and records required in this term. DTS is not properly monitoring grantee.
6 Inspection of Program Areas	The city shall have the right to enter the program areas at reasonable times for the purpose of examining the state or repairs and condition to the program areas and equipment, and also for the purpose of determining whether the terms, covenants and conditions contained in the agreement are being fully and faithfully observed and performed.	√	Maintenance logs provided and team able to conduct site visits to Biki docking stations to assess condition of program areas and equipment.
7 Equipment	The Grantee shall submit to the city, a full inventory/Itemized listing of all Bikeshare Program equipment, including bicycles, kiosks, and docking stations, which shall specify all types and corresponding identifying numbers of each piece of equipment; dates of lease and/or purchase; and initial condition (established as of the date of inventory), subject to approval by the city. Funds available in this agreement shall not be used for the purchase of equipment.	Incomplete Documentation	While listing of equipment and bicycles provided, kiosk, docking stations with date of purchase and condition of equipment could not be provided by DTS
8 Maintenance of Areas and Equipment	During duration of this agreement, a maintenance log showing every inspection and major repair, or replacement, alteration or modification of all equipment shall be available to the city for inspection as proof of continued maintenance of the equipment during the agreement.	√	Maintenance logs provided
9 Maintenance of Areas and Equipment	Within (30) working days of the close of each month, the Grantee shall provide to the city a monthly maintenance report summarizing all maintenance activity for the preceding month which shall summarize all maintenance activity for the preceding month.	√	Maintenance reports provided
10 Expansion Requests	The parties agree that the Grantee may require expansion to accomplish the goals of the Bikeshare Program. In these instances, the Grantee shall submit a written request for an expansion to the city. The request shall be approved or denied within (60) days. The grantee shall also be responsible to obtain all necessary permits, licenses, and/or the agreements for each new or expanded location.	Incomplete Documentation	Bikeshare Hawaii provided customer request log for expansion. DTS did not have information, and instead requested information from Bikeshare Hawaii per auditor's request. Unable to verify if requests were approved or denied.
11 Sales and Income Accountability	Within (30) working days after the last day of each month or at the request of the city, the Grantee shall furnish to the city, a certified statement by the Grantee reporting the gross fare revenues of the Bikeshare Program for the prior month as reported by the third party operator.	√	Gross fare revenue reports provided

Source: Office of the City Auditor

Although contract terms state that DTS should be collecting and maintaining records from Bikeshare Hawaii for monitoring purposes, we found that DTS does not maintain such records and relied on Bikeshare Hawaii to provide this information when we requested documentation. According to DTS, there is constant contact with Bikeshare Hawaii, but limited documentation because the relationship is *informal*. Bikeshare Hawaii provided information relating to revenues, sponsorships and a compiled list of bicycle docking stations on both city and private property; DTS did not have this information in its files. Progress payment reports, quarterly reports and the final payment report were not provided. While we acknowledge that DTS communicates informally with Bikeshare Hawaii, the department falls short of enforcing contract terms and is not carrying out its responsibilities to effectively monitor Bikeshare Hawaii and its operations. As a result, DTS cannot ensure that funds are properly used, as agreed, and Bikeshare Hawaii is able to use public funds and city property without suitable accountability.

Conclusion

Honolulu's bikeshare program enhances Honolulu's initiatives to promote green alternatives and provides an environmentally-friendly transportation option of Honolulu's urban core. Although city support for this program may have been justified based on its merits initially, it lacked a cost-benefit analysis to truly measure the program's worth. Bikeshare Hawaii receives a myriad of city exemptions to support its operations that are not formalized and lack transparency. Furthermore, these exemptions also have a cost element and the cost to the city, in terms of metered parking stall revenues, and permit and concession fees, which are not calculated or even considered when evaluating the program. In 2019, we found that the city had foregone an estimated \$303,692 in metered parking stall revenues and \$157,036 in street usage permit fee revenues.

While initial financial support and permitting exemptions may have been justified during the program's start-up phase, going forward, Bikeshare Hawaii should pay its fair share for utilizing city infrastructure. The program has seen significant revenue growth in terms of bike rental fees and sponsorship since its implementation. From 2018 to 2019, fare revenues increased 38 percent from \$1.97 million to \$2.72 million. From 2017 to 2020, sponsorship increased 64 percent from \$195,000 to \$320,000. Combined with the exemption from city permit and concession fees, Bikeshare Hawaii is reaping significant benefits, with little return to the city and its taxpayers, beyond bike operations itself. Going forward, the city should re-evaluate its relationship, right-

size the benefits and exemptions, and properly monitor its grant agreement with Bikeshare Hawaii.

Recommendations

The Department of Transportation Services should:

1. Establish formal policies and procedures for issuing street usage permits for docking stations, to include the collection of appropriate fees or criteria for exemptions to fee assessment;
2. Begin assessing and collecting street usage permit fees from Bikeshare Hawaii;
3. Begin assessing and collecting concessionaire fees under Chapter 28, ROH;
4. Formally calculate and monitor lost revenue from converting metered parking stalls to bike docking stations;
5. Negotiate sponsorship status that allows the city to place messaging on Biki bikes;
6. Revisit terms of its grant agreement with Bikeshare Hawaii to include opportunities for the city to share in revenues, similar to other city programs and best practices;
7. Coordinate with Bikeshare Hawaii and explore opportunities for revenue enhancements through an advertising or sponsorship program;
8. Implement monitoring procedures in accordance with its grant agreement with Bikeshare Hawaii that include:
 - a. Quarterly financial reports
 - b. Progress payment reports
 - c. Semiannual grant monitoring reviews
 - d. Final payment report
 - e. Effective records retention
 - f. Maintaining audit and inspection records

- g. Detailed equipment records
 - h. Maintaining records documenting expansion requests; and
9. Better track and report overall performance of the bikeshare program in order to improve service delivery

Management Response

In response to a draft of this audit report, the department expressed general agreement with most of the audit findings and recommendations, and provided clarifying information. In two instances, the department offered comments that we address below.

