Hawaiʻi TOD Infrastructure Financing and Delivery Strategies for TOD Pilot Areas

State of Hawai'i | Office of Planning and Sustainable Development

Phase 3 Financial Analysis of TOD Infrastructure Funding and Financing Options

September 2023

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1. Executive Summary

This report summarizes the financial analysis of infrastructure funding and financing options performed in Phase 3 of the Hawaiʻi Transit-Oriented Development (TOD) Infrastructure Financing and Delivery Strategies for TOD Pilot Areas Study. It outlines the funding and financing capacity that can be supported through incremental public revenues generated by new development in four TOD Pilot Areas in the State and the potential application of various value capture instruments, with the expectation of stimulating and supporting the production of housing and jobs in the TOD Pilot Areas. Currently, most infrastructure improvements are paid for by individual developers under certain market conditions, or via Capital Improvement Programs when tax revenues and political will allow. The fundamental purpose of this analysis is to assess whether certain value capture and financing mechanisms can be used to fund infrastructure improvements in target areas, in advance of specific projects, and thus expedite the production of housing and creation of jobs. The conclusions of this analysis are laid out in this report for consideration and future discussion with the County PIGs, as the Consultant Team moves towards the last phase of the Study (Phase 4), geared around producing policy recommendations for County and State levels of government.

This report builds from the analysis and deliverables from preceding phases of this study. In Phase 1 (June – October 2022), the Consultant Team identified the required district-wide infrastructure costs needed to enable development in the four selected TOD Pilot Areas, including:

- In **Iwilei-Kapālama** (Oʻahu), **$667 million** in district-wide infrastructure costs, including drainage, electrical systems, roads, and sea-level rise mitigation;
- In the **Kaʻahumanu Avenue Community Corridor** (Maui), **$7.3 million** for water capacity and additional funds required for affordable housing development;
- In the **Līhuʻe Town Core** (Kauaʻi), **$8.0 million** in costs for water capacity improvements; and
- In the **Ane Keohokalole Highway Corridor** (Hawaiʻi), **$462 million** in costs for water, wastewater, and road infrastructure.

In Phase 1, the Consultant Team also identified a pipeline of fully affordable and mixed-income development projects whose realization is contingent on meeting the infrastructure requirements identified. In Phase 2 (November 2022 – March 2023), the Consultant Team identified a menu of funding, financing, and delivery instruments that could be used to cover the identified infrastructure costs. Through meetings with the County Permitted Interaction Groups – composed of representatives from County and State agencies – the Consultant Team shortlisted those instruments, reflected in *Deliverable 2: Shortlist of Available Funding, Financing, and Delivery Options for Further Analysis*.

During Phase 3 (April 2023 – present), the Consultant Team conducted a financial analysis of the funding and financing capacity of those short-listed options, including mostly those related to value capture. Phase 3's financial analysis is presented in this report.

The following terms apply throughout this document:

- "Funding" is defined as revenue streams or other sources of money that are set apart to support a specific development objective. It may be monies that are immediately available or that will derive from a future revenue stream and be used to repay financing.
- "Financing Capacity" refers to the ability of those funding sources to raise upfront capital to expedite development by providing funds earlier than would otherwise be available. This typically involves borrowing or otherwise leveraging future revenue streams. Not all funding sources are financeable, meaning that not all would be accepted by a lender or creditor as a source of repayment in their underwriting.

In conducting the financial analysis, the Consultant Team:

1) Prepared a **development program** of residential, retail, office, industrial, and hotel uses for each TOD Pilot Area for a 45-year period beginning in 2025. The development programs were based on projects identified in Phase 1, a review of existing development plans for each TOD Pilot Area, and a real estate market scan.
2) Identified **development prototypes among each use** (such as residential rental or for-sale units, retail space, etc.) for the projects identified in Phase 1 in each TOD Pilot Area and conducted a **financial feasibility analysis** that determined:
    a. Whether each prototype is financially feasible given current conditions, including development costs, operating costs, expected revenues (i.e., rents or sale prices), and expected rates of return for developers; and
    b. For those typologies that are not financially feasible given current conditions, the price points, in terms of rents or sale prices, at which each would be profitable for a developer to pursue them.
3) Based on the financial feasibility analysis, estimated:
    a. The **revenue from development produced from real property taxes** (RPT) within the TOD Pilot Area, which can fund a potential Tax Increment Financing district. RPT is charged on a taxable base that includes: i) the increment in the non-exempt assessed value of existing properties, measured from the point in which the district is created; ii) non-exempt uses within future identified development opportunities for which masterplans are available; and iii) non-exempt development other than those identified in Phase 1 that the Consultant Team estimates could occur in response to future demand for housing and non-residential space in the area.
    b. The **excess value that remains after accounting for income, costs, and development returns**. This value can then be tapped by government entities through either:
        1. Ongoing special assessments/taxes, which could be charged on certain properties as part of a Community Facilities District or a Special Improvement District; or
        2. One-time fees, such as impact or linkage fees, that would be charged on new development as it takes place;
    c. The **revenue from development produced through county surcharges** on General Excise Tax and Transient Accommodation Tax.
    d. The **revenue from ongoing electricity, sewage, and water use charges** from new development in the TOD Pilot Area.

Based on the inputs described, the Consultant Team analyzed the funding and financing capacity of the value capture instruments described in Figure 1. **Unless noted, the instruments evaluated cannot be**

implemented simultaneously, as each instrument has its limitations and requirements. The monetary streams for each instrument were sized independently in this analysis. Also note that each instrument has varying timing for revenue generation, capacity to back financing streams, and ability to fund infrastructure in the short term, as summarized in Figure 2.

Figure 1 | Summary of Value Capture Instruments Analyzed

Value Capture Instruments	Description
Tax-Increment Financing (TIF)	A district-based tool that allows taxing jurisdictions to use anticipated future increases in property-based tax revenues to finance present-day infrastructure improvements. Proceeds arise from taxes paid on the properties' taxable base, which includes new development and the portion of the value of existing properties that appreciates after creation of the TIF district. TIF can be used on a Pay-As-You-Go basis (the government reimburses a private developer as incremental taxes are generated) or be paired with financing (a local government issuing bonds, backed by a percentage of projected future tax collections, which are expected to increase over time given higher property values and/or new business activity within a designated project area). A TIF bond issuance is likely the financing instrument resulting in the most conservative debt capacity, given its typical interest rates, reserves, and coverage ratios, which are higher than other types of government-issued debt. If TIF revenues are leveraged through a pay-as-you-go scheme or to justify additional and/or larger general obligation bond issuances (sometimes referred to as "synthetic financing"), they tend to generate larger net proceeds.
Special Assessment District	These are generally formed as Community Facility Districts (CFDs) or Special Improvement Districts (SIDs), where property owners agree to pay ongoing special assessments or taxes on real property to fund public services and public improvements that enable future development. Like TIF, assessments can be used on a Pay-As-You-Go Basis or be paired with bond issuances, backed by anticipated revenue from the special tax or assessment, which fund present-day infrastructure. Payment of special taxes or assessments over existing or future land uses begins as soon as the districts are created. Examples in Hawaiʻi include the Kukui'ula CFD, Kaloko Heights CFD, the Lono Kona Sewer Improvement District, and the Waikiki Beach SID, which funds beach restoration. For this analysis, the Consultant Team calculated the maximum capacity of the various development typologies to absorb new assessments while preserving their financial feasibility. The estimated additional assessments/taxes are within the constraints of both: a) this maximum capacity; and b) a maximum burden of RPT and additional assessment over properties' assessed value of 1.2% for residential uses and 1.5% for commercial uses. There is also a special type of SID akin to a Business Improvement District (BID) that charges an assessment proportionate to commercial properties' assessed value within a certain area. This type of SID is usually established in a consolidated retail/commercial core. Instead of funding enabling infrastructure for future development, proceeds are often used for operations and maintenance of the district, including minor infrastructure

Value Capture Instruments	Description
	works (such as streetscape improvements, signage, and lighting), support and development for local businesses, additional cleanliness and security services, or special events that help activate the area. To create this type of SID, it is critical to have the buy-in and consensus among commercial landowners. An example in Hawaiʻi is the Waikiki Business Improvement District.
One-Time Fees	One-time fees are imposed by a local public agency on new development. There are different types of one-time fees, such as impact fees, service fees, linkage fees, or payments associated with community benefit agreements. Each type of one-time fee carries different requirements that determine the amount that can be charged. For the purpose of this analysis, the Consultant Team calculated the maximum capacity of various development typologies to absorb new one-time fees (regardless of what specific fee is implemented) while preserving their financial feasibility.
General Excise Tax (GET) Surcharge	Earmarking of revenue from existing county GET surcharges or an additional 0.5% surcharge rate derived from point-of-sale operations in new retail space or construction of new facilities in the TOD Pilot Areas.
Transient Accommodation Taxes (TAT) Surcharge	Earmarking of revenue from the existing county TAT surcharge derived from point-of-sale operations in new hotel space.
Utility User Charges	Charges for the use of public utilities providing water, power, and sewage services in the TOD Pilot Areas. The bulk of these revenues are not available for additional areawide capital expenditures, as it is understood they are largely used by the counties or utilities to fund the operational and maintenance costs of various infrastructure systems, along with planned improvements.

Figure 2 | Revenue Characteristics of Value Capture Instruments Analyzed

Value Capture Instrument	Source of Revenue	Timing of Revenues	Can Back Debt Financing?	Can Provide Funding Upfront for Areawide Improvements?
TIF	Revenue from property taxes on a) New development; b) Growth in taxable value of existing properties. **Does not involve the creation of new taxes**.	**Medium- to long-term**. After the district's creation, revenue grows gradually as development and appreciation of the taxable base takes place.	**Yes**	**Yes, but only if paired with a bond issuance**. TIF revenues can provide funding in the early- to mid-stages of development if a bond issuance takes place. Otherwise, TIF revenues grow gradually over time as the taxable base increases.
CFDs / SIDs	Revenue from a new special assessment or tax on new or existing development.	**Short-term**. Payment of the special tax/assessment begins as soon as the district is created and is based on future development.	**Yes**	**Yes**. Like TIF, CFDs and SIDs can support bond issuances. Moreover, they are likely to produce larger revenues than TIF in the early years, given that payments begin as soon as the district is created, even before development has started.
One-Time Fees	Revenue from a one-time payment that takes place upon construction.	**Variable**. Revenue is not cumulative and depends upon time of construction.	**No**	**No**. Proceeds are not bondable and only become available as development takes place in the area.
GET and TAT Surcharges	Revenue from existing or new surcharge.	**Medium- to long-term**. After the district's creation, revenue grows gradually as development takes place.	**Yes**	**Depends**. Areawide proceeds from sales taxes can be earmarked for a TIF district in some jurisdictions. Currently in Hawai'i, these are collected for the county as a whole.
User Charges	Existing utility charges.	**Medium- to long-term**. After the district's creation, revenue grows gradually as development takes place.	**Yes**	**No**. Most revenues are not used for capital improvements and may not be able to be earmarked for a specific area.

Summary of Findings by TOD Pilot Area

Iwilei-Kapālama (City and County of Honolulu)

The **Iwilei-Kapālama** TOD Pilot Area has over 700 properties and covers approximately 552 acres. It is envisioned as a mixed-use residential center primarily for workforce housing. The Iwilei Infrastructure Improvement Master Plan ("the Master Plan") prepared for the Hawaiʻi Housing Finance and Development Corporation (HHFDC) and the Department of Accounting and General Services (DAGS) anticipates new development of 27,400 residential units, 215,000 square feet (SF) of government office space, 400,000 SF of retail space, and 190,000 SF of industrial space over the next 30 to 50 years. To accommodate such growth, the area requires areawide infrastructure investments of $667 million, largely in the form of drainage and sea-level rise mitigation works and electrical and sewer improvements. The capacity of various funding sources analyzed for Iwilei-Kapālama is summarized below.

Tax Increment Financing: According to the Master Plan, approximately two-thirds of the 27,400 residential units planned will be affordable and only 20% of all units planned will be for-sale. The large share of affordable units and a majority of rental product within the residential program constrains the amount of incremental property tax revenue in the area. This is due to current policies granting full real property tax (RPT) exemptions to affordable rental developments, as well as mixed-income rental developments with a minimum of 20% affordable housing units. (HR&A assumes all residential projects will comply with this threshold, given the Master Plan split and the strong incentive provided by the regulation).[1]

TIF can provide revenues of $1.3 billion in present value terms between 2025 and 2070. Most RPT proceeds supporting TIF would come from the growth in assessed value of existing development in Iwilei-Kapālama (75% of all new RPT revenue), as opposed to tax revenue on new development. The fact that revenues would rely mostly on the growth of assessed value of existing properties is likely to be an important factor in determining the buy-in for a TIF district at the political and community level.

TIF revenues in Iwilei-Kapālama would have a slow ramp-up period, which in turn impacts the amount of debt that could be supported by a TIF bond issuance in the early years. The revenue generated would support a TIF bond in the range of **$48 million to $77 million** (2023 dollars), depending on whether the bond issuance takes place in 2030 or 2040 (these amounts represent 7% and 11% of areawide infrastructure costs, respectively).

TIF revenues would change substantially if existing RPT exemptions were altered. Specifically, removing the RPT exemption on market-rate rental units within mixed-income developments with a minimum 20% of affordable units would be expected to reduce the number of rental affordable units from 14,100 to 12,200 (59% to 53% of total units in the program), while increasing TIF revenues by at least 35% ($441 million), to $1,706 million. In this scenario, the **bond issuance amount increases to a range between $59 and $95 million**.

Capacity for additional fees and assessments: Based on the financial analysis of development prototypes, for-sale residential (20% of all units planned), market rate for-rent residential (31% of all units

[1] Revised Ordinances of Honolulu, § 8-10.17.

planned), and retail development can absorb ongoing special assessment/taxes and one-time fees, without negatively impacting financial feasibility.

- Special Assessment District: An **ongoing assessment via a CFD or a SID could be implemented in large landholdings** or master-planned developments such as the Kapālama Kai Plan, where revenues from an ongoing special tax or assessment **could yield $93 million in present value over 45 years and could support approximately $6 million in up-front debt** (2023 dollars), issued in either 2030 or 2040. This estimate assumes that any new assessment will be capped so that the total tax burden on properties, including RPT, is at most 1.2% of the properties' assessed value and that the new assessment does not threaten the financial feasibility of a private developer.[2]
- One-Time Fees: At the areawide level, the present value **of the maximum value of one-time fees that can be absorbed by new development between 2025 and 2070 is $126 million**. This value excludes the implementation of a special assessment district.
- The **implementation of one of these instruments reduces the overall available capacity for additional fees and assessment**. This is a factor that needs to be considered if both types of instruments (special assessment/taxes and one-time fees) are to be implemented simultaneously. If a special tax or assessment is implemented, then its impact on development financial feasibility and the capacity to charge additional fees and assessment should be evaluated before imposing additional one-time fees. The opposite would take place if one-time fees were imposed first.

Earmarking Areawide GET Surcharge Proceeds from New Development: Earmarking areawide proceeds from the GET surcharge on new development or establishing a new 0.5% surcharge would yield $10 million in present value between 2025 and 2070. Most construction in the area would be linked – partially or fully – to affordable housing and be exempt from GET.[3] However, **earmarking areawide revenue from the existing GET surcharge would not be possible** as it is currently fully earmarked for the Skyline rail line. While areawide GET revenue would represent a limited source of funding, it is worth noting the potential for this surcharge at the countywide level. During FY 2022, countywide revenue from GET surcharge was $372 million, about half of the required infrastructure costs in Iwilei-Kapālama.

TAT Surcharge: Given the lack of foreseeable hotel development, there are no TAT surcharge revenues forecasted.

Utility User Charges: Payments for utility services stemming from new development could include up to $721 million in electricity fees, $247 million in sewer fees, and $118 million in water fees, in present value over 45 years.

The present value of the revenue corresponding to each value capture instrument and their financing capacity, when applicable, is summarized in Figure 3. Figure 4 illustrates the magnitude of each instrument over the first 15 years (including one bond issuance in Year 5 for those instruments that can back this operation). Figure 4 highlights that:

- TIF revenues are relatively small at the start of the analysis period but grow exponentially over time as the tax base increases, becoming larger than other monetary streams by Year 5. Moreover, TIF offers the possibility of bond issuances, assumed to occur in Year 5. If this occurs, TIF net

[2] HR&A used 1.2% as a threshold for supportable tax burden based on an analysis of the burden on assessed values of property taxes and special CFD taxes in the Kukui'ula CFD, Kauaʻi County.

