



HAWAII OFFICE OF PLANNING

TOD Council Meeting

TOD Infrastructure Financing

October 8, 2019

dtta

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Introduction

Why are we here?

- Follow up to our last meeting from September 2018
- Identify potential options to pay for necessary public facilities

Building TOD infrastructure

- Allows for future development
- Attracts businesses and creates employment opportunities
- Provides for affordable housing
- Provides ready access to necessary public services and facilities

TOD Council Agenda

Agenda for today's discussion:

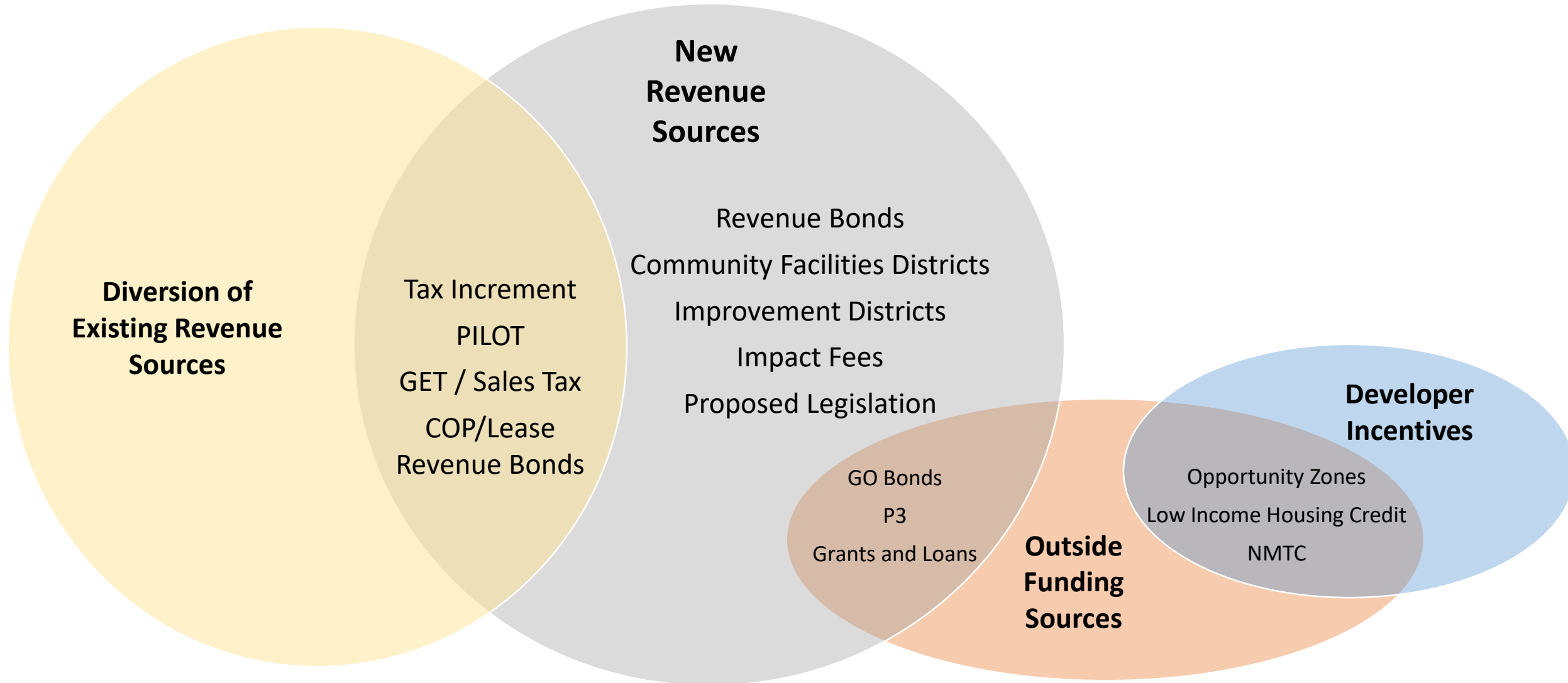
- Review of public finance alternatives to fund infrastructure
- Relevance with respect to principles of public finance theory
- Creative hybrid applications
- What does this mean for the State and Counties of Hawaii?