The department cited an amendment to Section 28-3.3, Revised Ordinances of Honolulu, that exempts shared micromobility permit holders from public bids for concessions or concession spaces, including parking stalls set aside for share micromobility operations. We acknowledge this exemption and amended the report accordingly. However, we maintain that exempting the bikeshare program from bidding requirements in the long term is questionable, given its ability to generate revenue and sponsorship funding.

The department also noted that our annual revenue loss projections from converted parking stalls is overstated. During fieldwork, we requested parking meter revenue data from the department. At the time, our contact explained that the department did not track such data and was unable to provide revenue figures. Absent actual revenue data, we calculated the maximum potential revenue a parking meter could have generated and aggregated those figures to estimate the total revenue loss. We appreciate that the department is able to provide more accurate figures and would encourage the department to report the annual revenue loss for all parking meters displaced by the bikeshare program. Because the department was unable to provide us with accurate data at the time of our audit, and did not provide a total estimated loss for all parking meters displaced by the bikeshare program in its response, we stand by the calculated estimate in the report.

We also made technical, non-substantive amendments to the report for purposes of accuracy, clarity, and style. A copy of management's full response can be found on page 37.

DEPARTMENT OF TRANSPORTATION SERVICES
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 3RD FLOOR
HONOLULU, HAWAII 96813
Phone: (808) 768-8305 • Fax: (808) 768-4730 • web: www.honolulu.gov

KIRK CALDWELL
MAYOR



JON Y. NOUCHI
ACTING DIRECTOR
DREANALEE KALILI
DEPUTY DIRECTOR

December 2, 2020

Mr. Troy Shimasaki
Acting City Auditor
Office of the City Auditor
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Mr. Shimasaki:

SUBJECT: Response to Audit of the City and County of Honolulu's
Relationship with Bikeshare Hawaii

Thank you for the opportunity to review, comment on, and respond to this draft audit report. We appreciate the work of the Office of the City Auditor in gathering information, synthesizing data, evaluating records, and recommending courses of action aimed at improving the relationship between the City and Bikeshare Hawaii.

The relationship between the City and Bikeshare Hawaii is built on this vision statement crafted by 200 community stakeholders from the *Honolulu Bikeshare Organizational Study (June 2014)*:

"Bikeshare is not merely a mobility tool. It is a means to achieve an end: to create great urban neighborhoods where people's daily needs can be met within a 20-minute walk, a quick bike ride, or a transit trip. Bikeshare makes it easier to affordably and safely navigate our neighborhoods, unlocking myriad health, economic, and environmental benefits for the broader community."

In the three and a half years since Biki launched in Honolulu, with more than three million rides for commuting, exercise, and recreation, this vision has been fulfilled. There have been great successes, but many lessons learned and need for growth and improvement. This audit report underscores some of these lessons and also points out ways the Department of Transportation Services can improve this partnership, and thereby improve this service provided to the people of Honolulu. Looking forward, the department is considering several options to increase its role in directing bikeshare operations, increasing program oversight, and improving transparency.

Mr. Troy Shimasaki, Acting City Auditor
December 2, 2020
Page 2

In general, the department offers the following points for your consideration that have shaped past decision-making and current program oversight:

- The City pursued the “administrative non-profit” model for the launch of a Honolulu bikeshare system based on the findings of the 2014 study and because of the low level of risk to the City while acknowledging the offset of the diminished direct control by the City over the bikeshare system;
- Chapter 15, Revised Ordinances of Honolulu, authorizes Complete Streets features, including bicycle corrals, to be placed in parking meter spaces or unmetered parking stalls, and also authorizes the Director of Transportation Services to waive fees for parking spaces used exclusively for Complete Streets features;
- Ordinance 19-29 represents the department’s vision for a framework for a formal permit process, fee structure, operational controls, and equitable access for all shared micromobility vehicle business that operate in Honolulu and desire to operate on City property; the permit fees considered the use of City property balanced against the affordability of the mobility service; this ordinance was enacted with an exemption for Bikeshare Hawaii until such time that the City’s grant agreement is terminated;
- The department does capture data on revenue collected at smart parking meters located island-wide; based on revenue data from meters adjacent to those metered stalls identified in the exhibit labeled “Metered Parking Stalls Replaced by Docking Stations in CY 2019,” the annual revenue loss projections are in some cases overestimated by 3.9 times, and in other cases overestimated by a factor of 19.5;
- The example of advertising on TheBus is not a suitable analogy for advertising on Biki; the department has a contract with a service provider that coordinates all advertising on City buses, and the contractor transfers revenue to the department; the contractor does not pay a concession fee as suggested in the audit report.