[3] Hawaiʻi Revised Statutes, §201H-36.

revenues decrease right after bond issuance as part of annual TIF proceeds are used to service debt. However, net revenues recover to pre-issuance levels by Year 10 as the property tax base increases.

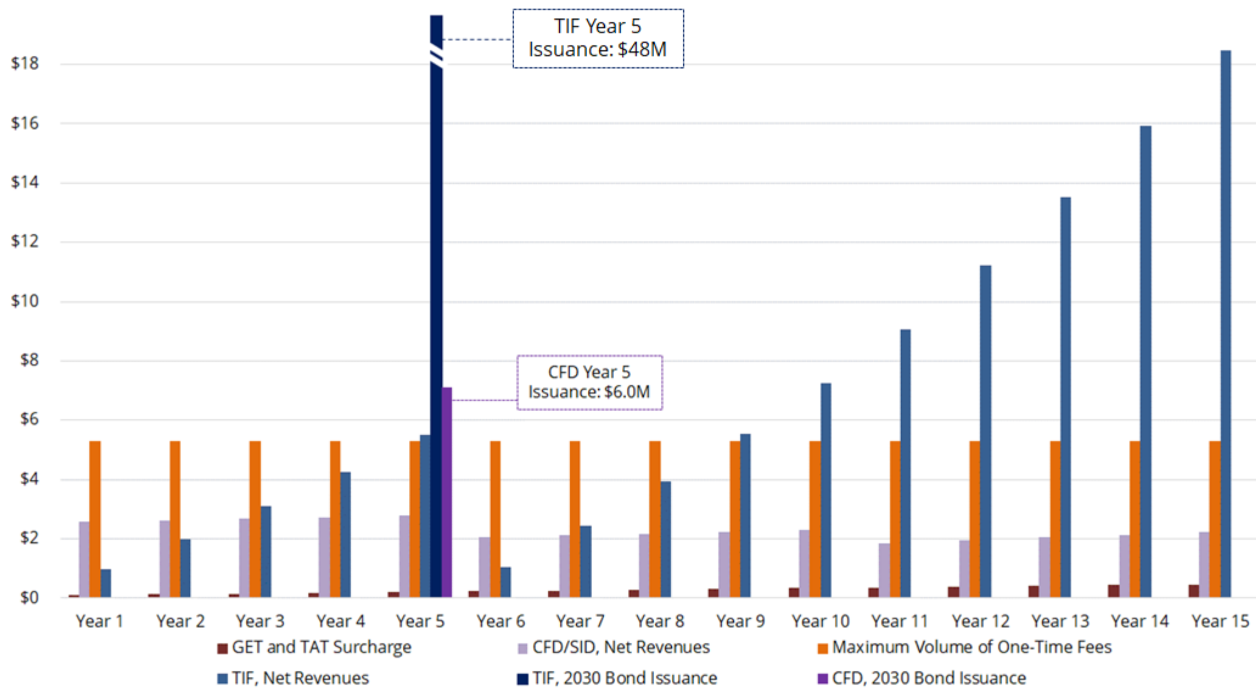
- Revenues from a Special Assessment District are relatively constant over time, given that: i) the assessment starts upon the district's creation (assumed to take place in 2025) and is independent of the timing and pace of development; and ii) while a bond issuance is possible in Year 5, the principal amount that revenues can sustain is lower than TIF, and so are future interest payments, thereby reducing future net revenues less than a TIF bond issuance.
- One-time fees become available as development takes place over time and are not bondable. The projected revenue stream is relatively stable over time but will depend largely on the actual pace of development.
- Earmarking areawide revenues from the countywide GET surcharge produces relatively stable proceeds over time but is marginal compared to other sources of revenue analyzed.

Figure 3 | Iwilei-Kapālama, Summary of Funding Streams and Financing Capacity

Instrument	Present Value of Revenue ($M), 2025-2070	Financing Capacity ($M), 2030 and 2040 Issuances*
Tax Increment Financing	$1,264 75% from Existing Properties 25% from New Development	$48 / $77
Special Assessment District (CFD/SID)	$93	$6.0 / $6.0
One-Time Fees	$126	Not Applicable
0.5% GET Surcharge Revenue from New Development	$10	Not Applicable
3% TAT Surcharge Revenue from New Development	No Hotel Development Assumed	Not Applicable
Utility User Charges	$1,087	Not Applicable

(*) Values expressed in 2023 dollars.

Figure 4 | Iwilei-Kapālama, Timing of Revenue Streams and Bond Issuances (in $Million)



Kaʻahumanu Avenue Community Corridor (County of Maui)

The **Kaʻahumanu Avenue Community Corridor** stretches 2.5 miles along Main Street and Kaʻahumanu Avenue from South High Street on the west to Hana Highway on the east totaling 2,029 acres.[4] This is the main thoroughfare connecting the urban centers of Kahului and Wailuku. The transit-oriented community land use envisioned in the Kaʻahumanu Avenue Community Corridor Action Plan will require significant investments in enabling infrastructure. County and State agencies provided information to the Consultant Team on one infrastructure work needed to accommodate further development: the Waihee Aquifer ($7.3 million in required funding). The Kaʻahumanu Avenue Community Corridor includes a town core with modest redevelopment plans for about 2,200 residential units across multiple sites, in early and mid-term planning stages, of which a majority (73%) are planned as affordable units, as well as ground floor retail.[5]

Tax Increment Financing: Efforts to implement a district-wide financing strategy that relies on new development is unlikely to have a significant impact, given existing exemptions on the assessed values of residential properties (up to a $300,000 and $200,000 of for-sale units and long-term rental units, respectively)[6], full RPT exemption on affordable units,[7] and the current lack of viability of most market-driven development.

[4] Community Profile, 2021.

[5] Government office space is also contemplated in the area's development pipeline. However, the Consultant Team did not consider it for purposes of the present analysis since it would likely be exempt from paying the taxes and assessments evaluated.

[6] Maui County Code, Sections 3.48.450 and 3.48.466.

[7] Maui County Code, Section 3.48.496.

A **TIF district could produce revenues of $936 million in net present value terms over 45 years and support a bond issuance of between $40 million and $63 million** (2023 dollars), depending on whether the issuance occurs in 2030 or 2040. Because of the limited development program and existing exemptions on residential development, TIF proceeds would be derived largely from the application of property taxes on the increment in the assessed value of existing properties (95% of all new property tax revenue in the area for the next 45 years), which is assumed to continue growing at the average annual growth rate of the 2013-2022 period. Similar to Iwilei-Kapālama, creating a TIF district whose revenues rely mostly on the growth in the assessed value of existing properties could pose challenges to get buy-in for TIF implementation at the political and community level.

Capacity for additional fees and assessments: Based on the financial analysis of development prototypes, none of the uses foreseen in the area can absorb ongoing special assessment/taxes and one-time fees without negatively impacting their financial feasibility. However, creation of special SIDs focused on commercial property owners in the Kahului and Wailuku cores may help support operations and maintenance of public realm and activation in the area, boosting the economic activity of nearby retail, attracting new tenants, and providing business-supportive services and activities. A **charge of about 0.1% on the assessed value of existing and new retail space would produce revenues for $74 million** in present value between 2025-2070 (approximately $1.7 million per year, on average). To create this type of SID, it would be critical to have the buy-in of and consensus among commercial landowners.

Earmarking Areawide GET Surcharge Proceeds from New Development: Earmarking areawide proceeds from charging the 0.5% GET surcharge on new development would yield $3 million, in present value, during 2025-2070. **Earmarking areawide revenue from a GET surcharge could be constrained by recent legislation**, which authorizes the County to adopt a surcharge and restricts the use of its revenues to housing infrastructure.[8] While areawide GET revenue would represent a limited source of funding, it is worth noting the potential for this surcharge at the countywide level. Specifically, a 0.5% of Maui's taxable GET base during FY 2022 represented $102 million.[9]

TAT Surcharge: Given the lack of foreseeable hotel development, there are no TAT surcharge revenues forecasted.

Utility User Charges: Revenues from utility fees emerging from new development are also limited, including $58 million from electricity, $16 million from sewer, and $10 million from water (in present value over a 45-year period).

The present value of the revenue corresponding to each value capture instrument and their financing capacity, when applicable, is summarized in Figure 5. Figure 6 points to the timing of these monetary streams and their magnitude over time (shown for the first 15 years of analysis for illustration purposes, including one bond issuance in Year 5 for those instruments that can back this operation). Figure 6 highlights that:

- A special assessment on the assessed value of commercial properties emerges as one of the only substantial revenue sources in the Kaʻahumanu Avenue Community Corridor. Revenues would be stable over time as they are charged over a stable base of commercial properties.

[8] HB1363, 2023 Legislative Session.

[9] The amount that could be collected from applying a GET surcharge is likely lower than $102 million, given the potential negative elasticity effect between increasing effective rates of taxation and consumption.

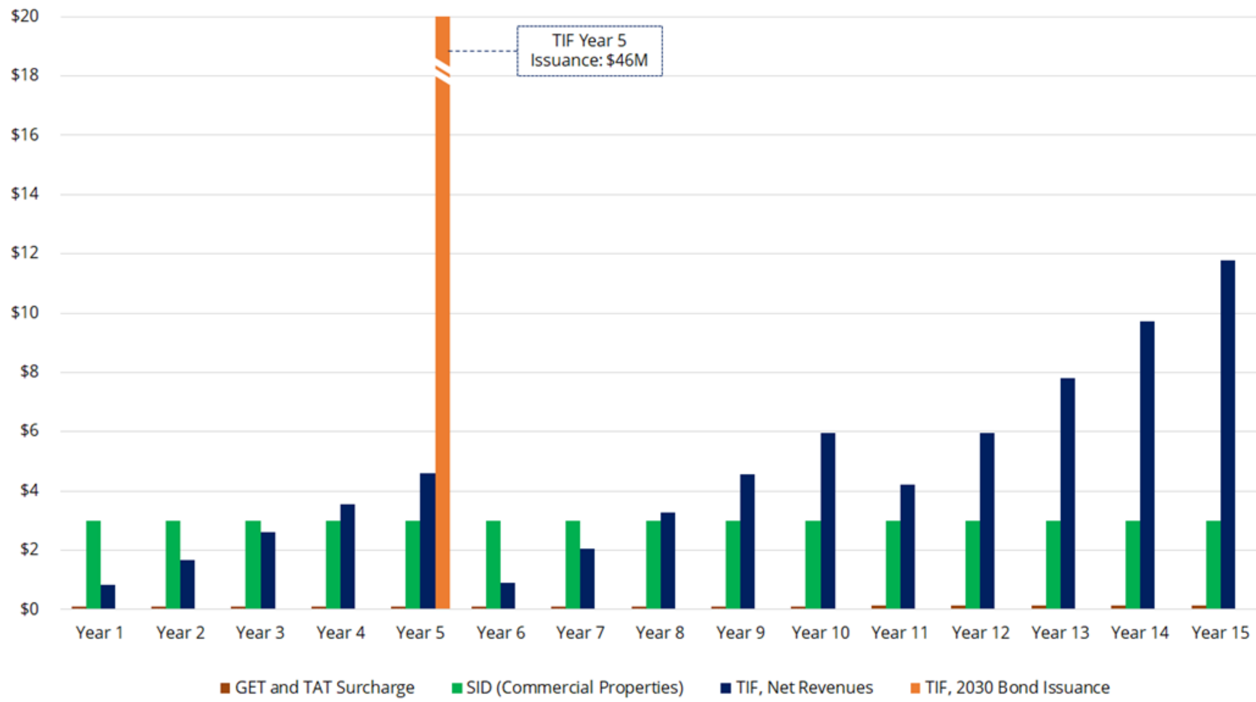
- TIF would be able to produce meaningful revenues over time, which could back a bond issuance in Year 5. However, in assessing the political feasibility of its creation, it is important to consider that TIF proceeds are driven almost entirely by the growth in the assessed value of existing properties, and not by new development.
- Earmarking areawide revenues from a new countywide GET surcharge would represent a relatively stable cash flow over time, but its scale would be marginal in comparison to other sources of revenue.

Figure 5 | Kaʻahumanu Avenue Community Corridor, Summary of Funding Streams and Financing Capacity

Instrument	Present Value of Revenue ($M), 2025-2070	Financing Capacity ($M), 2030 and 2040 Issuances*
Tax Increment Financing	$936 95% from Existing Properties 5% from New Development	$40 - $87
Special Assessment District	Not Viable	Not Applicable
Business Improvement District	$74	Not Applicable
One-Time Fees	Not Viable	Not Applicable
0.5% GET Surcharge Revenue from New Development	$3	Not Applicable
3% TAT Surcharge Revenue from New Development	No Hotel Development	Not Applicable
Utility User Charges	$84	Not Applicable

(*) Values expressed in 2023 dollars.

Figure 6 | Kaʻahumanu Avenue Community Corridor, Timing of Revenue Streams and Bond Issuances (in $Million)



Līhuʻe Town Core (County of Kauaʻi)

The **Līhuʻe Town Core** is a 1,100-acre area in the center of Līhuʻe. It has approximately 17,000 residents, or around a quarter of the island's population, and is a relatively low-density urban area with urban infill opportunities. The area can potentially support future TOD development by promoting walkability, transit accessibility, and affordable housing development on State properties. Through the information provided by County and State agencies, the Consultant Team identified about $8 million in unfunded infrastructure projects needed to enable new development in the area.

Tax Increment Financing: Efforts to implement a district-wide financing strategy that relies on new development are unlikely to have a significant impact, given limited market demand, significant RPT exemption on affordable rental units,[10] and the current limited viability of market-driven development.

A **TIF district could produce moderate revenues of about $207 million in net present value terms over 45 years and support a bond issuance of between $15 million and $20 million** (2023 dollars), depending on whether the bond issuance occurs in 2030 or 2040.

Capacity for additional fees and assessments: Based on the financial analysis of development prototypes, none of the uses foreseen in the area can absorb ongoing special assessment/taxes and one-time fees without negatively impacting their financial feasibility. However, creation of special SIDs or BIDs focused on commercial property owners may help support operations and maintenance of the public realm and activation in the area, which has seen substantial improvements in the past years as it

[10] Kauaʻi County Code, Section 5A-11A.1.

benefited from a federal Transportation Investment Generating Economic Recovery (TIGER) grant. A **charge of about 0.1% percent on the assessed value of existing and new retail space would produce revenues for $27 million** in present value between 2025-2070 (approximately $0.6 million per year on average. To create this type of SID, it would be critical to have the buy-in of and consensus among commercial landowners.

Earmarking Areawide GET Surcharge Proceeds from New Development: Earmarking areawide proceeds from the existing GET surcharge or establishing a new 0.5% surcharge would yield $11 million in revenues, in present value, during 2025-2070. **However, earmarking areawide revenue from the existing GET surcharge would not be possible** as existing legislation earmarks revenues for transportation projects.[11] While areawide GET revenue would not represent a meaningful source of funding, it is worth noting the potential for this surcharge at the countywide level (during FY 2022, the County raised $26 million in tax revenue from the 0.5% surcharge rate).

TAT Surcharge: Given the lack of foreseeable hotel development, there are no TAT surcharge revenues forecasted.

Utility User Charges: Revenues from utility fees emerging from new development are also limited, including $37 million for electricity, $5 million from sewer, and $4 million from water.

The present value of the revenue corresponding to each value capture instrument and their financing capacity, when applicable, is summarized in Figure 7. Figure 8 points to the timing of these monetary streams and their magnitude over time (shown for the first 15 years of analysis for illustration purposes, including one bond issuance in Year 5 for those instruments that can back this operation). Figure 8 highlights that:

- A special assessment on the assessed value of commercial properties emerges as one of the only substantial revenue sources in the Līhuʻe Town Core. Revenues would be stable over time as they are charged over a stable base of commercial properties.
- TIF would be able to produce revenues over time and back a bond issuance in Year 5. However, TIF proceeds are low compared to other TOD Pilot Areas analyzed, given the lack of a substantial existing property tax base and a limited development pipeline.
- Earmarking areawide revenues from the countywide GET surcharge would represent a relatively stable cash flow over time, but its scale would be marginal in comparison to other sources of revenue.