REVIEW OF PUBLIC FINANCE ALTERNATIVES TO FUND INFRASTRUCTURE



Review of Public Finance Alternatives: Funding Sources



Review of Public Finance Alternatives: Funding vs. Financing

- For a project to be financeable now, it needs a clear revenue stream in the future
- Financing is the raising of this upfront capital to expedite the process
- Funding is the revenue stream in the future to repay the financing

Review of Public Finance Alternatives: Types of Financing Mechanisms

Name	Brief Description
Community Facilities Districts	District authorized to levy special taxes to fund public improvements or services
Utility Revenue Bonds	Municipal bonds that finance public utility projects and are secured by a specified revenue source (water, sewer rates)
GO Bonds	Municipal bond backed by the “full faith and credit” of the issuing jurisdiction rather than the revenue from a given project
Tax Increment Revenues/PILOT	Property tax revenue that results from an increase in assessed value above the base year
Public-Private Partnerships (P3)	Contractual agreement between a public and private entity to deliver a service or facility for the benefit of the general public
Impact Fees/Capacity Charges	Fee imposed on new development by a local public agency to mitigate the impacts of such development on public infrastructure
Lease Revenue Bonds/Certificates of Participation (COP)	Bonds/Certificates that are repaid by income generated by the project, including lease payments by a public entity for a capital asset.

Review of Public Finance Alternatives: Types of Financing Mechanisms

Name	Brief Description
Improvement Districts and Special Improvement Districts	District authorized to levy assessments to fund public improvements (ID) or services (SID)
GET/Sales Tax and Excise Tax	Tax revenue resulting from sales of good and services
Grants and Loans	<ul style="list-style-type: none">• Transportation Infrastructure Finance and Innovation Act (TIFIA)• Dwelling Unit Revolving Fund (DURF)• State Revolving Fund• FTA Small Starts/New Starts
Opportunity Zones	Program that provides incentives for investors to re-invest unrealized capital gains into Opportunity Funds in exchange for temporary tax deferral and other benefits
New Market Tax Credits	Federal tax credit program that provides incentives to attract private investment in distressed communities
Low Income Housing Tax Credit Program	Federal and state subsidy that provides financing for low income housing by allowing investors to claim tax credits on their income tax returns
Proposed Legislation	Future State legislation to fund TOD



RELEVANCE WITH RESPECT TO PRINCIPLES OF PUBLIC FINANCE THEORY



Relevance with respect to principles of public finance theory



Relevance with respect to principles of public finance theory: Six Key Features

There are six (6) features that will be considered in evaluating alternative financing mechanisms for TOD improvements:

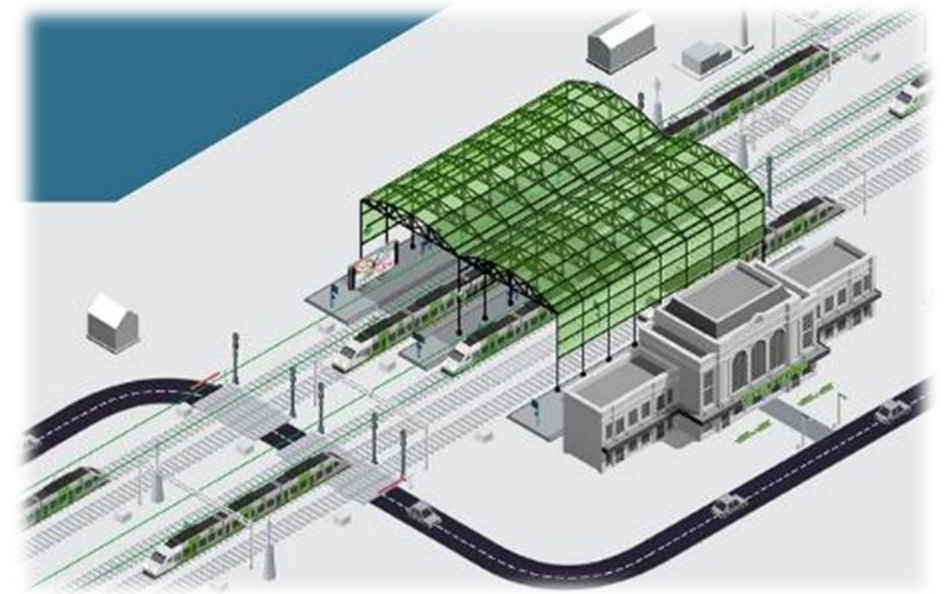
- **Yield/Revenue Potential**
- **Equity**
- **Efficiency**
- **Administrative Ease**
- **Transparency**
- **Political and Legal Feasibility**