We do appreciate the findings of the audit. Specifically, we provide the following responses to the nine recommendations:

Mr. Troy Shimasaki, Acting City Auditor
December 2, 2020
Page 3

Recommendation:

- 1) *"Establish formal policies and procedures for issuing street usage permits for docking stations, to include the collection of appropriate fees or criteria for exemptions to fee assessment;"*

Response: The department drafted Bill 44 (2019), enacted as Ordinance 19-29, as the formal policy and procedure for issuing shared micromobility vehicle parking permits, and collection of appropriate fees for these permits. These permits authorize organizations like Bikeshare Hawaii, and others, to occupy a parking stall or other area on City property and to provide shared micromobility services to the public. The department has not applied this framework to Bikeshare Hawaii because the exemption in Section 5 of the ordinance. Based on this recommendation, the department may consider the continued utility of the grant agreement and whether early termination of the agreement is feasible and in the best interest of the program.

Recommendation:

- 2) *"Begin assessing and collecting street usage permit fees from Bikeshare Hawaii going forward;"*

Response: Please see previous response.

Recommendation:

- 3) *"Begin assessing and collecting concessionaire fees under Chapter 28, ROH;"*

Response: Please see previous response. Ordinance 19-29 also amends Section 28-3.3, ROH, and exempts shared micromobility permit holders from public bids for concessions or concession spaces, including parking stalls, set aside for shared micromobility vehicles business.

Recommendation:

- 4) *"Formally calculate and monitor lost revenue from converting metered parking stalls to bike docking stations;"*

Response: The department does capture data on revenue collected at smart parking meters located island-wide and we can calculate and monitor lost revenue from converting metered parking stalls to bike docking stations. For

Mr. Troy Shimasaki, Acting City Auditor
December 2, 2020
Page 4

example, in the exhibit labeled “Metered Parking Stalls Replaced by Docking Stations in CY 2019,” the annual revenue loss projections for parking meters nos. 634 and 635 are \$4,851 each. The actual revenue collected for parking meters nos. 647, 648, 649, and 650, located on the same block, for calendar year 2019 range from \$249 to \$659.

In Kakaako, the annual revenue loss projections for parking meters nos. 2440 and 2441 are \$9,702 each. The actual revenue collected for parking meters nos. 2437, 2438, and 2439, located immediately adjacent to the Biki station, for calendar year 2019 range from \$703 to \$1,002.

In Waikiki, the annual revenue loss projections for parking meter nos. 4662, 4663, and 4664 are \$14,112. The actual revenue collected for parking meters nos. 4659, 4660, and 4661, located immediately adjacent to the Biki station, for calendar year 2019 range from \$3,080 to \$3,622.

While the department acknowledges that calculating and monitoring lost revenue is important in evaluating the effectiveness of the bikeshare program, the department considers the projections of annual revenue loss from converted parking stalls in the audit report overstated.

Recommendation:

- 5) *“Negotiate sponsorship status that allows the city the place messaging on Biki bikes;”*

Response: The department had not previously considered this and will certainly negotiate this option for City message placement on Biki bikes.

Recommendation:

- 6) *“Revisit terms of its grant agreement with Bikeshare Hawaii to include opportunities for the city to share in revenues, similar to other city programs and best practices;”*

Response: In consideration of the nascent program in a proof-of-concept phase, the department had not previously considered this. Based on this recommendation, the department may reconsider the continued utility of the grant agreement and whether an amendment requiring a City-share of program revenues should be pursued.

Mr. Troy Shimasaki, Acting City Auditor
December 2, 2020
Page 5

Recommendation:

- 7) *“Coordinate with Bikeshare Hawaii and explore opportunities for revenue enhancements through an advertising or sponsorship program.”*

Response: In consideration of the nascent program in a proof-of-concept phase, the department had not previously considered this. The department will dialogue with Bikeshare Hawaii, and other mobility stakeholders, to determine how best to effectuate this.

Recommendation:

- 8) *“Implement monitoring procedures in accordance with its grant agreement with Bikeshare Hawaii that include quarterly financial reports, progress payment reports, semiannual grant monitoring reviews, final payment report, effective records retention, maintaining audit and inspection records, detailed equipment records, maintaining records documenting expansion requests.”*

Response: The department acknowledges that improved monitoring procedures are necessary for improved accountability and transparency. Some reports, like progress payment reports, are difficult to collect as all funding authorized under the grant agreement have been disbursed and expended.

Based on this recommendation, the department may reconsider the continued utility of the grant agreement and whether early termination of the agreement is feasible and in the best interest of the program.

Recommendation:

- 9) *“Better track and report overall performance of the bikeshare program in order to improve service delivery.”*

Response: The department agrees with this recommendation. The department will dialogue with Bikeshare Hawaii, and other mobility stakeholders, to determine how best to effectuate this.

In addition to these responses, the department also draws your attention to minor corrections to the names of divisions and branches referenced in the audit report.

Mr. Troy Shimasaki, Acting City Auditor
December 2, 2020
Page 6

The greatest lesson learned since the launch of Biki is how the people of Honolulu value and rely on this bikeshare service. Even during this pandemic, there are a core group of riders who continue to travel by Biki as a primary and preferred mobility option. Department of Transportation Services is committed to adopting the necessary changes and reforms to ensure this essential service remains available as part of the City's multimodal transportation network.

Thank you again for this opportunity to review and comment. Should you have any questions, please contact me at 768-8303.