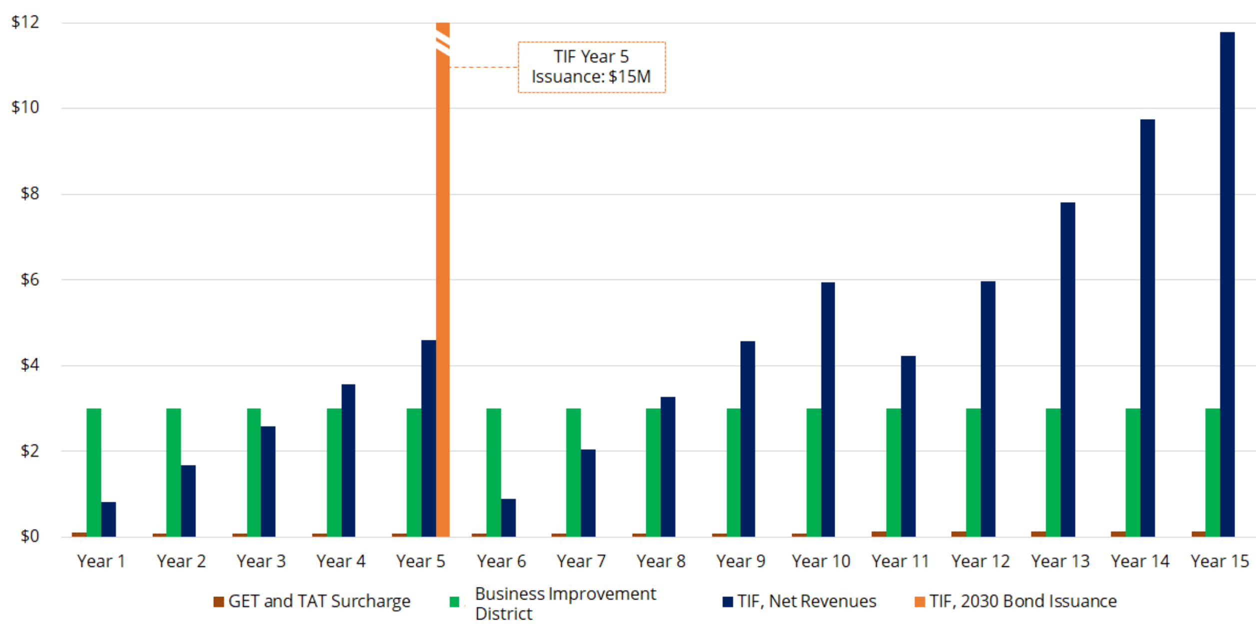
[11] HRS §46-16.8

Figure 7 | Līhuʻe Town Core, Summary of Funding Streams and Financing Capacity

Instrument	Present Value of Revenue ($M), 2025-2070*	Financing Capacity ($M), 2030 and 2040 Issuances*
Tax Increment Financing	$207 41% from Existing Properties 59% from New Development	$15 - $20
Special Assessment District	Not Viable	Not Applicable
Business Improvement District	$27	Not Applicable
One-Time Fees	Not Viable	Not Applicable
0.5% GET Surcharge Revenue from New Development	$10.7	Not Applicable
3% TAT Surcharge Revenue from New Development	No Hotel Development	Not Applicable
Utility User Charges	$47	Not Applicable

(*) Values expressed in 2023 dollars.

Figure 8 | Līhuʻe Town Core, Timing of Revenue Streams and Bond Issuances (in $Million)



Ane Keohokalole Highway Corridor (County of Hawaiʻi)

The **Ane Keohokalole Highway Corridor** is a 2,500-acre area comprised of a half-mile radius along the 2.9-mile Ane Keohokalole Highway, which runs parallel to and about a mile inland of the Queen Kaʻahumanu Highway. During Phase 1 of the study, State and County agencies identified about $462 million in required infrastructure projects in this area, consisting of a combination of areawide improvements and project-specific investments. Existing development in the TOD Pilot Area is scattered, with large swathes of available land. The area includes several properties with planned development that combine market-rate and affordable projects. About 4,160 units are expected to be built from the known pipeline of projects and additional supportable demand in the area. The residential program includes mostly for-sale units (63%), and the total residential units are split equally between market rate and affordable. The program also includes 611,000 SF in retail to serve the new residential development, as well as 320 hotel keys.[12]

Tax Increment Financing: The lack of a substantial base of existing properties yields moderate RPT proceeds in the short term. However, planned development adds to the property tax base over the years and drives increasing RPT proceeds. **TIF could yield $692 million in present value in incremental RPT revenue during 2025-2070 and underwrite a bond issuance of between $36 million and $58 million**[13] (8% to 16% of areawide infrastructure costs, respectively), depending on whether the issuance takes place in 2030 or 2040.

Capacity for additional fees and assessments: Given their financial feasibility, market rental units (19% of total units), single-family homes for-sale at market prices (17% of total units), retail, and hotels can absorb additional assessments or fees.

- Special Assessment District: **An ongoing special assessment via a CFD or a SID could be implemented in the planned communities Kamakana Villages, Pālamanui, and Makalapua District.** Revenues from a special assessment or tax would amount, in present value over 45 years, to $8.4 million in Kamakana Villages, $57 million in Pālamanui, and $19 million in the Makalapua District. Their combined financing capacity would amount to between $4.2 and $4.7 million in bond issuances in either 2030 or 2040, respectively. These estimates assume that any new assessment will be capped so that the total tax burden on properties, including RPT, is at most 1.2% of the properties' assessed value and that the new assessment does not threaten the financial feasibility of a private developer.[14] **Given the feasibility of both TIF and CFD/SID, this TOD Pilot Area could support the simultaneous implementation of both mechanisms**. Proceeds from a CFD/SID could fund initial infrastructure expenses while the RPT base for TIF grows. After a certain period, the magnitude of TIF revenues and its financing capacity would be enough to retire CFD- or SID-related debt. This approach could support a shorter period of assessment for the CFD.

[12] Government office space is also contemplated in the area's development pipeline. However, the Consultant Team did not consider it for purposes of the present analysis since it would likely be exempt from paying the taxes and assessments evaluated.
[13] Expressed in 2023 dollars.
[14] HR&A used 1.2% as a threshold for supportable tax burden based on an analysis of the burden on assessed values of property taxes and special CFD taxes in the Kukui'ula CFD, Kauaʻi County.

- One-Time Fees: The present value **between 2025 and 2070 of the planned development value that can be absorbed through one-time development impact fees is $46 million**. This value excludes the implementation of a Special Assessment District.

- The implementation of one of these instruments reduces the overall available capacity for additional fees and assessment. This is a factor that needs to be considered if both types of instruments (special assessment/taxes and one-time fees) are to be implemented simultaneously. If a special tax or assessment is implemented, then its impact on development financial feasibility and the capacity to charge additional fees and assessment should be evaluated before imposing additional one-time fees. The opposite would take place if one-time fees were imposed first.

Earmarking Areawide GET Surcharge Proceeds from New Development: Earmarking areawide proceeds from the GET surcharge on new development or establishing a new 0.5% surcharge would yield $34 million in present value during 2025-2070. **However, earmarking areawide revenue from the existing GET surcharge would not be possible** without regulatory changes, as existing legislation earmarks revenues for transportation projects.[15] While areawide GET revenue would not represent a meaningful source of funding, it is worth noting the potential for this surcharge at the countywide level (during FY 2022, the County raised $37.5 million in tax revenue from the 0.5% surcharge rate).

Earmarking Areawide TAT Surcharge Proceeds from New Development: Earmarking areawide proceeds from the TAT 3% surcharge rate on new hotel development would yield $17.5 million in present value during 2025-2070.

Utility User Charges: Fees from utility services include $321 million from electricity, $41 million from sewage, and $42 million from water, in present value, between 2025 and 2070.

The present value of the revenue corresponding to each value capture instrument and their financing capacity, when applicable, is summarized in Figure 9. Figure 10 illustrates the magnitude of each instrument over the first 15 years (including one bond issuance in Year 5 for those instruments that can back this operation). Figure 10 highlights that:

- TIF is the instrument that can produce the largest amount of revenues, although these become available in meaningful amounts after a ramp-up period of about 10 years. Given that existing development in the area is scattered, TIF revenues rely highly on new properties developed. Therefore, the annual growth rate of TIF revenues accelerates gradually as properties built after the district's creation continue to increase in value and new properties continue to be built. Moreover, TIF offers the possibility of bond issuances. If an issuance takes place in Year 5, then TIF net revenues decrease immediately after, given that TIF gross proceeds are mostly used to service TIF debt. However, TIF net revenues recover to pre-issuance levels by Year 10 as the property tax base increases.
- Revenues from a Special Assessment District are relatively constant over time, given that: i) the assessment starts upon the district's creation (assumed to take place in 2025) and is independent of the timing and pace of development; and ii) while a bond issuance is possible in Year 5, the principal amount that revenues can sustain is lower than TIF, and so are future interest payments, thereby reducing future net revenues less than a TIF bond issuance.

[15] HRS §46-16.8

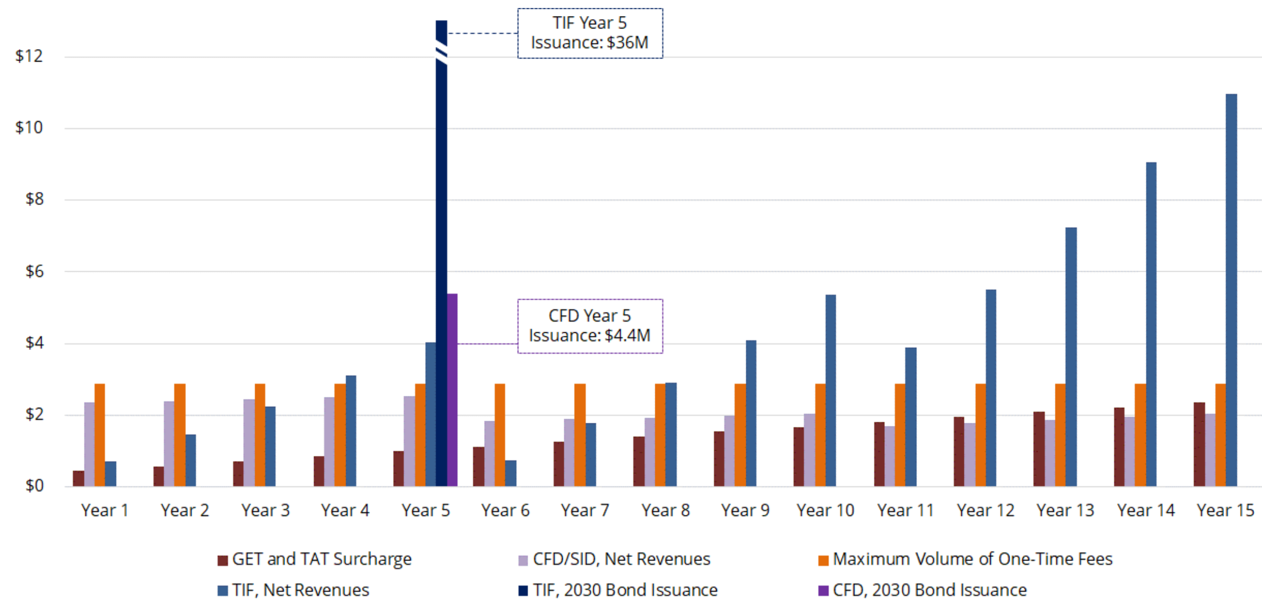
- One-time fees become available as development takes place over time and are not bondable. The projected revenue stream is relatively stable over time but will depend largely on the actual pace of development.
- Earmarking areawide revenues from the countywide GET surcharge produces relatively stable proceeds over time but is marginal compared to other sources of revenue analyzed.

Figure 9 | Ane Keohokalole Highway Corridor, Summary of Funding Streams, and Financing Capacity

Instrument	Present Value of Revenue ($M), 2025-2070	Financing Capacity ($M), 2030 and 2040 Issuances*
Tax Increment Financing	$692 29% from Existing Properties 71% from New Development	$36 / $58
Special Assessment District (CFD/SID)	$85	$4.4 / $4.7
One-Time Fees (max. capacity)	$46	Not Applicable
0.5% GET Surcharge Revenue from New Development	$34	Not Applicable
3% TAT Surcharge Revenue from New Development	$18	Not Applicable
Utility User Charges	$404	Not Applicable

(*) Values expressed in 2023 dollars.

Figure 10 | Ane Keohokalole Highway Corridor, Timing of Revenue Streams and Bond Issuances (in $Million)



Conclusions of the Analysis and Considerations for Policy Recommendations in Phase 4

Tax Increment Financing:

- **TIF is viable in all TOD Pilot Areas** but can only yield **significant revenues in areas with mid- and long-term redevelopment potential**, including Iwilei-Kapālama and the Ane Keohokalole Highway Corridor. In areas where real estate market demand is relatively soft, the implementation of TIF can be more challenging. For instance, in the Līhuʻe Town Core, TIF revenues are limited by the narrow scale of anticipated real estate development, while in the Kaʻahumanu Avenue Community Corridor, TIF revenues stem almost entirely from the tax increment on the growth of the assessed value of existing properties, as opposed to tax increment on new development.
- **Reconsidering RPT exemptions** would help expand the base over which RPT can be charged and increase the potential for TIF. This is particularly the case in Iwilei-Kapālama, which could see an increase in TIF revenue of up to 35% if the RPT exemption on market-rate rental units within mixed-income developments with a minimum 20% of affordable units were to be removed.
- In areas where there is positive excess value in real estate development after accounting for income, costs, and expected returns**, TIF can be overlaid with a CFD or SID**. This overlay can be particularly appropriate in areas where TIF revenues and financing capacity are substantial over the duration of the district but limited in the short-term due to the slow ramp-up of development, as is the case in the Ane Keohokalole Highway Corridor. Overlaying TIF with a CFD/SID and utilizing revenue from a CFD/SID to cover debt service for the first 5-10 years after bond issuance substantially enhances the bonding capacity of the area. A special assessment can provide short-term revenue while absorption of new development and tax revenues ramp up, at which point any assessment-related debt could be replaced by TIF debt, alleviating the tax burden on property owners.

- Implementing **TIF will require State legislation to explicitly authorize its use in the State Constitution** and the adoption of TIF ordinances at the county level (only Hawaiʻi County has passed a TIF ordinance, which limits the use of TIF to blighted areas).

Special Assessment Districts:

- Special Assessment Districts are **viable in areas where there is positive excess value in planned development typologies**, after accounting for current income, costs, and expected return. This excess value can be captured by creating CFDs or SIDs, as well as by implementing any combination of one-time fees, such as exactions, impact fees, or linkage fees. Most market-rate development in Iwilei-Kapālama and the Ane Keohokalole Highway Corridor presents positive excess value that could be captured by a CFD/SID.
- Additional special taxes and assessments typically require a majority landowner vote. Therefore, the **viability of special assessments through a CFD or a SID is more likely at large development sites in areas with relatively strong market demand and financial fundamentals,** including large landholdings with substantial market-rate development programs in Iwilei-Kapālama and the Ane Keohokalole Highway Corridor.

One-Time Fees:

- As mentioned above, the financials of market-rate development in the Iwilei-Kapālama and Ane Keohokalole Highway Corridor make them suitable to be charged with one-time fees. However, the **implementation of one-time fees depends not only on the financial feasibility of development within a certain area, but also on the regulatory requirements for each type of fee**. Impact fees, for instance, typically require a nexus study to establish whether the new development directly causes the need for additional infrastructure and/or public services, while fees within a community benefits agreement require negotiations between government agencies, the community, and the sponsor of the development in question.
- Unlike special assessment districts, **one-time fees can be implemented at the districtwide level**. However, the existing regulatory frameworks in all counties prevent their widespread implementation. For instance, with regards to impact fees, they are restricted to the Ewa region in Oahu and certain regions in Maui. Impact fees are not regulated by County ordinances in the Counties of Kauai and Hawaii, and other types of one-time fees – such as linkage fees – are not regulated in any county, making their use complicated. Lastly, one-time fees are often implemented in the context of development agreements that take place during rezonings and changes in entitlements.