Relevance with respect to principles of public finance theory: Comparative Costs of Financing Mechanisms

Funding Mechanism	Cost of Capital			Timeframe for Issuance			Political Difficulty		
	Low	Med	High	Early Dev.	Mid Dev.	Post Dev.	Low	Med	High
GO Bonds	\$								
CFD Bonds	\$\$\$								
Value Capture Bonds	\$\$\$								
Revenue Bonds	\$\$								

Relevance with respect to principles of public finance theory: Other Factors to Consider

- Types of infrastructure to be funded
- Who is responsible for infrastructure
- When is the infrastructure needed?
- Are funds already committed, planned, and/or budgeted?
- Who benefits from the infrastructure?
- Ease of implementation



An aerial photograph of a city, likely Honolulu, Hawaii, showing a dense urban grid and a large body of water. Two semi-transparent yellow circles are overlaid on the map, one in the upper-middle and one in the lower-right. A thin red line connects the centers of these two circles. The text 'CREATIVE HYBRID APPLICATIONS' is centered over the map in a bold, black, sans-serif font.

CREATIVE HYBRID APPLICATIONS



Creative Hybrid Applications: Overview

- What is a successful outcome?
 - Needed infrastructure constructed in a timely manner
 - Stakeholders work together to achieve common interests



Creative Hybrid Applications: Case Studies

Hudson Yards, NY

- Key Financing Mechanisms: City Contribution, Developer Investment, and PILOT.
- Agencies Involved: Transit Authority, City, Industrial Development Agency.
- Summary: City utilized PILOT to control property tax liability for different areas of the project. City issued revenue bonds to fund costs related to the construction of the No. 7 subway line.
- Key Takeaway: PILOT can be used effectively in a mixed-use transit-focused development; can be tailored specifically to each TOD area.



Creative Hybrid Applications: Case Studies

Ladera Ranch Development, Orange County, CA

- Key Financing Mechanisms: multi-Jurisdictional CFDs, G.O. bonds, revenue bonds, and impact fees.
- Agencies Involved: County, School District, Water District, Toll Road Authority.
- Summary: Bonds issued by multiple jurisdictions to needed public infrastructure.
- Key Takeaway: Coordination between multiple agencies with varying priorities.



Creative Hybrid Applications: Case Studies

Buena Park Mall, CA

- Key Financing Mechanisms: CFD, Value Capture.
- Agencies Involved: City, Redevelopment Agency.
- Summary: CFD issued bonds to pay for needed public improvements at the Buena Park Mall. CFD taxes were offset by sales tax and other incremental revenues generated by the project.
- Key Takeaway: Upfront financing (CFD) with takeout funding (value capture).



An aerial photograph of the Hawaiian Islands is shown in a light gray, semi-transparent style. Overlaid on this map are several semi-transparent yellow circles of varying sizes. One large circle is centered on the main island of Hawaii, and another large circle is centered on the island of Maui. Smaller circles are visible on other islands. The background of the slide features a pattern of overlapping orange and yellow circles at the top and bottom edges.

WHAT DOES THIS MEAN FOR THE STATE AND COUNTIES OF HAWAII?



What does this mean for State and Counties of Hawaii?

- No one-size-fits-all solution to funding major infrastructure projects
- Seek coordination and collaboration on infrastructure priorities and timing
- Every TOD area is unique - understand stakeholders, priorities, and regional needs
- Consider the dynamic between building tax-exempt housing vs. generating revenues to facilitate the construction of such housing
- Understand the political appetite to issue state G.O. Bonds and appropriations, and/or seek other alternatives

Questions?



Kuda Wekwete

Senior Vice President

Phone: (800) 969-4DTA

E-mail: Kuda@FinanceDTA.com



Andrea Roess

Managing Director

Phone: (800) 969-4DTA

E-mail: Andrea@FinanceDTA.com



Mahalo!