Sincerely,



Jon Y. Nouchi
Acting Director

APPROVED:

 Digitally signed by
Amemiya, Roy K Jr
Date: 2020.12.03 08:40:56
-10'00'

Roy K. Amemiya, Jr.
Managing Director

Appendix A

Resolution 19-290



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. 19-290

RESOLUTION

REQUESTING THE CITY AUDITOR TO CONDUCT AN AUDIT OF THE CITY AND COUNTY OF HONOLULU'S RELATIONSHIP WITH BIKESHARE HAWAII.

WHEREAS, Bikeshare Hawaii is a 501(c)(3) non-profit organization that manages the Biki bikeshare program; and

WHEREAS, Bikeshare Hawaii began operations on June 28, 2017, based on funding consisting of start-up grant monies from public and private donors, including \$2 million from the State of Hawaii and the City and County of Honolulu ("City"); and

WHEREAS, the Biki operation currently includes over 130 docking stations located in the City from Chinatown to Diamond Head and, according to *Pacific Business News*, only 16 of the docking stations are located on private property; and

WHEREAS, many of the Biki operation's docking stations displace City street parking spaces, including metered parking stalls, City street traffic lanes, City sidewalks, and other City-owned or -controlled spaces; and

WHEREAS, in addition to charging user fees, Bikeshare Hawaii receives revenues from "supporters," including American Savings Bank, ANA Hawaii, Hawaii Medical Service Association, Hawaii Pacific Health, and Hale Mahana Apartments, among others; and

WHEREAS, Bikeshare Hawaii has four levels of annual sponsorship available, and for \$15,000 or more per year, Bikeshare Hawaii provides space on the front baskets and rear wheel covers of Biki bicycles for the sponsors' advertisements or other messages; and

WHEREAS, Bikeshare Hawaii also receives revenues through its "Adopt-a-Biki" program, whereby each donor of \$1,000 or more is entitled to have an inscription of the donor's choice placed on a Biki bicycle; and

WHEREAS, questions have been raised as to whether Bikeshare Hawaii's use of City property for Biki docking stations and equipment requires a lease agreement; and

WHEREAS, on September 4, 2019, the City Council ("Council") adopted Resolution 19-204, CD1, urging the City Administration to enter into a lease or other agreement with Bikeshare Hawaii for use of City property for the Biki bikeshare program; and



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. 19-290

RESOLUTION

WHEREAS, the Council believes that an audit of Bikeshare Hawaii would be beneficial to the Council to enable it and the City Administration to evaluate policies and processes regarding Bikeshare Hawaii's operations on the City's property; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the City Auditor is requested to conduct an audit of the City and County of Honolulu's relationship with Bikeshare Hawaii; and

BE IT FURTHER RESOLVED that issues the audit is requested to address include, but are not limited to:

- 1) The City's granting of the current contract with Bikeshare Hawaii without following the bidding requirements under the State Procurement Code;
- 2) Why the City allows the placement of advertisements on Bikeshare Hawaii's bicycles;
- 3) The City's granting Bikeshare Hawaii the exclusive use of City property for the Bikeshare Hawaii docking stations without awarding the use of the property through the bidding procedure required by Chapter 28 of the Revised Ordinances of Honolulu 1990;
- 4) The amount of revenue the City receives from Bikeshare Hawaii for Bikeshare Hawaii's use of City property; and
- 5) The City Administration's conditioning of its approval of certain development projects on landowners'/developers' commitments to place and maintain bikeshare docking stations and bicycles on their private properties; and

BE IT FURTHER RESOLVED that the City Auditor is requested to complete the audit no later than one calendar year after the adoption of this resolution; and

BE IT FURTHER RESOLVED that a copy of the completed audit report be filed with the City Clerk as a public record; and



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. 19-290

RESOLUTION

BE IT FINALLY RESOLVED that copies of this resolution be transmitted to the Mayor, the Managing Director, the Director of Transportation Services, and the Acting City Auditor.

INTRODUCED BY:

Ann Koyashiki

DATE OF INTRODUCTION:

NOV 6 2019

Honolulu, Hawaii

Councilmembers

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

RESOLUTION 19-290


Introduced: 11/06/19 By: ANN KOBAYASHI Committee: BUDGET

Title: RESOLUTION REQUESTING THE CITY AUDITOR TO CONDUCT AN AUDIT OF THE CITY AND COUNTY OF HONOLULU'S RELATIONSHIP WITH BIKESHARE HAWAII.

Voting Legend: * = Aye w/Reservations

11/13/19	BUDGET	CR-369 – RESOLUTION REPORTED OUT OF COMMITTEE FOR ADOPTION. 4 AYES: ELEFANTE, MANAHAN, MENOR, PINE. 1 EXCUSED: WATERS.
12/04/19	COUNCIL	CR-369 AND RESOLUTION 19-290 WERE ADOPTED. 7 AYES: ANDERSON, ELEFANTE*, FUKUNAGA, KOBAYASHI, MANAHAN, TSUNEYOSHI, WATERS*. 2 ABSENT: MENOR, PINE.

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this RESOLUTION.