GET and TAT Surcharges:

- Earmarking GET and TAT proceeds originating from development in the TOD Pilot Areas is limited by existing legislation, which constrains the use of those funds in all counties. This includes funds restrictions such as for the Skyline rail line in Oʻahu; transportation projects in Kauaʻi and Hawaiʻi; and housing infrastructure in Maui. In any case, the revenues stemming from existing surcharges are small in comparison with other potential funding sources analyzed in this report.
- However**, earmarking a share of countywide revenue from GET and TAT surcharges for overall development-enabling infrastructure would represent a relevant funding source** for the type of projects identified in Phase 1.

Utility user charges:

- Revenues from utility fees are significant in all TOD Pilot Areas, but they are **primarily used to cover operating expenses** and some capital projects. A State- or county-level utility tax dedicated to fund utility infrastructure upgrades would provide an additional source of funding at a fairly low cost of collection. Exploring this measure would require County- and State-level legislation and regulation.

In areas with soft real estate markets, greater market demand is needed to make most VC instruments viable. This finding is applicable to the Līhuʻe Town Core and the Kaʻahumanu Avenue Community Corridor, and likely similar areas in the State.

- In these areas, **forming a Business Improvement District** across commercial property owners could help increase market demand for residential and commercial development. A BID could enhance the viability of new development and other VC tools by pursuing certain local improvements (e.g., revitalization of the street environment, new open spaces, parking management). Interest from existing commercial landowners would be critical to the creation of such districts.

Various funding and financing tools can be combined to support infrastructure delivery, including districtwide value capture instruments as well as State- and County-level tools. During Phase 4, in addition to measures to increase the potential of the identified value capture mechanisms, the Consultant Team will study potential County- and State-wide measures that contemplate**:**

- **Cross-area subsidies** (for instance, from existing high-growth or high-income areas) that could help overcome some of the specific challenges presented in the TOD Pilot Areas. These measures can be based on precedents from other jurisdictions, including:
  - Enhanced Infrastructure Financing Districts in California, a form of TIF district, which allows the diversion of tax increment revenue from different, disjointed areas/parcels. EIFD revenue can be used to fund affordable housing and investments in areas of choice.
  - The City of San Diego has addressed the inequitable structure of its infrastructure funding by allowing proceeds from Impact Fees to be used outside the areas from where they are collected. Instead of limiting funds from being spent in the district they are generated, the fund named "Build Better San Diego" creates one pooled fund that prioritizes investments in neighborhoods with the greatest needs for investment.
- **Special tax measures for certain types of uses and/or residents**, such as non-resident buyer transfer taxes (implemented in the City of Vancouver, for instance, which has imposed a 20% tax on the price of units for buyers who are not Canadian citizens or permanent residents) or higher RPT rates for out-of-state owners (all Counties already have a progressive tier on RPT rates, but some rates could be increased, particularly those on short-term rentals, hotels, and non-owner occupied homes).
- Pooling of revenues from special taxes on a **state infrastructure bank or revolving fund** that could provide a source of funding or financing for a wide range of infrastructure improvement projects statewide and/or at the county-level. Building this kind of capacity would also enable a rapid response to federal funding opportunities, and aggregate the skills and expertise to provide technical assistance with a range of contractual arrangements with private parties to deliver infrastructure projects effectively.
- **Earmarking part of county proceeds from GET and TAT surcharges** for TOD investments or affordable housing, in line with policies recently implemented in other jurisdictions. Examples include:

- The City of Portland, Multnomah County, and Greater Portland METRO agreed to redirect $5 million annually from hotel and rental car tax revenues to Multnomah County's Joint Office of Homeless Services. The Joint Office, in turn, must spend that money on support services;
- In Colorado, a 2022 bill allowed county lodging taxes to be used to help create affordable housing funds. The % of lodging tax that could be diverted to create affordable housing funding will be determined by each county; and
- In South Carolina, a bill in 2023 authorized cities to use proceeds from local Accommodations Taxes for affordable housing.

The Consultant Team will expand and refine the list of potential recommendations during Phase 4. The Team will assess the potential impact and likelihood and ease of implementation of each, in order to prioritize the most effective legal and regulatory, institutional, operational, and policy recommendations.

2. Background and Methodology

This section summarizes the methodology of the financial analysis presented in this report.

Step 1. The Consultant Team identified potential building typologies in each TOD Pilot Area including:

1. Rental and for-sale residential units, by market segment (market-rate and affordable) and physical characteristics (single-family, low-rise, mid-rise, or high-rise);
2. Retail space;
3. Office space;
4. Industrial space; and
5. Hotels.

Step 2. The Consultant Team built an assumed development program for each TOD Pilot Area and estimated an associated pace of development and absorption over a period of 45 years (2025-2070) for each. Each development program considered the listed building typologies and was based on:

1. The pipeline of projects identified in Phase 1 and the Consultant Team's own demand analysis for the different real estate uses within the TOD Pilot Areas, which informed the number of new residential units; retail, office, and industrial square footage (SF); and hotel keys.
2. A breakdown of the new number of units and SF by building typology (for instance, the share of residential units in each area that would be for-sale at market prices in low-rise buildings), based on development in the TOD Pilot Areas in the past decade, master plans for future communities, and interviews with stakeholders.
3. A demand analysis and the historic pace of absorption in each TOD Pilot Area, which informed assumptions on the pace of development.

Step 3. The Consultant Team conducted a financial feasibility analysis where it determined, for each building typology present in each TOD Pilot Area's development program:

1. Whether the given building typology is financially feasible given current conditions, including development costs, operating costs, expected revenues (i.e., rents or sale prices), and expected rates of return for developers; and
2. For those typologies that are not financially feasible given current conditions, the price points, in terms of rents or sale prices, at which each would be profitable for a developer to pursue them.

Step 4. Based on Step 3's financial feasibility analysis, the Consultant Team estimated:

1. The **market value** of each unit or SF by typology, representing the value at which a property may be sold in an arms-length transaction between private parties. For new development to be feasible, the market value of a property needs to be greater than the cumulative cost of development plus a fair market return. When prevailing conditions resulted in a market value less than its development cost and a fair market return (i.e., development is infeasible), the Consultant Team used the minimum market value necessary to make development viable for purposes of

projecting value capture revenue. Note that the rent or sale prices of some development typologies are compatible with a second-home or tourism-oriented market, rather than the workforce market that the County governments intend for housing development in the TOD pilot areas. At rents/for-sale prices affordable to the workforce, some of the building typologies assumed would not be pursued by a private developer.

2. The **assessed value** of each unit or SF by typology, which is typically less than the property's market value and, less any exemptions and when multiplied by the property's real property tax (RPT) rate, calculates total RPT due.[16]
3. The **excess value** of each unit or SF by typology, which is the project's market value, minus all development costs (including construction, land, and financing) and the developer's expected profit or returns. A positive excess value indicates that: a) the project is financially feasible for a private developer; and b) there is potential to absorb some additional assessments or fees without risking its financial feasibility.

Step 5. Having established the above parameters, the Consultant Team estimated revenues generated for each value capture instrument for the 2025-2070 period, as follows:

1. **Tax Increment Financing** revenues, estimated as the difference between: i) the baseline revenue from RPT in the TOD Pilot Areas prior to 2025; and ii) the sum of the RPT revenues from new development (including from identified and defined projects, as well as units and non-residential space that the Consultant Team estimates will need to be built in order to accommodate demand for housing and other uses) as well as the increment in assessed value of existing properties that takes place after the TIF district is created. Further, the estimates of TIF revenues assumed: a) existing exemptions on the assessed value of residential properties, as regulated by State and County legislation; and b) that exemptions due to expire in future years would be renewed.
2. **Revenues from Special Assessment Districts,** in the form of special taxes under a CFD or a special assessment in a SID. The creation of these districts would be difficult at a district-wide level given the multitude of landowners. Therefore, the Consultant Team estimated revenues from creating Special Assessment Districts on specific developments identified in Phase 1 that are built over large, single-ownership landholdings and that possess a market-rate component in their program. Moreover, the Consultant Team assumed that the special assessment:
    a. Would be applied only on those building typologies that present a positive excess value; and
    b. In addition to the existing RPT rate charged, it would not exceed 1.2% of residential properties assessed value and 1.5% of commercial properties assessed value.[17]
    c. The present value of the new assessment should not exceed the excess value estimated for each typology.
3. **The maximum potential revenue from charging one-time fees**, equivalent to the full excess value for each development typology. This represents the maximum amount of fees that can be charged without threatening the financial feasibility of development for private developers.

[16] The local code of all counties in Hawai'i specifies that the assessed value of properties should reflect their market value. However, upon analyzing the sale price and assessed values of properties recently transacted, HR&A found that properties are usually assessed at a "discount" over its market value. HR&A estimated these discount rates by use in each TOD Pilot Area and applied them over the market value of each typology to estimate their assessed value.

[17] This benchmark was established upon analysis of the burden over assessed values of properties taxes and a special CFD taxes in the Kukui'ula CFD in Kaua'i.

4. Revenue from **earmarking revenues from the Pilot Area from the existing county GET surcharge or from implementing an additional 0.5% surcharge** in Oʻahu, Kauaʻi, and Hawaiʻi, and from adopting an initial 0.5% surcharge in Maui. The Consultant Team assumed that the GET surcharge would be charged over construction expenses of development (except for affordable housing units and residential market units built within mixed-income projects, as their construction is exempt from GET)[18] as well as from ongoing spending in new retail foreseen in the development programs.
5. Revenue from **earmarking revenues from the Pilot Area from the existing county TAT 3% surcharge**. In these estimates, the Consultant Team assumed that the TAT surcharge would be charged on spending in new hotels foreseen in the development programs.
6. **Revenue from utility user charges for water, sewer, and electricity services**, based on the average consumption by residential and non-residential properties, and the average user charge.

Step 6. The Consultant Team estimated a possible range of debt financing that could be raised against TIF and CFD/SIDs, based on assumptions of year of issuance, debt-to-service coverage ratios, transaction costs, interest rates, and terms and maturities. The financing capacity methodology for each revenue stream is included in the Appendix, "Financing Capacity: Methodology and Assumptions."

Assumptions related to real estate conditions (for e.g., rents, sale prices, development costs, financing costs, expected rates of return, etc.) and tax matters (RPT exemptions by property type, tax rates, etc.) are summarized in the Appendices, "Real Estate Assumptions" and "Fiscal Assumptions," respectively.

[18] Hawaiʻi Revised Statutes, §201H-36.

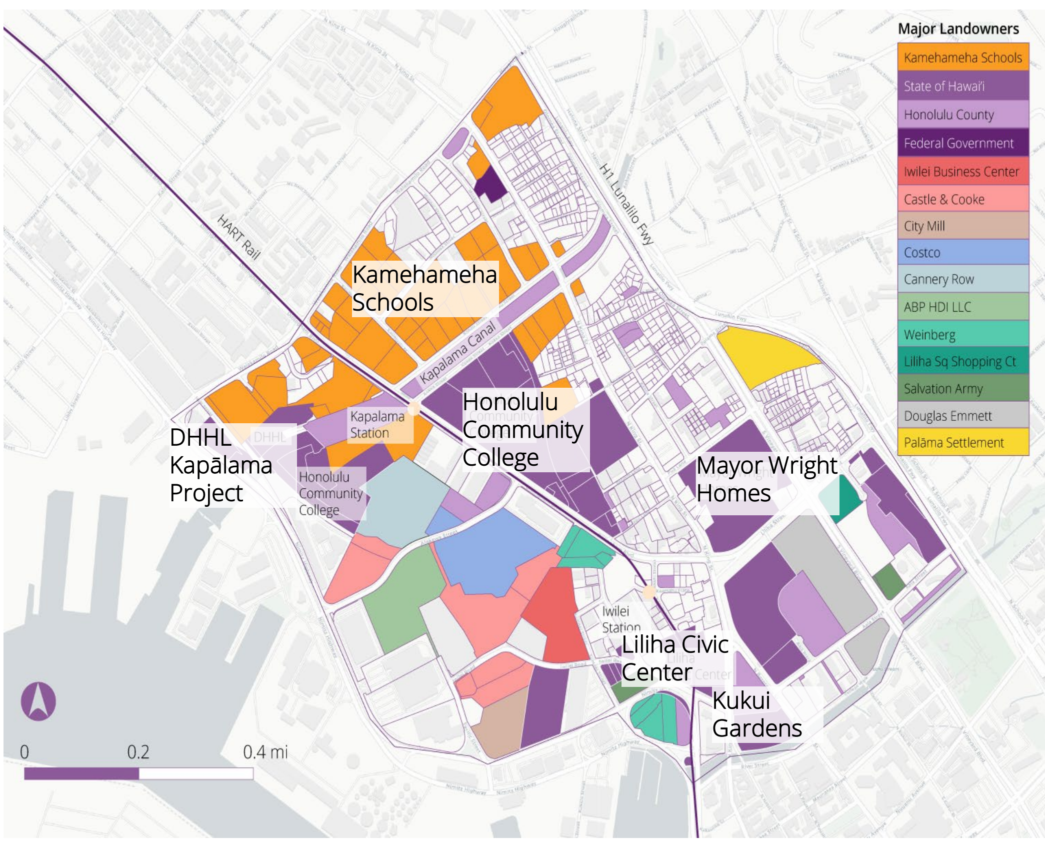
3. Findings from Financial Analysis for TOD Pilot Areas

3.1 Oʻahu | Iwilei-Kapālama

Overview of TOD Pilot Area

Iwilei-Kapālama is anchored by two Skyline rail stations, with the Kapālama Station at the north, and the Iwilei station south. The stations are part of the third Skyline system segment and are expected to open in 2031. The area has over 700 properties and covers approximately 552 acres. Various State agencies own properties within the area, including office, open space, educational, and residential uses. Moreover, there are several private landowners with large landholdings. Figure 11 illustrates the area's geography and some of the most notable sites for redevelopment.

Figure 11 | Iwilei-Kapālama and Selected Redevelopment Opportunities



The 2023 Iwilei Infrastructure Improvement Master Plan anticipates the development of 27,400 residential units, 215,000 SF of government office space, 400,000 SF of retail space, and 190,000 SF of industrial space over the next 30 to 50 years. The Master Plan was prepared by PBR HAWAII for HHFDC and DAGS and was based on community outreach and interviews with developers and landowners. To accommodate the anticipated growth, the area requires areawide infrastructure investments of $667 million, largely in the form of drainage and sea-level rise mitigation works, electrical, and sewer. Figure 12 below summarizes these requirements.

Figure 12 | Iwilei-Kapālama Areawide Infrastructure Requirements

Type of Infrastructure	Number of Projects	Funding Required ($M)
Drainage System Improvement	18	$234
Electrical System Improvement	15	$163
Sea Level Rise Mitigation	2	$153
Roadway Improvement	19	$53
Water System Capacity Improvement	23	$40
Sewer Capacity Improvement	7	$22
Improvement of Fire Facilities	2	$1
Wastewater Capacity Improvement	1	$1
Total	**87**	**$667**

Source: Infrastructure Improvement Master Plan for the Iwilei Area, 2023, HHFDC and DAGS.

Development Program

The Consultant Team conducted its valuation based on the program set in the Master Plan, summarized in Figure 13.

Figure 13 | Iwilei-Kapālama Development Program

<table>
<tr><th rowspan="2">Use</th><th colspan="2">Tenure/Use</th><th colspan="2">Affordability</th><th rowspan="2">Program</th></tr>
<tr><th>Name</th><th>% of Units / SF</th><th>Name</th><th>% of Units / SF</th></tr>
<tr><td rowspan="4">Residential (Total 27,400 Units)</td><td rowspan="2">Rental</td><td rowspan="2">80%</td><td>Affordable</td><td>65%</td><td>14,100 Units</td></tr>
<tr><td>Market</td><td>35%</td><td>8,500 Units</td></tr>
<tr><td rowspan="2">For-Sale</td><td rowspan="2">20%</td><td>Affordable</td><td>45%</td><td>2,200 Units</td></tr>
<tr><td>Market</td><td>55%</td><td>2,600 Units</td></tr>
<tr><td rowspan="2">Office</td><td>State Offices</td><td>100%</td><td></td><td></td><td>215,000 SF</td></tr>
<tr><td>Market</td><td>0%</td><td></td><td></td><td>0 SF</td></tr>
<tr><td>Retail</td><td></td><td></td><td></td><td></td><td>400,000 SF</td></tr>
<tr><td>Industrial</td><td></td><td></td><td></td><td></td><td>190,000 SF</td></tr>
<tr><td>Hotel</td><td></td><td></td><td></td><td></td><td>No Development</td></tr>
</table>

Having established the demand for the different uses, the Consultant Team identified the potential construction typologies for each use and evaluated their financial feasibility, as well as whether they would yield excess value after accounting for each typology's typical market value, development costs, and developer returns, which could be tapped through ongoing special assessments/taxes and one-time fees. Figure 14 summarizes these details by development typology.