GLEN I. TAKAHASHI, CITY CLERK



IKAIKA ANDERSON, CHAIR AND PRESIDING OFFICER

Appendix B

Grant Agreement Monitoring Controls

Grant Agreement Monitoring Controls

- Reporting Requirements:
 - Grantee shall submit *quarterly program and financial reports* on the use of city funds to city, and the use of state funds to state, due on or before the fifteenth day of the month following the close of the quarter (January 15, April 15, July 15, October 15), and a final report on the same within ninety (90) days following the completion of the proposed program or use of all grant funds (whichever comes first).
 - Grantee shall provide *progress payment* reports to the city and state. The city/state shall not be obligated to continue payments in the event the grantee does not submit an approved progress payment report. The city/state reserves the right to terminate the agreement in the event the Grantee's progress payment reports are continuously not approved.
- The city reserves the right to conduct *semi-annual grant monitoring reviews*. The city may schedule additional reviews, including for state oversight, depending on the nature, status of the program and scheduling.
- Final Payment and Report:
 - Final payment of \$200,000 will be made after completion of the program and submission and approval of: (1) Grantee's final report with full accounting of all funds awarded; and (2) Grantee's completed final payment request. Grantee must submit the final report and final payment request. Grantee must submit the final report and final payment request within (90) days of following the completion of the project.
- Records Retention
 - The Grantee and any sub-contractor shall maintain the files, books, and records that relate to the grant, including any personal information created or received by the Grantee on behalf of the city, and any cost of pricing data, for three (3) years after the date of final payment under the grant.
- Audit Inspection of Records
 - Grantee agrees to maintain and make available to the city or the state, during regular business hours, accurate books and accounting records relating to its work under this grant. Grantee will permit the city or the state to audit, examine and make excerpts and transcripts from such books and records, and to make audit of all invoices, materials, payrolls, and records for personnel and other data related to all other matters covered by this grant. Grantee shall maintain such data and records in an accessible location and condition for a period of not less than three years after final payment under this grant

or until grant of until after final audit has been resolved, whichever is later. The city acknowledges that the documents and records presented for inspection may be grantee's confidential information.

- Inspection of Program Areas
 - The city shall have the right to enter the program areas at reasonable times for the purpose of examining the state or repairs and condition to the program areas and equipment, and also for the purpose of determining whether the terms, covenants and conditions contained in the agreement are being fully and faithfully observed and performed.
- Maintenance of Areas and Equipment
 - The Grantee shall submit to the city, a full inventory/itemized listing of all Bikeshare program equipment, including bicycles, kiosks, and docking stations, which shall specify all types and corresponding identifying numbers of each piece of equipment; dates of lease and/or purchase; and initial condition (established as of the date of inventory), subject to approval by the city. Funds available in this agreement shall not be used for the purchase of equipment.
 - During duration of this agreement, a maintenance log showing every inspection and major repair, or replacement, alteration or modification of all equipment shall be available to the city for inspection as proof of continued maintenance of the equipment during the agreement.
 - Within (30) working days of the close of each month, the Grantee shall provide to the city a monthly maintenance report summarizing all maintenance activity for the preceding month which shall summarize all maintenance activity for the preceding month.
- Expansion Requests
 - The parties agree that the Grantee may require expansion to accomplish the goals of the Bikeshare Program. In these instances, the Grantee shall submit a written request for an expansion to the city. The request shall be approved or denied within (60) days. The grantee shall also be responsible to obtain all necessary permits, licenses, and/or the agreements for each new or expanded location.
- Sales and Income Accountability
 - Within (30) working days after the last day of each month or at the request of the city, the Grantee shall furnish to the city, a certified statement by the Grantee reporting the gross fare revenues of the Bikeshare Program for the prior month as reported by the third party operator.

Appendix C

Bikeshare Hawaii Grant Agreement - Amendments and Modifications

	Date	Description/Reason for Change	Grant Amount	New Contract Amount	% Change from Original Contract Amount	+/- Days Added to Project	New Project Start Date	New Agreement End Date
Initial Agreement	8/18/2015	Implementation of a public bikeshare program: - 200 Stations - 2,000 Bicycles *Start-up activities, Pre-vendor Selection, Pre-deployment activities, initial launch and operation. *Vendor/Operator selection	\$2,000,000	--	--			8/17/2016
Amendment No. 1	2/10/2016	- Change 'Option to Extend' to an allowable total of 48 months (previous total allowable was 12 months) - To stipulate 'Progress Payment Reports' throughout agreement and final cumulative report at project end (to include various funding sources including federal funds, advertisement, sponsorships, and grants/gifts)	--	--	--	--	--	--
Modification No. 1	3/18/2016	State funding time extension from 7/1/16 - 6/30/17	--	--	--			(extended until) 6/30/2017
Amendment No. 2	8/31/2016	Agreement extended until 8/18/2017	--	--	--	365	--	(extended until) 8/18/2017
Amendment No. 3	1/18/2017	- Ensure net profits are used only for Grantee expenses - Define 'non-profit corp' and state that Grantee shall be operated as such (restricts assets, income, and earnings) - Amend Grant Objective: 100 Docking Stations, 1,000 Bicycles; and Grant funds shall not be used for purchase of equipment (bicycles, docks/racks, kiosks) - Amend Grant Goal: To state support in 'ongoing' operation of bikeshare program - Clause of exclusivity for grantee to be sole provider of public bikeshare on 'project zone' city land and use of city equipment - Allow for contract with third-party for daily operation - Defines business activities (install, maintain, operate, obtain necessary advertising/sponsorship, etc.) Fiscal/Income Responsibilities: **-. City will not charge any rent to Grantee - Grantee must pay all taxes and charges necessary for operation and management of program - Must maintain complete financial records subject to review; provide monthly gross fare revenue reports **-. Any other information/reports may be requested ad hoc	--	--	--	At Notice of Program Commencement: extend 60 months w/option for up to an additional 60 months		6/28/2022
Modification No. 2	4/7/2017	State funding time extension from 7/1/17 - 6/30/18						(extended until) 6/30/2018
Amendment No. 4	8/20/2018	Grant Objective: - Changed back to 200 Docking Stations, 2,000 Bicycles - Grantee duties to maintain and operate will apply to 'Expansion Zone' Federal Funds: - "City will procure 288 bicycles and 36 stations" (City has option to take ownership of equipment at end of agreement) - "City will not derive any revenue from use of Bikeshare equipment in exchange for Grantee maintenance and operation of said equipment" Expansion: - Grantee must maintain in good condition all city equipment and fixtures - City funds or equipment may not be used to expand outside of project zone or expansion zone - Replaced Attached Project Zone and Expansion Zone with updated detail Option to Extend: - On the date of notice of commencement, grant will be extended by 60 months - May be extended once-more on a month to month basis for a total allowable additional 60 months; with City and Grantee mutual agreement				- On the date of notice of commencement, grant will be extended by 60 months - May be extended once-more on a month to month basis for a total allowable additional 60 months		