Figure 14 | Iwilei-Kapālama Feasibility by Development Typology

Tenure/Use	Affordability	Construction Typology	Units / SF	Yields Excess Value Given Market Conditions
Residential Rental Units	Market	Mid-Rise	865 Units	Positive Excess Value
		High-Rise	7,585 Units	Positive Excess Value
	Affordable	Mid-Rise	1,040 Units	No Excess Value
		High-Rise	13,090 Units	No Excess Value
		Total Rental Units	**22,580 Units**	-
Residential For-Sale Units	Market	Mid-Rise	520 Units	Positive Excess Value
		High-Rise	2,085 Units	Positive Excess Value
	Affordable	Mid-Rise	175 Units	No Excess Value
		High-Rise	2,040 Units	No Excess Value
		Total For-Sale Units	**4,820 Units**	-
		Total Residential Units	**27,400 Units**	-
Office	Government	High-Rise	215,000 SF	Positive Excess Value
Retail	Market	Low-Rise	183,000 SF	Positive Excess Value
Industrial	Market	Low-Rise	187,000 SF	Positive Excess Value

Factors Affecting the Implementation of Value Capture Instruments

Several regulatory and market factors reduce the potential funding streams and financing capacity from the implementation of land value capture instruments, including:

1. The Master Plan foresees a residential component as the key driver of areawide development. The market-rate portion of the residential program is overall feasible and yields excess value that can sustain additional assessments and fees, but it represents only 40% of total housing development due to the demand target of the residential product and existing governmental incentives around housing production. Specifically, the area is envisioned as a residential center for the regional workforce and there are strong incentives to produce mixed-income housing as opposed to fully market projects. For these reasons, the analysis assumes that 60% of the entire program will be affordable, and that 80% will consist of rental units. With regards to other uses, retail adjacent to new residential development should be financially viable as well. Commercial offices and hotels are unlikely to be feasible in the short term given current market rents and the location attributes, while the footprint of industrial uses is expected to be marginal.
2. Rental affordable housing units (52% of all units) are exempt from paying RPT.[19] Moreover, there are tax breaks on residential rental market-rate units on developments that have more than 20%

[19] Revised Ordinances of Honolulu, § 8-10.17.

affordable units at 80% Area Median Income (AMI) or less.[20] Given this strong incentive, the Consultant Team assumed that all or most rental market development will occur in mixed-income buildings with at least 20% affordable units. Therefore, the analysis assumes that rental market units (28% of all units) would not be paying RPT either. Among the residential program, only for-sale units (20% of all units) will be contributing to RPT revenues.

3. The typologies that present excess value and can sustain additional ongoing assessments or one-time fees include all market rental and for-sale residential units and retail. While for-sale residential units yield about twice as much excess value as rental units, they represent a small share of the program (20%). Affordable units (60% of the entire program) present no excess value and are therefore not able to contribute additional assessments or development impact fees.
4. There are exemptions to the General Excise Tax (GET) for construction of projects with an affordable nexus, which as stated in the points above, is assumed to be the case for all future residential developments in the TOD Pilot Area.[21] As a result, the Consultant Team assumed the County GET surcharge would only be collected over construction expenses from the non-residential components of the program.

Revenues and Financing Capacity

Tax Increment Financing

The large rental and affordable components of the development program and existing exemptions on 80% of residential units (which are the key driver of overall development in the TOD Pilot Area) limit the potential for TIF in Iwilei-Kapālama.

As summarized in Figure 15, new development taking place on either public land or plots owned by commercial landowners are the major driver of the increment in areawide property value between 2025 and 2070. However, given existing exemptions, only a small share of this increment is taxed. Specifically, new development contributes 80% to the increment in areawide property value, but only 20% to the increment in property tax revenue. Only 20% of the increment in property value takes place due to the appreciation in the value of existing properties in Iwilei-Kapālama, but since these properties are assumed not to be benefiting from RPT exemptions, the increment in their value contributes 76% to the increment in property tax revenue.

TIF revenues amount to $1.3 billion in present value between 2025 and 2070, which can support a bond issuance of between $48 million and $77 million in 2023 dollars (7% to 11% of areawide infrastructure costs), depending on whether the issuance takes place in 2030 or in 2040. As noted above, most TIF revenues in Iwilei-Kapālama would come from the growth in assessed value of existing development, as opposed to tax revenue on new development.

[20] Revised Ordinances of Honolulu, § 8-10.33. This section is set to be repealed on June 30, 2027, in accordance with Ordinance 18-1 and Ordinance 19-8. For purposes of the analysis, the Consultant Team assumed that the existing exemption would be renewed or replaced by a similar one.

[21] Hawaiʻi Revised Statutes, §201H-36.

Figure 15 | Incremental Assessed Value and Property Tax Revenue in Iwilei-Kapālama

Indicator	Present Value of 45-Year Average
Current Conditions in TOD Pilot Area	
Total Taxable Assessed Value (2023)	$2,692 M
Total Property Taxes Collected (2023)*	$28 M
Average Annual New Assessed Value (AV) (2025-2070)	**$8,065 M**
% from Increment in Base	20%
% from Development on Public Lands	12%
% from Development on Parcels from Commercial Landowners	68%
Average Annual Property Tax Revenue from Incremental AV (2025-2070)	**$27 M**
% from Increment in Base	76%
% from Development on Public Lands	5%
% from Development on Parcels from Commercial Landowners	20%
Total Property Tax Revenue from Incremental AV (2025-2070)	**$1,264 M**

(*) Estimated as the product of net taxable assessed values in the TOD Pilot area and current tax rates per use.

TIF revenues would change substantially if existing RPT exemptions were altered. Specifically, removing the RPT exemption on market-rate rental units within mixed-income developments with at least 20% of affordable units would have two effects, namely:

1) A reduction in the number of affordable housing units and their replacement with market-rate units, given the disappearance of the incentive to maintain affordability. Specifically, the current program foresees 7,791 market-rate units within mixed-income developments. Assuming developers keep the number of affordable units at a minimum to maximize profitability, these same mixed-income developments also host 1,948 affordable units (20% of all units). If the RPT incentive of full exemptions on market-rate units were removed, then developers would likely pursue these developments with 100% market-rate units (a total of 9,739 units), thereby reducing the future stock of 1,948 affordable units.
2) An increase in property tax revenues. The 9,739 units that were previously exempt from RPT would start contributing to property tax revenues, increasing TIF revenue by $441 million.

Capacity for additional one-time fees and special assessments/taxes

Based on the estimates of excess value by building typology, the potential for value capture in the form of ongoing special assessment/taxes and one-time fees is mainly from market residential units and retail. Specifically:

- While it would be difficult to create a Special Assessment District for the entire area, large landholders or developments that offer a combination of the uses highlighted should be able to contribute with an ongoing special assessment or tax as part of a CFD or a SID. In the case of Kamehameha Schools – whose development plan includes 5,000 residential units, 150,000 SF of retail space, and 140,000 SF of industrial space – a special assessment or tax could yield revenues of up to $93 million in present value during the 2025-2070 period, enough to underwrite a bond issuance of approximately $6.1 million, either in 2030 or 2040. Taken together with existing RPT rates, these special assessments or taxes would not burden residential properties beyond 1.2% of their assessed values (1.5% in the case of non-residential properties);
- At the areawide level, the present value of the maximum value of one-time fees that can be absorbed by new development between 2025 and 2070 is $126 million. This value excludes the implementation of a Special Assessment District.
- While some type of Special Assessment District is feasible in Iwilei-Kapālama, it is worth noting that there is a trade-off between the ability to pay special assessment/taxes and additional one-time fees. If a CFD or SID were implemented, then the maximum capacity to charge one-time fees would decrease, and the impact of the special tax or assessment on the financial feasibility of development should be evaluated before imposing additional one-time fees.
- If some form of TIF is explored, it could be paired with a CFD or a SID, but more than two layers of instruments would likely be infeasible.

General Excise Tax Surcharge

Potential revenues from the GET surcharge on new development are constrained, as developers receive full exemptions from construction if the building has a certain threshold of affordable units, which the Consultant Team assumes all or most residential developments will have. Therefore, GET revenues from construction expenses would be charged only to non-residential development, and amount to $1 million in present value during the 2025-2070 period. GET revenues derived from charging spending on new retail space amount to $9 million, in present value, during 2025 and 2070.

Utility User Charges

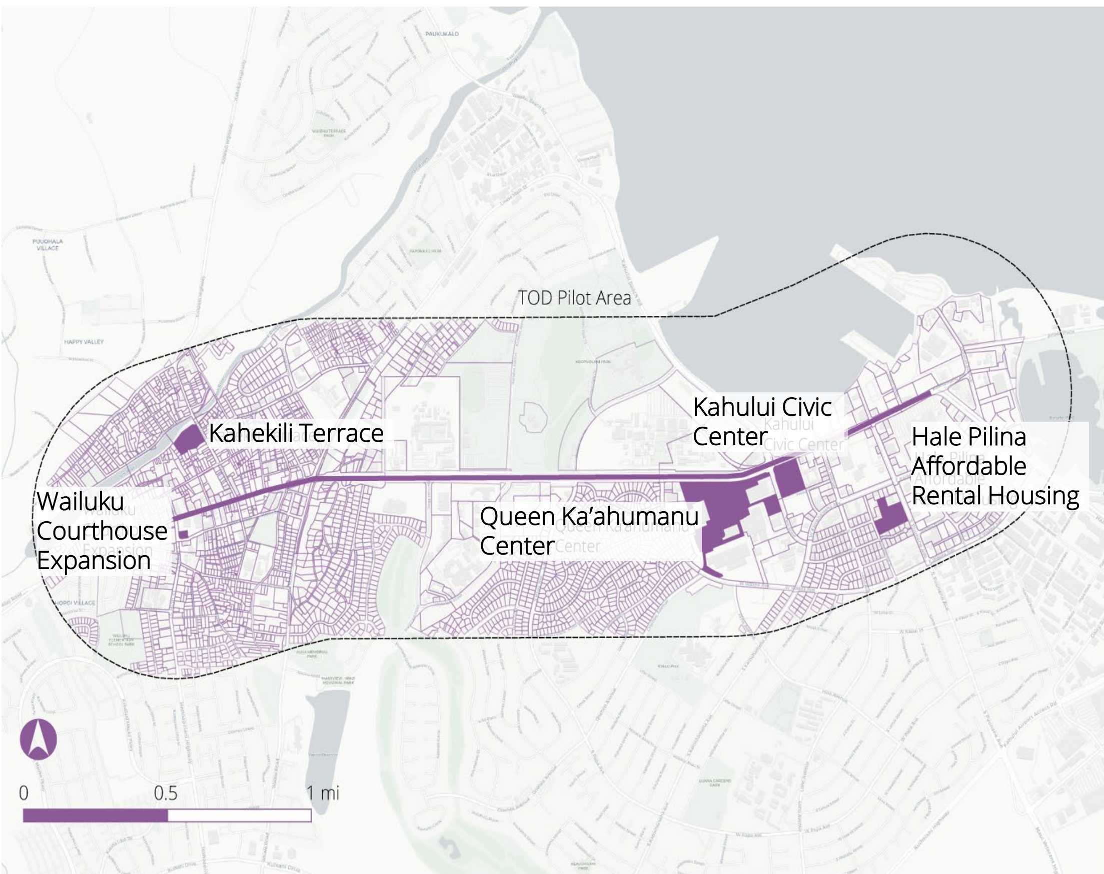
Revenues from utility user charges between 2025 and 2070 amount to (in present value) $721 million from electricity, $248 million from sewer, and $119 million from water, and are higher than the areawide infrastructure costs. However, the bulk of utility revenues usually cover operation and maintenance costs of their respective infrastructure facilities and long-planned capital improvement projects. Therefore, these revenues may not be available to fund new infrastructure to advance development in the TOD Pilot Area.

3.2 Maui | Kaʻahumanu Avenue Community Corridor

Overview of TOD Pilot Area

The Kaʻahumanu Avenue Community Corridor stretches 2.5 miles along Main Street and Kaʻahumanu Avenue from South High Street on the west to Hana Highway on the east. It is the main thoroughfare connecting the urban centers of Kahului and Wailuku. Around one in five of Maui's 166,000 inhabitants live within half a mile of this transit corridor, making it one of the most populated areas of the island. The corridor is also the location of the island's major economic hub, hosting a relatively large density of jobs, schools, healthcare services, government services, retail, commercial, and civic/recreational activities. Figure 16 illustrates the area's geography and some of the most notable sites for redevelopment.

Figure 16 | Kaʻahumanu Avenue Community Corridor and Selected Redevelopment Opportunities



The transit-oriented community land use envisioned in the Kaʻahumanu Avenue Community Corridor Action Plan will require significant investments in enabling infrastructure. County and State agencies provided information to the Consultant Team on only one unfunded infrastructure work needed to accommodate further development, the Waihee Aquifer system improvements ($7.3 million in required funding).

Development Program

The Ka'ahumanu Avenue Community Corridor presents opportunities for substantial buildout. However, during Phase 1 of the study a limited number of development projects were identified by State and County agencies. Considering this information and the Consultant Team's demand projections, the analysis assumes a program of 2,200 new residential units and 5,000 SF of new retail space to be absorbed in the next 45 years. As summarized in Figure 17, the residential development is targeted towards rental product (64% of all units), with a substantial affordable component (73% of all units). Development for other uses is not foreseeable given current market conditions.

Figure 17 | Ka'ahumanu Avenue Community Corridor Development Program

Use	Tenure/Use		Affordability		Program
	Name	% of Units / SF	Name	% of Units / SF	
Residential *Total 2,200 Units, 72% affordable and 28% at market rates*	**Rental**	64%	**Affordable**	79%	1,100 Units
			Market	21%	300 Units
	For-Sale	36%	**Affordable**	63%	500 Units
			Market	38%	300 Units
Office	**State Offices**[22]	0%			114,000 SF
	Market	0%			0 SF
Retail					5,000 SF
Industrial					0 SF
Hotel					0 Keys

Having established the demand for the different uses, the Consultant Team identified the potential construction typologies for each use and evaluated their financial feasibility, as well as whether they would yield excess value after accounting for each typology's typical market value, development costs, and developer returns, which could be tapped into through further ongoing special assessments/taxes and one-time fees. Figure 18 summarizes these details by development typology.

[22] Government office space is contemplated in the area's development pipeline. However, the Consultant Team did not consider it for purposes of the present analysis since it would likely be exempt from paying the taxes and assessments evaluated.

Figure 18 | Kaʻahumanu Avenue Community Corridor Feasibility by Development Typology

Tenure/Use	Affordability	Construction Typology	Units / SF	Yields Excess Value Given Market Conditions
Residential Rental Units	Market	Low-Rise	180 Units	No Excess Value
		Mid-Rise	140 Units	No Excess Value
	Affordable	Single-Family	90 Units	No Excess Value
		Low-Rise	360 Units	No Excess Value
		Mid-Rise	600 Units	No Excess Value
		Total Rental Units	**1,370 Units**	-
Residential For-Sale Units	Market	Single-Family	180 Units	No Excess Value
		Low-Rise	90 Units	No Excess Value
	Affordable	Single-Family	90 Units	No Excess Value
		Low-Rise	270 Units	No Excess Value
		Mid-Rise	180 Units	No Excess Value
		Total For-Sale Units	**810 Units**	-
		Total Residential Units	**2,180 Units**	-
Retail	**Market**	**Low-Rise**	5,000 SF	No Excess Value

Factors Affecting the Implementation of Value Capture Instruments

Efforts to implement a district-wide financing strategy that relies on new development in the Kaʻahumanu Avenue Community Corridor area may be unfruitful, given that:

1. The identified development program is modest in scale, yielding a small new base for increases in RPT collection.
2. Exemptions on the assessed value of for-sale units ($300,000 per unit)[23], long-term rental units ($200,000 per unit)[24], and full RPT exemption on rental affordable units[25] further undermine the potential for incremental RPT revenue collections.
3. None of the planned residential typologies present positive excess values that can be tapped for cost recovery through further taxes or assessments.