Source: Department of Transportation Services

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Appendix D

National Comparisons: Bikeshare Programs

City	System Name	Operator	Contract Procurement	Structure	Funding	Differences	Database	Ease of Use	Fee Structures / Promotions
Honolulu	Biki Bikes	Bikeshare Hawai'i (manages) Secure Bikeshare Hawai'i (operates)	Sole Source - Non-Profit Program Manager Private Operator - RFP	Public-Non-Profit-Private Partnership Non-Profit Managed Privately Operated & Owned	City & State Funds to help launch Federal Funds & Private Donations to expand	Non-Profit manages program goals (Tries to use) Sponsorship for revenue, no evidence of sponsorship for expansion (federal funds used)	Yearly Data Publication (not downloadable), Newsletter updates	Biki App	Kama'aina: 2-Types of Monthly Membership Time Bank Plan Income Eligible Visitor: Single Ride Multi-Stop Employer Plan
Bay Area	Bay Wheels	(Motivate - Lyft)	Private Operator - RFP	Public Managed (Mult. Municipalities) Privately Owned - Operated	Started with \$11 MM various public funding Private funded with Ford > Lyft Sponsorship *After Lyft acquisition dropped Ford branding	Multiple municipality partnership Has secured 2 different Title Sponsors: Ford (replaced with) Lyft	Live dashboard of ridership data	Purchase Pass/Membership through: -Lyft App -Bay Wheels App -Kiosk (only access pass) Can be linked to Clipper Card (Bay Area Transit card)	Single Ride: \$2 = 30 min. (addtl. \$3 per 15 min.) Access Pass: (Kiosk or Bay Wheels App) \$10, unlimited 30 min. rides for 24 hours (addtl. \$3 per 15 min.) Monthly Membership Annual Membership Bikeshare for All (income eligible plan) Corporate Membership
(Greater) Boston	BlueBikes	(Motivate - Lyft)	Private Operator - RFP	Public Owned-Managed (Mult. Municipalities) Privately Operated	Federal and Local Govt. grant funded launch Sponsorship (title and station) to expand and sustain revenue Expanding with CIP Budgeting	Title Sponsorships, secondary sponsorship (terms tbd), Station sponsorships, Donor Agreements (like station sponsor) -At launch 11 sponsorships secured *Different cities in program hold different sponsor agreements (Title sponsor New Balance in Somerville etc.) [RFP p.14-15] Expanding with CIP Budgeting	Ridership Data Available for Download; ArcGIS capable	Blue Bikes App	Single \$2.50 24-hour \$10 Monthly \$20 Annual \$99 Corporate membership (varies) Income Eligible
New York	Citi Bike	(Motivate - Lyft)	Private Operator - RFP	Privately Owned-Managed-Operated	Fully Privately Funded (Citi Title Sponsor) w/agreements to exclusive rights Further private sponsorship funds expansions Self-sustained with membership and advertising revenue	Not widespread use of parking spaces Charged fees for lost parking revenue (p.32 contract) Advertising for business sponsorship lead funding	Real-time & Historical Ridership Data	Citi Bike App	Single Day Pass Annual 3-Day Pass Corporate members Citi cardholders Group Ride (many more misc. ride options)
Chicago	Divvy Bike	(Motivate - Lyft)	Private Operator - RFP	Public Owned Privately Managed-Operated	Launched with City & Federal Funds Expanded with State Grant & Private Sponsorship	Launched with public funds/grants, moving to private sponsorship expansion *Original equipment city owned; Lyft expansion lyft will own new equipment	Historical Ridership Data	Divvy Bike App	Single Day Pass Annual Corporate Program University Program Income Eligible Program
Washington D.C.	Capital Bikeshare	(Motivate - Lyft)	Private Operator - RFP	Public Owned-Managed (Multiple Municipalities) Privately Operated	Launched with City & Federal Funds Expanded with Local, Federal, & Private Funds	Continued use of (Federal) Govt. funds for expansion Revenue shortfalls covered by govt. grants/subsidies	Real-time & Historical Ridership Data	Capital Bikeshare App Lyft App	Single 24-Hour Pass Annual 3-Day Pass Monthly Income Eligible (other misc. ride options)
Portland	Biketown Bikes (NIKE Corp. Sponsor)	(Motivate - Lyft)	Private Operator - RFP	Public Owned-Managed Privately Operated	Federal fund startup Sponsorship funds expansion Sponsorship expected to cover 1/3 of operating costs	Title Corp. Sponsor: Nike Nike will own portion of expansion equipment			