Tax Increment Financing

The small scale of planned development and RPT exemptions limit the potential for TIF in the Kaʻahumanu Avenue Community Corridor. As summarized in Figure 19, new development is a marginal driver of the increment in areawide assessed value of properties between 2025 and 2070. This feature correlates with its contribution to areawide future RPT revenue. Specifically, new development contributes 10% to the increment in areawide property value and 5% to the increment in property tax revenue. The increment in the assessed value of existing properties is the main driver of areawide assessed value of all properties during the 2025-2070 period (90%), as well as RPT revenue during this period (95%).

[23] Maui County Code, Sections 3.48.450.

[24] Maui County Code, Sections 3.48.466.

[25] Maui County Code, Sections 3.48.496.

TIF revenues amount to approximately $936 million in present value over 45 years, which could back a bond issuance in a range between $40 million and $63 million (2023 dollars), depending on whether the issuance occurs in 2030 or 2040. Note that:

1) TIF revenues and bond issuance would be highly contingent on the assessed value of existing development continuing to grow at the countywide average growth rate of the past decade, given that most proceeds come from increases in value of existing properties; and
2) TIF districts are usually created to capture the revenue potential from new development or redevelopment, as opposed to the growth in existing value.

Figure 19 | Incremental Assessed Value and Property Tax Revenue in Kaʻahumanu Avenue Community Corridor

Indicator	Present Value of 45-Year Average
Current Conditions in TOD Pilot Area	
Total Taxable Assessed Value (2023)	$2,760 M
Total Property Taxes Collected (2023)	$14.6 M
Average Annual New Assessed Value (AV) (2025-2070)	**$4,388 M**
% from Increment in Base	90%
% from Development in Identified Pipeline	1%
% from Development Outside the Identified Project Pipeline	9%
Average Annual Property Tax Revenue from Incremental AV (2025-2070)	**$21 M**
% from Increment in Base	95%
% from Development in Identified Pipeline	1%
% from Development Outside the Identified Project Pipeline	4%
Total Property Tax Revenue from Incremental AV (2025-2070)	**$936 M**

Capacity for additional one-time fees and special assessments/taxes

None of the identified development uses in the area have the capacity to sustain additional one-time fees or special assessments/taxes. However, creation of special SIDs in the form of a BIS that focused on commercial property owners in the Kahului and Wailuku cores may help fund business-supportive operations, maintenance of the public realm, and activation in the area, boosting the economic activity of nearby retail and attracting new tenants. Specifically, an assessment of 0.1% on the assessed value of existing and new retail space would produce revenues of $74 million in present value during 2025-2070 (approximately $1.7 million per year on average). To create this type of BID/SID, it would be critical to have buy-in of and consensus among commercial landowners.

General Excise Tax Surcharge

Earmarking areawide proceeds from charging the 0.5% GET surcharge on new development would yield $3 million, in present value, during 2025-2070. Earmarking areawide revenue from a GET surcharge could be constrained by recent legislation, which authorizes the County to adopt a surcharge while restricting the use of its revenues to housing infrastructure.[26] While areawide GET revenue would represent a limited source of funding, it is worth noting the potential for this surcharge at the countywide level. Specifically, 0.5% of Maui's taxable GET base during FY 2022 was $102 million.[27]

Utility User Charges

Revenues from utility user fees are also limited, including $54 million for electricity, $16 million from sewer, and $10 million from water. However, the bulk of utility revenues usually cover operation and maintenance costs of their respective infrastructure facilities and long-planned capital improvement projects. Therefore, these revenues may not be available to fund new infrastructure to advance development in the TOD Pilot Area.

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[26] HB1363, 2023 Legislative Session.

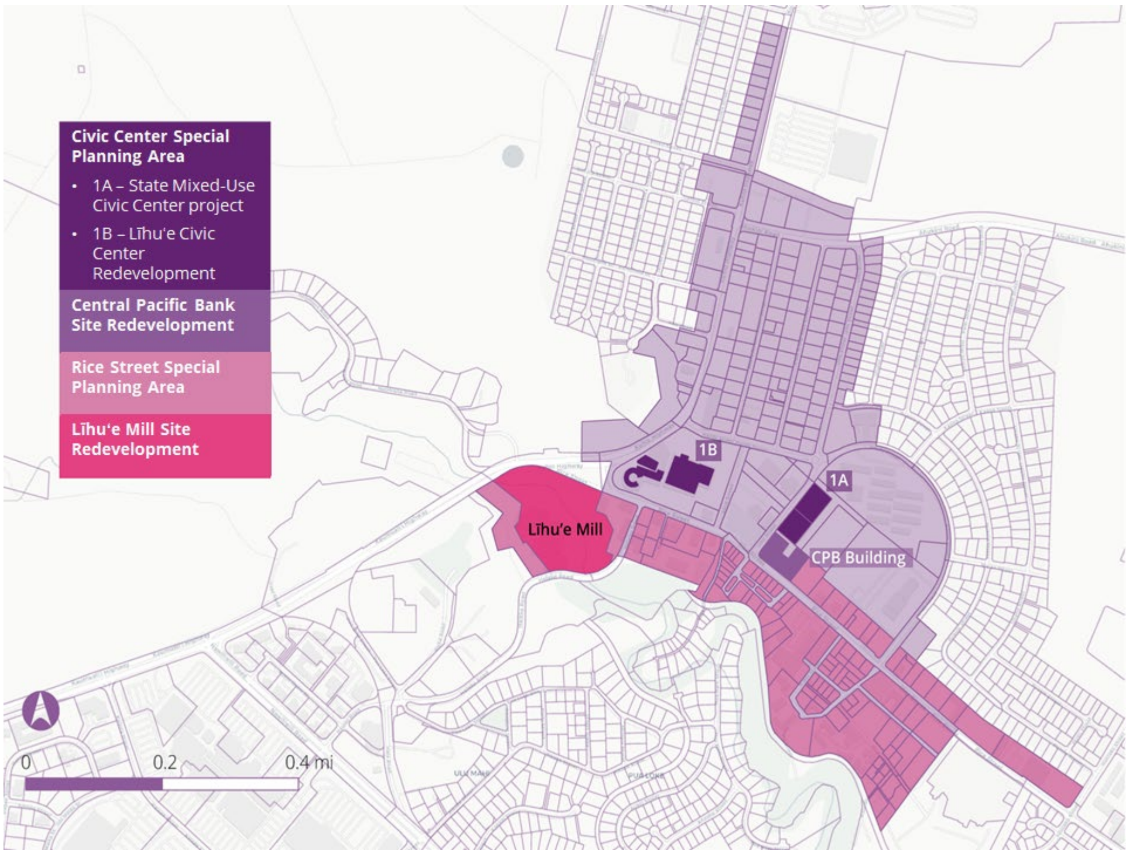
[27] The amount that could be collected from applying a GET surcharge is likely lower than $102 million, given the potential negative elasticity effect between increasing effective rates of taxation and consumption.

3.3 Kauaʻi | Līhuʻe Town Core

Overview of TOD Pilot Area

The **Līhuʻe Town Core** is a 1,100-acre area in the center of Līhuʻe. It has approximately 17,000 residents, or around a quarter of the island's population, and is a relatively low-density urban area with urban infill opportunities. The area can potentially support future TOD development by promoting walkability, transit accessibility, and affordable housing development on State and County properties. Figure 20 illustrates the TOD Pilot Area's geography and some of the most notable sites for redevelopment.

Figure 20 | Līhuʻe Town Core and Selected Redevelopment Opportunities



Significant areawide transit and Complete Streets improvements have been made with federal grants in the Līhuʻe Town Core. Based on information provided by County and State agencies, the Consultant Team identified $8 million in unfunded infrastructure projects needed to enable further development or redevelopment in the TOD Pilot Area.

Development Program

The Līhuʻe Town Core has urban infill and redevelopment opportunities. However, Phase 1 of the study identified a limited number of planned projects. Based on the projects identified and the Consultant Team's demand projections, the analysis assumes a development program of 775 new residential units and 200,000 SF of new retail space to be absorbed in the next 45 years. As summarized in Figure 21, planned residential development is largely comprised of rental product (90% of all units), with a substantial affordable component (61% of all units). Development for other uses is not foreseeable under current market conditions.

Figure 21 | Līhuʻe Town Core Community Corridor Development Program

Use	Tenure/Use		Affordability		Program Name
	Name	% of Units / SF	Name	% of Units / SF	
Residential *Total 775 Units, 61% affordable and 39% at market rates*	**Rental**	90%	**Affordable**	61%	425 Units
			Market	39%	275 Units
	For-Sale	10%	**Affordable**	67%	50 Units
			Market	33%	25 Units
Office	**State Offices**[28]	0%			0 SF
	Market	0%			0 SF
Retail					200,000 SF
Industrial					0 SF
Hotel					0 Keys

Having established the demand for the different uses, the Consultant Team identified the potential construction typologies for each use and evaluated their financial feasibility, as well as whether they would yield excess value after accounting for each typology's typical market value, development costs, and developer returns, which could be tapped through ongoing special assessments/taxes and one-time fees. Figure 22 summarizes these details by use.

[28] The Consultant Team is aware of DAGS plans to reconfigure some of the existing State-owned properties for government offices but lacks further information on the specific development program. Regardless, the Consultant Team did not consider government office space for purposes of the present analysis since it would likely be exempt from paying the taxes and assessments evaluated.

Figure 22 | Līhuʻe Town Core Feasibility by Development Typology

Tenure/Use	Affordability	Construction Typology	Units / SF	Yields Excess Value Given Market Conditions
Residential Rental Units	Market	Low-Rise	20 Units	No Excess Value
		Mid-Rise	240 Units	No Excess Value
	Affordable	Single-Family	10 Units	No Excess Value
		Low-Rise	40 Units	No Excess Value
		Mid-Rise	375 Units	No Excess Value
		Total Rental Units	**685 Units**	-
Residential For-Sale Units	Market	Single-Family	20 Units	No Excess Value
		Low-Rise	10 Units	No Excess Value
	Affordable	Single-Family	10 Units	No Excess Value
		Low-Rise	30 Units	No Excess Value
		Mid-Rise	20 Units	No Excess Value
		Total For-Sale Units	**90 Units**	-
		Total Residential Units	**775 Units**	-
Retail	**Market**	**Low-Rise**	197,000 SF	No Excess Value

Factors Affecting the Implementation of Value Capture Instruments

Efforts to implement a district-wide financing strategy that relies on new development in the Līhuʻe Town Core area may be unfruitful, given:

1. Limited market demand, few available sites for development, and the presence of mostly infill development opportunities. These factors result in a development program that is modest in scale and that yields a small new base for increases in RPT collection.
2. Exemptions on the assessed value of for-sale units ($160,000 per unit) and a special, relatively low RPT rate on rental affordable units further undermine the potential for incremental RPT revenue collections.[29]
3. None of the residential typologies planned presents positive excess values that can be tapped for infrastructure cost recovery through one-time fees or special assessments/taxes.

Tax Increment Financing

The small scale of planned development and RPT exemptions limit the potential for TIF in the Līhuʻe Town Core. TIF would produce $207 million in revenues over 45 years, in present value, which could sustain a bond issuance of between $15 million and $20 million (in 2023 dollars), depending on whether the bond issuance takes place in 2030 or 2040. As summarized in Figure 23, the increment in the assessed value of properties in the TOD Pilot Area during the 2025-2070 period is driven by both the increment in the value of existing development (43% of new assessed value and 40% of new RPT revenue) and the increment in

[29] Kauaʻi County Code, Section 5A-11A.1.

areawide assessed values due to new development (57% of new assessed value and 59% of new RPT revenue).

Figure 23 | Incremental Assessed Value and Property Tax Revenue in Līhuʻe Town Core

Indicator	Present Value at 3% Discount Rate
Current Conditions in TOD Pilot Area	
Total Taxable Assessed Value (2023)	$277 M
Total Property Taxes Collected (2023)	$2.1 M
Average Annual New Assessed Value (AV) (2025-2070)	**$653 M**
% from Increment in Base	43%
% from Development in Identified Pipeline	37%
% from Development Outside the Identified Project Pipeline	20%
Average Annual Property Tax Revenue from Incremental AV (2025-2070)	**$5 M**
% from Increment in Base	40%
% from Development in Identified Pipeline	55%
% from Development Outside the Identified Project Pipeline	4%
Total Property Tax Revenue from Incremental AV (2025-2070)	**$207 M**

Capacity for additional one-time fees and special assessments/taxes

None of the identified development uses in the area have the capacity to sustain additional one-time fees or special assessments/taxes. However, creation of special SIDs in the form of a BID that focused on commercial property owners in the Līhuʻe Town Core may help fund business-supportive operations and maintenance of public realm and activation in the area, boosting the economic activity of nearby retail and attracting new tenants. Specifically, an assessment of 0.1% of the assessed value of existing and new retail space would produce revenues for $27 million in present value during 2025-2070 (approximately $0.6 million per year on average). To create this type of BID/SID, it would be critical to have buy-in of and consensus among commercial landowners.

General Excise Tax Surcharge

Earmarking areawide proceeds from the existing GET surcharge or establishing a new 0.5% surcharge would yield $11 million in revenues, in present value, during 2025-2070. **However, earmarking areawide revenue from the existing GET surcharge would not be possible** as existing legislation earmarks revenues for transportation projects.[30] While areawide GET revenue would not represent a meaningful source of funding, it is worth noting the potential for this surcharge at the countywide level. Specifically, in FY 2022 the County raised $26 million in tax revenue from the 0.5% surcharge rate.

Utility User Charges

Revenues from user fees are limited, including $37 million for electricity, $5 million from sewer, and $4 million from water. However, the bulk of utility revenues usually cover operation and maintenance costs of their respective infrastructure facilities and long-planned capital improvement projects. Therefore, these revenues may not be available to fund new infrastructure to advance development in the TOD Pilot Area.

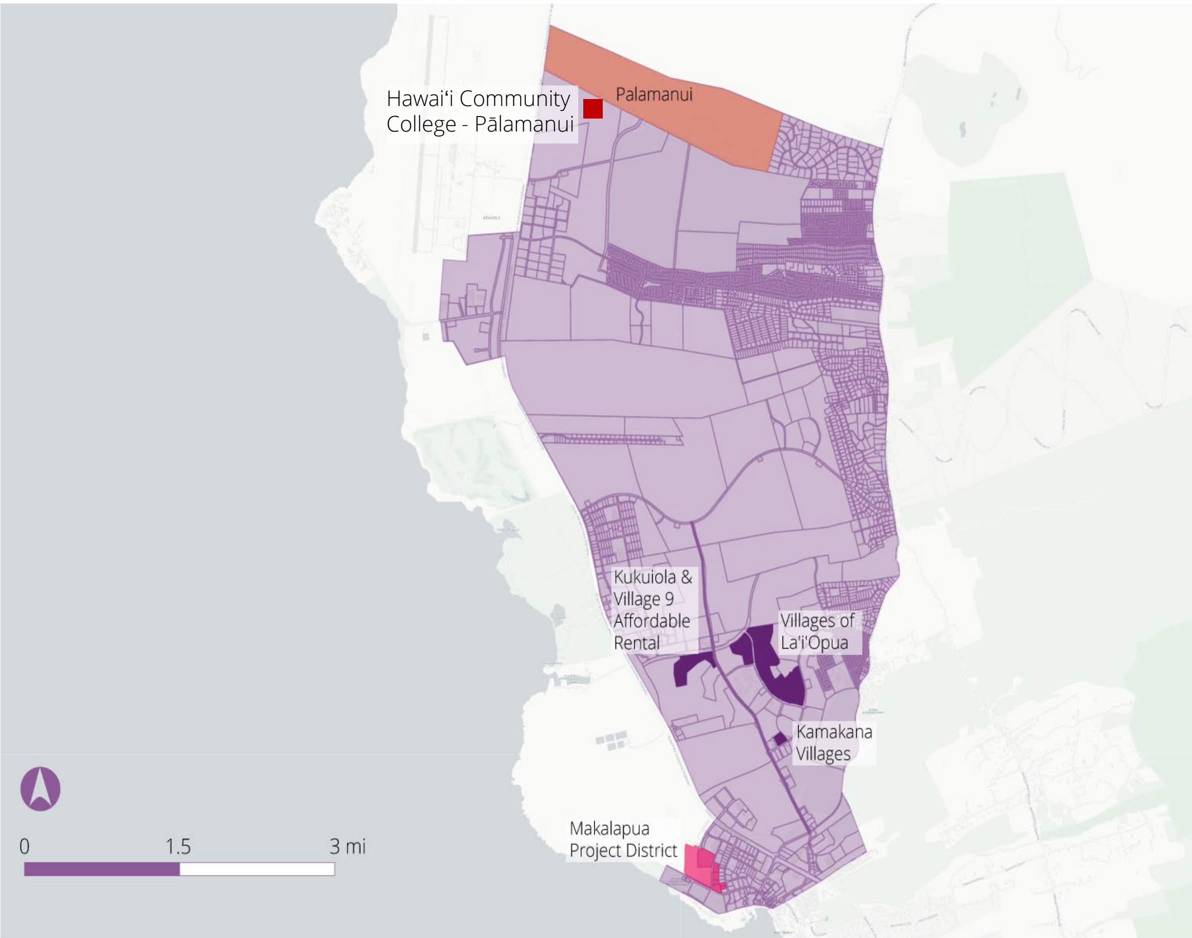
[30] HRS §46-16.8.

3.4 Hawaiʻi | Ane Keohokalole Highway Corridor

Overview of TOD Pilot Area

The Ane Keohokalole Highway Corridor is a 2,500-acre area comprised of a half-mile radius along the 2.9-mile Ane Keohokalole Highway, which runs parallel to and about a mile inland of the Queen Kaʻahumanu Highway. It is a low-density and largely unpopulated area, with about 4,100 residents and 350 jobs. However, there are existing anchors that can catalyze development (for e.g., Hawaiʻi Community College Pālamanui, waterfront site at Old Kona Airport, Honokohau Industrial Park) and several master-planned residential projects identified in the pipeline. Figure 24 illustrates the area's geography and some of the most notable sites for redevelopment.

Figure 24 | Ane Keohokalole Highway Corridor and Selected Development Opportunities



During Phase 1 of the study, County and State agencies identified about $462 million in capital projects in this area, consisting of a combination of areawide improvements and project-specific improvements. The latter amount to about half of all identified areawide costs, as summarized in Figure 25.

Figure 25 | Ane Keohokalole Highway Corridor Identified Infrastructure Requirements

Projects	Type of Infrastructure	Cost ($M)
New transportation, housing, and community facilities	Transit / Social Infrastructure	$51.30
Critical infrastructure for the overall viability of the area	Wastewater / Solid Waste / Wells	$182.70
Enabling offsite infrastructure for La'i 'Ōpua Villages	Water and Wastewater Distribution / Roads / Utilities	$169.20
Enabling offsite infrastructure for Kamakana Villages	Wells / Reservoir / Sewer plant / Access roads	$58.50
Total		**$461.7**

Development Program

Existing development in the TOD Pilot Area is scattered and there is a vast amount of undeveloped land. However, there are large properties with development planned that include a combination of market-rate and affordable residential components. Identified projects in the pipeline include 4,160 units. The residential program includes mostly for-sale units (63%), and an equal split between market and affordable. The program, summarized in Figure 26 below, also includes 611,000 SF in retail to serve the new residential development, as well as 320 hotel keys.

Figure 26 | Ane Keohokalole Highway Corridor Development Program

Use	Tenure/Use		Affordability		Program
	Name	% of Units / SF	Name	% of Units / SF	
Residential *(Total 4,010 Units, 50% affordable, 50% at market rates)*	**Rental**	37%	**Affordable**	51%	790 Units
			Market	49%	770 Units
	For-Sale	63%	**Affordable**	50%	1,300 Units
			Market	50%	1,300 Units
Office	**State Offices**	0%			0 SF
	Market	0%			0 SF
Retail					611,000 SF
Industrial					0 SF
Hotel					320 Keys

Having established the demand for the different uses, the Consultant Team identified the potential construction typologies for each use and evaluated their financial feasibility, as well as whether they would yield excess value after accounting for each typology's typical market value, development costs, and developer returns, which could be tapped through ongoing special assessments/taxes and one-time fees. Figure 27 summarizes these details by use.

Figure 27 | Ane Keohokalole Highway Corridor Feasibility by Development Typology

Tenure/Use	Affordability	Construction Typology	Units / SF	Yields Excess Value Given Market Conditions
Residential Rental Units	Market	Low-Rise	770 Units	Positive Excess Value
		Mid-Rise	5 Units	Positive Excess Value
	Affordable	Low-Rise	490 Units	No Excess Value
		Mid-Rise	295 Units	No Excess Value
		Total Rental Units	**1,560 Units**	-
Residential For-Sale Units	Market	Single-Family	690 Units	Positive Excess Value
		Low-Rise	540 Units	No Excess Value
		Mid-Rise	20 Units	No Excess Value
	Affordable	Single-Family	1,060 Units	No Excess Value
		Low-Rise	150 Units	No Excess Value
		Mid-Rise	40 Units	No Excess Value
		Total For-Sale Units	**2,500 Units**	-
		Total Residential Units	**4,060 Units**	-
Retail	**Market**	**Low-Rise**	612,000 SF	Positive Excess Value
Hotel	**Market**	**Mid-Rise**	320 Keys	Positive Excess Value

Factors Affecting the Implementation of Value Capture Instruments

Several regulatory and market factors affect the potential funding streams and financing capacity from the value capture instruments evaluated, including:

1. The lack of substantial buildout in the area limits the base of properties' assessed values and results in a slow ramp-up of RPT proceeds for TIF, at least in the short-term.
2. Affordable rental units, which make up to 20% of the entire residential program, are exempt from RPT.[31] An exemption of up to $50,000 on assessed value of for-sale units (63% of all new residential units) further reduces the taxable base.
3. Some of the planned development typologies can sustain one-time fees and special assessment/taxes without compromising their financial feasibility, including market rental units (19% of total units), single-family homes for-sale at market rates (17% of total units), retail, and hotel components. Higher-density market for-sale units (13% of total units) and affordable residential units (50% of all units) do not yield excess value that can sustain being charged additional assessments or fees beyond RPT.

[31] Hawai'i County Code, Chapter 19, Article 10, Section 19-87.

Tax Increment Financing

While the lack of substantial buildout and existing RPT exemptions limit the potential for TIF in the Ane Keohokalole Highway Corridor, TIF can still produce substantial revenues. Except for affordable rental units, the remaining components of the development program are subject to RPT, yielding TIF revenues between 2025 and 2070 that amount to $692 million in present value. These revenues can underwrite a bond issuance of between $36 million and $58 million (2023 dollars), depending on whether the issuance takes place in 2030 or 2040. As summarized in Figure 28, new development is the main driver of incremental assessed values and incremental RPT revenues during the 2025-2070 period.

Figure 28 | Incremental Assessed Value and Property Tax Revenue in Ane Keohokalole Highway Corridor

Indicator	Present Value at 3% Discount Rate
Current Conditions in TOD Pilot Area	
Total Taxable Assessed Value (2023)	$562 M
Total Property Taxes Collected (2023)	$6.1 M
Average Annual New Assessed Value (AV) (2025-2070)	**$1,964 M**
% from Increment in Base	23%
% from Development in Identified Pipeline	70%
% from Development Outside the Identified Project Pipeline	7%
Average Annual Property Tax Revenue from Incremental AV (2025-2070)	**$15.0 M**
% from Increment in Base	29%
% from Development in Identified Pipeline	69%
% from Development Outside the Identified Project Pipeline	2%
Total Property Tax Revenue from Incremental AV (2025-2070)	**$692 M**

Capacity for additional one-time fees and special assessments/taxes

Based on the estimates of excess value by building typology, the potential for value capture in the form of ongoing special assessment/taxes and one-time fees is mainly from medium-density market rental units, market for-sale single-family homes, retail, and hotels. Specifically:

- While it would be difficult to create a Special Assessment District for the entire area, three of the planned developments – Kamakana Villages, Pālamanui, and Makalapua District – present development typologies that can sustain ongoing special assessments or taxes as part of a SID or a CFD. Given their program mix, estimated revenues from a special assessment could be up to $8.4 million in present value in Kamakana Villages (14% of its enabling offsite infrastructure costs), $56.8 million in present value in Pālamanui, and $19.4 million in present value in the Makalapua

District. The combined financing capacity of these revenues is estimated to be between $4.2 and $4.7 million, assuming a bond issuance in either 2030 or 2040. Taken together with existing RPT rates, these special assessments or taxes would not burden residential properties beyond 1.2% of their assessed values (1.5% in the case of non-residential properties).

- At the areawide level, the present value of the maximum value of one-time fees that can be absorbed by new development between 2025 and 2070 is $46 million. This value excludes the implementation of a Special Assessment District.
- While some type of Special Assessment District is feasible, there is a trade-off between the ability to pay special assessment/taxes and additional one-time fees. If a CFD or SID were implemented, then the maximum capacity to charge one-time fees would decrease, and the impact of the special tax or assessment on the financial feasibility of development should be evaluated before imposing additional one-time fees.
- If some form of TIF is explored, it could be paired with a CFD or a SID, but more than two layers of instruments would likely be infeasible. If paired with a TIF, revenues from a CFD could fund initial infrastructure expenditures for 5 to 15 years, until cumulative revenues from RPT are enough to back a substantial TIF Bond issuance.

General Excise Tax Surcharge

Earmarking areawide proceeds from the GET surcharge on new development or establishing a new 0.5% surcharge would yield $34 million in present value during 2025-2070. However, earmarking areawide revenue from the existing GET surcharge would not be possible without regulatory changes, as existing legislation earmarks revenues for transportation projects.[32] While areawide GET revenue would not represent a meaningful source of funding, it is worth noting the potential for this surcharge at the countywide level. Specifically, during FY 2022 the County raised $38 million in tax revenue from the 0.5% surcharge rate.

Transient Accommodation Tax Surcharge

Earmarking areawide proceeds from the TAT 3% surcharge rate on new hotel development would yield $17.5 million in present value during 2025-2070.

Utility User Charges

Revenues from utility user fees could include up to $321 million from electricity, $41 million from sewer, and $42 million from water in present value. However, the bulk of utility revenues usually cover operation and maintenance costs of their respective infrastructure facilities and long-planned capital improvement projects. Therefore, these revenues may not be available to fund new infrastructure to advance development in the TOD Pilot Area.

[32] HRS §46-16.8.

4. Appendix

Financing Capacity: Methodology and Assumptions

The Consultant Team pursued the following methodology in estimating the financing capacity of TIF and CFD/SID revenues:

1. Assume a year of issuance (for instance, Year 5 or Year 10 upon the TIF or CFD/SID creation) and identify the annual revenue for that year. This approximates how much revenue the district would yield, on average, each year to service principal and interest payments ("the stabilized annual revenue").
2. Divide the stabilized annual revenue by a Debt-Service-Coverage-Ratio (DSCR). The DSCR is the ratio of revenue, divided by payments, that creditors would require the debt issuers to hold to diminish the risk of default. If a DSCR is 1.5, that means the annual revenue needs to be at least 1.5 times the annual debt service payment. The DSCR depends on the time the instrument is issued.
3. The gross bond issuance principal amount is estimated as if the stabilized annual revenue, adjusted by DSCR, would be lent for 30 years at a certain interest rate, which depends on market conditions as well as a risk premium demanded by investors.
4. Estimate reserves and cost of issuance, including:
    a. The Consultant Team is assuming a "grace period" between the issuance of the bond and the start of amortization payments. A reserve needs to be accounted for to pay interest between the debt issuance and the start of amortization payments;
    b. Administrative costs of issuances; and
    c. A debt service reserve, determined by a three-prong test, which is equivalent to the lesser of: (i) 10% of par amount of the bonds, (ii) maximum annual debt service, or (iii) 125% of average annual debt service.
5. Estimate the net bond issuance principal as the difference of (3) minus (4).

Financing capacity assumptions used are summarized below.

Assumption	TIF Bond	CFD/SID Bond
Total Term	30 Years	30 Years
Issuance Year	Year 5 or Year 10	Year 5 or Year 10
Start of Amortization Period from Issuance	5 Years	5 Years
Interest Rate (Fixed)	6% (3.5% in Interest Rate of AAA GO AAA scale from the Municipal Market Data, with an added a premium of 25 basis points plus 200 basis points in credit spread)	7.25% (County of Hawaiʻi, Kaloko Heights CFD Bond Issuance)
DSCR	1.5x (Assumed for TIF bonds in California)	3.0x (County of Hawaiʻi, Kaloko Heights CFD Bond Issuance)

Real Estate Assumptions

Real Estate Assumptions

Category	Iwilei-Kapālama (O‘ahu)	Ka‘ahumanu Avenue Community Corridor (Maui)	Līhu‘e Town Core (Kaua‘i)	Ane Keohokalole Highway Corridor (Hawai‘i)	Source
DEVELOPMENT COSTS					
Construction Costs					
Residential					
Townhomes Hard Costs per GSF		$440	$420	$440	*Group Pacific and PBR Hawai‘i, based on comparable projects*
Townhomes Soft Costs (% of Hard Costs)		15%	15%	15%	*HR&A*
Low-Rise (1-2 Stories) Hard Costs per GSF	$475	$570	$594	$532	*Group Pacific and PBR Hawai‘i, based on comparable projects*
Low-Rise (1-2 Stories) Soft Costs (% of Hard Costs)	15%	15%	15%	15%	*HR&A*
Mid-Rise (3-4 Stories) Hard Costs per GSF	$475	$570	$594	$532	*Group Pacific and PBR Hawai‘i, based on comparable projects*
Mid-Rise (3-4 Stories) Soft Costs (% of Hard Costs)	15%	15%	15%	15%	*HR&A*
High-Rise (>=5 Stories) Hard Costs per GSF	$475				*Group Pacific, based on comparable projects*
High-Rise High-Rise (>=5 Stories) Soft Costs (% of Hard Costs)	15%				*HR&A*
Premium from O‘ahu		20%	25%		*PBR Hawai‘i, based on comparable projects*
Retail					
Ground Floor Hard Costs per GSF	$400.00	$512.50	$480.00	$507	*Group Pacific, based on comparable projects*
Soft Costs (% of Hard Costs)	15%	15%	15%	15%	*HR&A*
Industrial					
Ground Floor Hard Costs per GSF	$250.00				*Group Pacific, median of range provided*
Soft Costs (% of Hard Costs)	15%				*HR&A*
Hotel					
High-Rise Hard Costs per GSF		$625.00		$625.00	*Group Pacific, 3 Star Hotels*
Mid-Rise Hard Costs per GSF		$625.00		$625.00	*Group Pacific, 3 Star Hotels*
Soft Costs (% of Hard Costs)		20%		20%	*STR 2014, Average Upscale Class Hotels*
Financing Costs					
Shared Assumptions					
Average Loan Balance	60%	60%	60%	60%	*CBRE*
Loan Term/Constr. Period (months)	24	24	24	24	*CBRE*
Construction Loan Fees + Lenders Points	1.50%	1.50%	1.50%	1.50%	*CBRE*
Permanent Loan Fees + Lender Points	1.00%	1.00%	1.00%	1.00%	*CBRE*
Construction Loan Assumptions					
Loan-to-Cost Ratio	60.00%	60.00%	60.00%	60.00%	*CBRE*
Construction Loan Interest Rate	7.00%	7.00%	7.00%	7.00%	*CBRE*
Permanent Loan Assumptions					
Permanent Loan-to-Value Ratio	60%	60%	60%	60%	*CBRE*
DEVELOPMENT REVENUES					
Market Rate Residential - Rents					
Residential: Townhomes				$3.50	*Zillow, selected comps*
Low-Rise (1-2 Stories) (per NSF per Mo.)	$3.56	$4.66	$4.69	$4.01	
Prevailing Rent		$3.70	$3.80	$4.01	*CoStar, Selected Comps*
Rent Permitting Feasibility		$4.66	$4.69		*HR&A, own estimates*
Premium from Low-Rise to Mid-Rise	10%				*CoStar, Selected Comps*
Mid-Rise (3-4 Stories) (per NSF per Mo.)	$3.75	$4.55	$4.58	$4.55	
Prevailing Rent		$3.70	$3.85	$4.01	*CoStar, Selected Comps*
Rent Permitting Feasibility		$4.55	$4.58		*CoStar, Selected Comps*
Premium from Mid-Rise to High-Rise	5%				*CoStar, Selected Comps*
High-Rise (>=5 Stories) (per NSF per Mo.)	$3.95				
Affordable Residential - Rents					
Residential: Townhomes		$1.25		$1.85	*CoStar, Selected Comps*