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Appendix E

Biki Stations

	Biki Station Name	Owner	Site Type	Replaced Parking	DTS	DPR	DES	DFM	Private	State
100	College Walk/American Savings Bank	City DPR	Private property			1				
101	Arts at Mark's Garage (Pauahi and Nuuanu)	City DTS	On-street in a parking restricted area		1					
102	Marin and Smith	City DTS	On-street in a parking restricted area		1					
103	Hotel and Fort	City DPR	Private property			1				
104	Beretania and Fort	City DTS	Wide sidewalk		1					
105	Kukui and Fort	City DTS	On-street in place of parking		1					
106	Pauahi and River	City DTS	On-street in a parking restricted area		1					
108	Bishop and Nimitz	City DTS	On-street in place of parking	1	1					
109	Aloha Tower	State DOT	Private property							1
110	Fort and Queen	City DPR	Private property			1				
111	King and Fort Street	City DTS	Wide sidewalk		1					
120	Hotel and Richards	City DTS	Wide sidewalk		1					
121	Beretania and Richards	City DTS	Wide sidewalk		1					
122	Beretania and Punchbowl	City DTS	Wide sidewalk		1					
123	Kalanimoku Building	City DTS	Wide sidewalk		1					
124	Milliani and Merchant	City DTS	On-street in place of parking	1	1					
125	Punchbowl and King	City DTS	On-street in place of parking	1	1					
126	Fasi Building	City DFM	Private property					1		
128	Lauhala and Lusitania	City DTS	On-street in place of parking	1	1					
130	Punchbowl and Queen	City DTS	On-street in a parking restricted area		1					
150	Dole Cannery (Option 3)	Castle and	Private Property						1	
151	Sumner and Iwilei	City DTS	On-street in a parking restricted area		1					
200	Kawaihao and South	City DTS	On-street in place of parking	1	1					
201	Halekauwila and South	City DTS	Wide sidewalk		1					
202	Pohukaina and South	City DTS	On-street in place of parking	1	1					
203	Halekauwila Place	City DTS	Wide sidewalk		1					
204	Auahi and Keawe	City DTS	On-street in place of parking	1	1					
205	Ilalo and Coral	City DTS	Wide sidewalk		1					
206	Ilalo and Cooke	City DTS	Wide sidewalk (Kakaako Gateway Park)		1					
207	Auahi and Cooke	City DTS	On-street in place of parking	1	1					
208	Pacific Park Plaza	Pacific Par	Private property						1	
209	Convention Center	Hawaii Co	Private property						1	
210	Ala Wai Promenade	City DPR	Private property			1				
211	Sandbox	City DTS	On-street in place of parking	1	1					
214	Ala Moana and Ward	State DOT	Wide sidewalk							1
215	UFC Gym	City DTS	On-street in a parking restricted area	1	1					
216	Old Sports Authority	Howard H	Private property						1	
217	Real Gastropub	Howard H	Private property						1	
218	Whole Foods (Queen)	Howard H	Private property						1	
220	Kapiolani and Ward	City DTS	Wide sidewalk		1					
221	Blaisdell Center - Ward	City DES	Private property				1			
222	Kapiolani and Kamakee	City DTS	Adjacent to sidewalk		1					
224	HMSA (Keeaumoku and Rycroft)	HMSA	Private property						1	
230	Kapiolani and Pensacola	City DTS	Wide sidewalk [2 Sided STX Layout]		1					
231	Kapiolani and Keeaumoku	City DTS	Wide sidewalk		1					
232	Makaloa and Keeaumoku	City DTS	On-street in place of parking	1	1					
233	Kanunu and Keeaumoku	City DTS	On-street in place of parking	1	1					
234	Rycroft and Ahana	City DTS	On-street in a parking restricted area		1					
235	Amana and Makaloa	City DTS	On-street in place of parking	1	1					
236	Piikoi and Waimanu	City DTS	Wide sidewalk		1					
237	Kolowalu Park	HCDA	Private property						1	
238	Ala Moana Park - Kamakee	City DPR	Private property			1				
239	Ala Moana Park - Concession 1	City DPR	Private property			1				
240	Ala Moana Park - McCoy Pavillion	City DPR	Private property			1				
244	Ala Moana Park - Atkinson	City DPR	Private property			1				
245	Kapiolani and Kalaokalani	City DTS	Wide sidewalk		1					
300	Ala Wai and Lipeepee	City DTS	On-street in place of parking	1	1					
301	Hobron and Kaioo	City DTS	On-street in place of parking	1	1					
302	Kalakaua and Ena	City DTS	Wide sidewalk		1					
303	Kalakaua and Niu	City DTS	Wide sidewalk		1					
310	Paoa Place / Hilton Hawaiian Village	City DTS	On-street in a parking restricted area		1					
311	Waikiki Gateway Park	City DTS	Wide sidewalk		1					
312	Olohana and kuhio	City DTS	On-street in place of parking	1	1					
313	Kalaïmoku and Ala Wai	City DTS	On-street in place of parking	1	1					
314	Saratoga and Kalakaua	City DTS	Wide sidewalk		1					
315	Saratoga and Kalia	City DTS	On-street in a parking restricted area		1					

(continued)