Category	Iwilei-Kapālama (O‘ahu)	Ka‘ahumanu Avenue Community Corridor (Maui)	Līhu‘e Town Core (Kaua‘i)	Ane Keohokalole Highway Corridor (Hawai‘i)	Source
Low-Rise (1-2 Stories) (per NSF per Mo.)	$1.80	$1.25	$1.50	$1.50	*CoStar, Selected Comps*
Mid-Rise (3-4 Stories) (per NSF per Mo.)	$1.80	$1.25	$1.50	$1.50	*CoStar, Selected Comps*
High-Rise (>=5 Stories) (per NSF per Mo.)	$1.80				*CoStar, Selected Comps*
Other Residential Income					
Laundry, pet fees, etc. (as % of EGI)	7.00%	7.00%	7.00%	7.00%	*HR&A*
Market Rate Residential - Sale					
Townhomes (per Unit)		$1,213,321	$1,179,403	$1,061,274	
Low-Rise (1-2 Stories) (per Unit)	$646,800	$612,497	$637,974	$549,286	
Mid-Rise (3-4 Stories) (per Unit)	$679,140				
High-Rise (>=5 Stories) (per Unit)	$711,480				
Residential: Townhomes (per NSF)		$809	$786	$708	*Zillow, Comps*
Prevailing Rent		$580	$600		*Zillow, Comps*
Rent Permitting Feasibility		$809	$786		*HR&A, own estimates*
Low-Rise (1-2 Stories) (per NSF)	$770	$875	$911	$785	*Zillow, Comps*
Prevailing Rent		$520	$480	$500	*Zillow, Comps*
Rent Permitting Feasibility		$875	$911	$785	*HR&A, own estimates*
Premium from Low-Rise to Mid-Rise	5%			5%	*Honolulu: Zillow*
Mid-Rise (3-4 Stories) (per NSF)	$809	$875	$911	$781	*Honolulu: Zillow*
Prevailing Rent				$500	*Honolulu: Zillow*
Rent Permitting Feasibility				$781	*Zillow*
Premium from Low-Rise to High-Rise	10%				*Zillow*
High-Rise (>=5 Stories) (per NSF)	$847				
Affordable Residential - Sale					
Townhomes (per Unit)		$605,100	$604,600	$560,900	*HHFDC, Affordable Housing Guidelines*
Low-Rise (1-2 Stories) (per Unit)	$643,000	$302,600	$302,300	$280,500	*HHFDC, Affordable Housing Guidelines*
Mid-Rise (3-4 Stories) (per Unit)	$643,000	$302,600	$302,300	$280,500	
High-Rise (>=5 Stories) (per Unit)	$643,000				
Office: Rents					
Rents (Gross per NSF per Yr.)	$35				*CoStar, Selected Comps*
Rents (Gross per NSF per Mo.)	2.88				
Retail - Rents					
Ground Floor (NNN per Yr.)	$34	$51	$43	$40	*CoStar, comps*
Prevailing Rent			$35		*CoStar, comps*
Rent Permitting Feasibility			$43		*CoStar, comps*
Ground Floor (NNN per NSF per Mo.)	$2.81	$4.25	$3.60	$3.33	
Industrial - Rents					
Ground Floor (NNN per Yr.)	$18				*CoStar, 2022 Avg Rent*
Prevailing Rent	$16.2				
Rent Permitting Feasibility	$18.3				
Ground Floor (MG per NSF per Mo.)	$1.52				
Hotel					
ADR (per room per day)				$361.24	*CoStar/STR: Jun-2022 to 2023 avg. Luxury, Upper Upscale, and Upscale, built after 2010*
SF per Room				300 SF	*Courtyard King Kamehameha's Kona Beach Hotel*
ADR (Gross per NSF per day.)				$1.20	*CoStar, County 2022-2023 Avg*
Charge (Gross per NSF per Mo.)				$36.12	
Other Income: Hotel Services (%ADR)				10%	*STR 2014, Average Upscale Class Hotels*
Vacancy					
Residential - Rental	2.50%	4.50%	2.00%	3.00%	*CoStar, County 10-year Avg*
Residential - Sale	2.50%	4.50%	2.00%	3.00%	*CoStar, County 10-year Avg*
Office	3.50%				*CoStar, County 10-year Avg*
Retail	3.50%	3.50%	2.50%	4.00%	*CoStar, County 10-year Avg*

Category	Iwilei-Kapālama (Oʻahu)	Kaʻahumanu Avenue Community Corridor (Maui)	Līhuʻe Town Core (Kauaʻi)	Ane Keohokalole Highway Corridor (Hawaiʻi)	Source
Industrial	3.50%				*CoStar, County 10-year Avg*
Hotel	16.50%	23.50%		26.00%	*CoStar/STR: Jun-2022 to 2023 avg. Luxury, Upper Upscale, and Upscale, built after 2010*
Operating Expenses					
Operating Expenses (Residential, % of gross revenue)	25.00%	25.00%	25.00%	25.00%	*HR&A*
Unreimbursed OpEx (Office, % of gross revenue)	35.00%	35.00%	35.00%	35.00%	*HR&A*
Operating Expenses (Hotel, % of gross revenue)	60.00%	60.00%	60.00%	60.00%	*STR 2014, Average Full Service Hotels in Pacific Region*
LAND VALUE AND DEVELOPER PROFIT					
Project Reversionary Value					
Cap Rate: Residential	4.50%	5.00%	5.00%	5.50%	*CoStar, County 10-year Avg*
Cap Rate: Office	7.00%				*CoStar, County 10-year Avg*
Cap Rate: Retail	5.00%	6.00%	6.00%	6.00%	*CoStar, County 10-year Avg*
Cap Rate: Industrial	5.00%				*CoStar, County 10-year Avg*
Cap Rate: Hotel	7.50%	7.50%		7.50%	*CoStar, State-wide Avg, Sales Since January 2021*
Cost of Sale	2.00%	2.00%	2.00%	2.00%	*HR&A*
Land Sales					
Average Price Per Acre			$1,560,109		*Assessors County Offices, average of recent sales*
Mid- and High-Rise	$9,800,000	$1,500,000		$240,000	*Assessors County Offices, average of recent sales*
Low-Density Commercial	$9,200,000	$2,000,000		$1,400,000	*Assessors County Offices, average of recent sales*
Low-Density Industrial	$14,500,000				
Average Price Per SF					
Mid- and High-Rise Residential	$225	$34	$36	$5.5	
Low-Density Commercial	$211	$46		$32	
Low-Density Industrial	$333				
Developer Profit					
Residential for sale: Profit Margin (%)	15.00%	15.00%	15.00%	15.00%	*HR&A*
Premium over Cap Rate	0.75%	0.75%	0.75%	0.75%	*HR&A*
Residentail for rent: Return on Cost (%)	5.25%	5.75%	5.75%	6.25%	*Cap rate + 150 bps*
Office: Return on Cost (%)	7.75%				*Cap rate + 150 bps*
Retail: Return on Cost (%)	5.75%	6.75%	6.75%	6.75%	*Cap rate + 150 bps*
Industrial: Return on Cost (%)	5.75%				*Cap rate + 150 bps*
Hotel: Return on Cost (%)	8.25%	8.25%		8.25%	*Cap rate + 150 bps*
DEVELOPMENT PROGRAM					
Unit/Space Size (GSF)					
Townhomes	1,500 GSF	1,500 GSF	1,500 GSF	1,500 GSF	*HR&A*
Residential: Low-Rise Rental	700 GSF	700 GSF	700 GSF	700 GSF	*HR&A*
Residential: Mid-Rise Rental	700 GSF	700 GSF	700 GSF	700 GSF	*HR&A*
Residential: High-Rise Rental	700 GSF	700 GSF	700 GSF	700 GSF	*HR&A*
Size Premium on Multifamily For-Sale Product	20%	20%	20%	20%	*HR&A*
Residential: Low-Rise Sale	840 GSF	840 GSF	840 GSF	840 GSF	*HR&A*
Residential: Mid-Rise Sale	840 GSF	840 GSF	840 GSF	840 GSF	*HR&A*
Residential: High-Rise Sale	840 GSF	840 GSF	840 GSF	840 GSF	*HR&A*
Hotel	300 GSF	325 GSF	325 GSF	300 GSF	*HR&A*

Fiscal Assumptions

Fiscal Assumptions

ALL STUDY AREAS

Valuation Period		
Period Start	2025	*HR&A*
Period End	2070	*HR&A*
Number of Years for Projections	45	
Property Tax Assumptions		
Delinquency Rate	6.2%	*Average for State of Hawaii. 2021 CoreLogic Annual Report*

CFD Assumptions (from Kukuʻiula CFD)	2021	2022	2023
Assessed Value	$2,718,700	$2,776,400	$3,031,900
Property Tax			
Payment	$26,779	$27,348	$29,864
% of AV	0.99%	0.99%	0.99%
CFD Assessment			
Payment	$2,179	$2,222	$2,267
% of AV	0.08%	0.08%	0.07%
Burden on AV (%)	1.07%	1.07%	1.06%

Source: https://qpublic.schneidercorp.com/Application.aspx?AppID=986&PageTypeID=4&KeyValue=260190150000

CFD Assessment		
Maximum Tax Burden Assumed on AV, Residential	1.20%	*HR&A, based on Kukuʻiula precedent*
Maximum Tax Burden Assumed on AV, Commercial	1.50%	*HR&A, based on California precedents*
Maximum Annual Increment	2.00%	*Kauaʻi County Code, Sec. 26-3.6 Special Tax for Residential Parcel.*
Tax Revenue Assumptions		
Discount Rate	3%	*HR&A*
Inflation Rate	2%	*World Economic Outlook, April 2023 - International Monetary Fund*

Iwilei-Kapālama (Oʻahu)

Assumptions		
Assessed Value Annual Growth Rate	5.2%	*Avg Annual Growth Countywide AV, 2012-2021*
% Assessed Values over Market Value		
Residential	65%	*CoStar, recent sales*
Office	80%	*CoStar, recent sales*
Retail	75%	*CoStar, recent sales*
Industrial	85%	*CoStar, recent sales*
Hospitality	55%	*CoStar, recent sales*

Property Tax Rate (%) - New Development		
Rental Market	0.35%	*Revised Ordinances of Honolulu, Chapter 8, Section 8-10.36*
Rental Affordable	0.00%	
For-Sale Market	0.35%	
For-Sale Affordable	0.35%	
State Office	0.00%	
Office	1.24%	
Retail	1.24%	
Industrial	1.24%	
Hospitality	1.39%	

Property Tax Rate (%) - Base		
Affordable Residential Rental	0.00%	*Revised Ordinances of Honolulu, Chapter 8, Section 8-10.36*
Residential	0.35%	
Commercial	1.24%	
Industrial	1.24%	
Hotel	1.39%	

Kaʻahumanu Avenue Community Corridor (Maui)

Assumptions

Assessed Value Annual Growth Rate - New Development	5.8%	*Avg Annual Growth Countywide AV, 2012-2021*

% Assessed Values over Market Value		
Residential	80%	*Recent Sales registered in CoStar and Assessors Office*
Retail	84%	*Recent Sales registered in CoStar and Assessors Office*

Property Tax Rate (%) - New Development	**TAX RATE (Per $1,000 Net Taxable Value)**	**%**	
Rental Market	$3.00	0.30%	[Maui Resolution 23-129, FD1]()
Up to $1,000,000	$3.00	0.30%	
$1,000,001 to $3,000,000	$5.00	0.50%	
More than $3,000,000	$8.00	0.80%	
Rental Affordable	$0.00	0.00%	
For-Sale Market	$3.50	0.35%	
Apartment	$3.50	0.35%	
For-Sale Affordable	$3.50	0.35%	
Apartment	$3.50	0.35%	
Retail	$6.05	0.61%	
Commercial	$6.05	0.61%	

Property Tax Rate (%) - Base

Agricultural	$5.74	0.57%	Maui Resolution 23-129, FD1
Owner Occupant			
Up to $1,000,000	$1.90	0.19%	
$1,000,001 to $3,000,000	$2.00	0.20%	
More than $3,000,000	$2.75	0.28%	
Non-Owner-Occupied			
Up to $1,000,000	$5.85	0.59%	
$1,000,001 to $3,000,000	$8.00	0.80%	
More than $3,000,000	$12.50	1.25%	
Timeshare	$14.60	1.46%	
Commercial	$6.05	0.61%	
Conservation	$6.43	0.64%	
Apartment	$3.50	0.35%	
Industrial	$7.05	0.71%	
Hotel Resort & Timeshare	$11.75	1.18%	

Exemptions on Assessed Value	**$**
Rental Affordable	$200,000
Rental Market	$200,000
For-Sale Market	$300,000
For-Sale Affordable	$300,000

Līhuʻe Town Core (Kauaʻi)

Assumptions

Assessed Value Annual Growth Rate - New Development	4.7%	*Avg Annual Growth Countywide AV, 2013-2022*

% Assessed Values over Market Value

Residential	70%	*HR&A, based on figures from other islands*
Retail	74%	*Recent Sales registered in CoStar and Assessors Office*

Property Tax Rate (%)	**TAX RATE (Per $1,000 Net Taxable Value)**	**%**	Source
Agricultural	$6.75	0.68%	Kauai 2023 Tax Rates
Commercial	$8.10	0.81%	
Commercialized Home Use	$5.05	0.51%	
Conservation	$6.75	0.68%	
Homestead	$2.59	0.26%	
Hotel and Resort	$10.85	1.09%	
Industrial	$8.10	0.81%	

Residential	$5.45	0.55%	
Residential Investor	$9.40	0.94%	
Vacation Rental	$9.85	0.99%	

Property Tax Rate (%) = New Development	**TAX RATE (Per $1,000 Net Taxable Value)**	
Rental Affordable	0.26%	Kauai 2023 Tax Rates
Rental Market	0.55%	Kaua'i County Code, Sec. 5A-6.4 Real Property Tax Rate Classifications.
For-Sale Market	0.26%	
For-Sale Affordable	0.26%	
Office	0.81%	
Retail	0.81%	
Industrial	0.81%	
Hospitality	1.09%	

Exemptions on Assessed Value	**$**
For-Sale Market	$160,000
For-Sale Affordable	$160,000

Ane Keohokalole Highway Corridor (Hawai'i)

Assumptions		
Assessed Value Annual Growth Rate - Base, Residential	3.0%	*Hawai'i County Code, Real Property Taxes, § 19-53*
Assessed Value Annual Growth Rate - Base, All others	4.4%	*Avg Annual Growth Countywide AV of Residential Properties, 2012-2021*
Assessed Value Annual Growth Rate - New Development	4.4%	*Avg Annual Growth Countywide AV of Residential Properties, 2012-2021*

% Assessed Values over Market Value		
Residential	60%	*Recent Sales registered in CoStar and Assessors Office*
Retail	70%	*Recent Sales registered in CoStar and Assessors Office*
Hospitality	55%	*Recent Sales registered in CoStar and Assessors Office*

Property Tax Rate (%)	**TAX RATE (Per $1,000 Net Taxable Value)**	**%**	
Affordable Rental Housing	$6.15	0.62%	*Real Property Taxes, 2022-2023*
Rental Affordable	$6.15	0.62%	
Residential	$11.10	1.11%	*Idem*
Appartment	$11.70	1.17%	*Idem*
Rental Market	$11.70	1.17%	
Commercial	$10.70	1.07%	*Idem*

Office	$10.70	1.07%	
Retail	$10.70	1.07%	
Industrial	$10.70	1.07%	*Idem*
Agricultural and Native Forest	$9.35	0.94%	*Idem*
Conservation	$11.55	1.16%	*Idem*
Hospitality	$11.55	1.16%	*Idem*
Homeowner	$6.15	0.62%	*Idem*
For-Sale Market	$6.15	0.62%	
For-Sale Affordable	$6.15	0.62%	

Exemptions on Assessed Value	**$**	
For-Sale Market	$50,000	*Hawai'i County Code, Section 19-71.*
For-Sale Affordable	$50,000	