	<i>Biki Station Name</i>	<i>Owner</i>	<i>Site Type</i>	<i>Replaced Parking</i>	<i>DTS</i>	<i>DPR</i>	<i>DES</i>	<i>DFM</i>	<i>Private</i>	<i>State</i>
316	Beachwalk and Kalakaua	City DTS	Wide sidewalk		1					
317	Lewers and Laula /DFS	City DTS	On-street in a parking restricted area (DFS)		1					
318	Lewers and Aloha Drive	City DTS	On-street in place of parking	1	1					
319	Ala Wai and Seaside	City DTS	On-street in place of parking	1	1					
320	Seaside and Kuhio	City DTS	On-street in place of parking	1	1					
321	Seaside and Kalakaua	City DTS	Wide sidewalk		1					
325	Walina and Kuhio	City DTS	On-street in place of parking	1	1					
326	Ala Wai and Kanekapolei	City DTS	On-street in place of parking	1	1					
327	Kalakaua and Kaiulani	City DTS	Wide sidewalk		1					
328	Kalakaua and Uluniu	City DTS	Wide sidewalk		1					
330	Liliuokalani and Ala Wai	City DTS	On-street in place of parking	1	1					
331	Kalakaua and Paoakalani	City DTS	Wide sidewalk		1					
332	Kalakaua and Ohua	City DTS	Wide sidewalk		1					
333	Paoakalani and Pualani	City DTS	On-street in a parking restricted area		1					
334	Ohua and Kuhio	City DTS	On-street in a parking restricted area		1					
340	Queen Kapiolani Hotel	Queen Ka	Private property						1	
400	Hale Makai and Hotel	City DTS	On-street in place of parking	1	1					
401	Thomas Square Park	City DPR	Private property			1				
402	King and Ward (Straub)	City DTS	Wide sidewalk		1					
403	Blaisdell Center - King	City DES	Private property				1			
404	Young and Victoria	City DTS	On-street in place of parking	1	1					
405	King and Pensacola	City DTS	Wide sidewalk		1					
406	King and Piikoi	City DTS	Wide sidewalk		1					
407	Keeaumoku and King	City DTS	Wide sidewalk		1					
408	Beretania and Pensacola	City DTS	Wide sidewalk		1					
409	Safeway Beretania	City DTS	Private property		1					
410	Kinau and Makiki	City DTS	On-street in a parking restricted area		1					
411	Kapiolani Medical Center	City DTS	Adjacent to sidewalk		1					
420	Piikoi and Lunaliio	City DPR	Private property			1				
421	Liholiho / Burns School of Medicine	City DTS	On-street in a parking restricted area		1					
422	Makiki District Park (Keeaumoku)	City DTS	Private property		1					
423	Makiki District Park (Makiki)	City DPR	Private property			1				
425	Wilder and Pensacola	City DTS	On-street in closed turn pocket		1					
426	Wilder and Liholiho	City DTS	On-street in place of parking	1	1					
427	Punahou Square Park	City DPR	Private property			1				
450	Kalakaua and King	City DTS	On-street in a parking restricted area		1					
452	Beretania and Isenberg	City DTS	On-street in a parking restricted area		1					
453	Hauoli and Citron	City DTS	Adjacent to sidewalk		1					
454	McCully and King [454b]	City DTS	On-street in place of parking CPB		1					
455	Date and McCully	City DTS	On-street in place of parking	1	1					
456	Date and Paani	City DTS	On-street in place of parking	1	1					
457	King and Isenberg	City DTS	Wide sidewalk		1					
458	King and University	City DTS	Wide sidewalk		1					
459	University and Hihwai	City DTS	On-street in a parking restricted area		1					
460	Kapiolani and McCully	City DTS	Adjacent to sidewalk		1					
461	Hale Mahana	Hale Mah	Private property						1	
462	Coyne and University	City DTS	On-street in place of parking	1	1					
463	Kamoku and Lauiki	City DTS	Adjacent to sidewalk		1					
465	Laau and Date	City DTS	On-street in place of parking	1	1					
470	Ala Wai Park (McCully)	City DPR	Private property			1				
500	Kapahulu and Kuhio (Ewa)	City DTS	Adjacent to sidewalk		1					
504	Kapahulu and Ala Wai Golf Course Road	City DES	Private property				1			
505	Date and Kapahulu	City DES	Private property				1			
506	Kapahulu and Paliuli	City DTS	Adjacent to sidewalk		1					
507	Kapahulu and Kaimuki	City DTS	Wide sidewalk		1					
508	Kaimuki and Kapiolani	City DTS	On-street in place of parking	1	1					
518	Barefoot Beach Cafe	City DPR	DPR Property			1				
520	Kanaina and Monsarrat	City DTS	On-street in place of parking	1	1					
525	Pokole and Alohea	City DTS	Adjacent to sidewalk		1					
526	Makapu and Maunalei	City DTS	Adjacent to sidewalk		1					
527	Diamond Head Road / Leahi Beach	City DTS	Wide sidewalk		1					
600	Sinclair Library	UHM	Private property							1
601	Hamilton Library	UHM	Private property							1
602	Art Building	UHM	Private property							1
603	Lower Campus	UHM	Private property							1
604	Law School	UHM	Private property							1
606	Frear Hall	UHM	Private property							1
610	Wilder Avenue Mini Park	City DPR	Private property			1				
			TOTAL	33	96	15	4	1	10	8