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Deliverable 2: Shortlist of Available Funding, Financing, and Delivery Options for Further Analysis

Hawai‘i TOD Infrastructure Financing and Delivery Strategy for TOD Pilot Areas

March 2023

Prepared for:

Hawai‘i Office of Planning and Sustainable Development

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Introduction

Study Background

The current document – Deliverable 2 – presents a **Shortlist of Available Funding, Financing, and Delivery Options for Further Analysis** for TOD infrastructure in four pilot areas (TOD Pilot Areas) in each county in the State of Hawai'i, including:

- **Iwilei-Kapalama**, City and County of Honolulu
- **Kaʻahumanu Avenue Community Corridor**, Maui County
- **Līhuʻe Town Core**, Kauaʻi County
- **Ane Keohokalole Highway Corridor**, Hawai'i County

This document was produced in the context of **Phase 2** of the **Hawaiʻi TOD Infrastructure Financing and Delivery Strategy for TOD Pilot Areas Study**, with all its phases outlined below. HR&A Advisors is leading this study, with the support of subconsultants PBR Hawaiʻi, KPMG LLC, Ashurst, Starn O'Toole Marcus & Fisher, and R.M. Towill (the Consultant Team).

Phase 1
Project Reconnaissance and Initial Review

- What **infrastructure projects** are needed to facilitate TOD in the Pilot Areas, and what are their **capital costs**?

Deliverable 1 (Completed)
Review and Summary of Existing Data

Phase 2
Assessment of Funding, Financing, and Delivery Options

- What **funding, financing, and delivery options** are available to pursue infrastructure projects in each TOD Area?

Deliverable 2 (Completed)
Shortlist of Options for Further Analysis

Phase 3
Funding and Financing Analysis

- What are the **monetary streams of the identified funding and financing options** in each TOD Pilot Area?

Deliverable 3 (In progress)
Assessment of Funding and Financing Options

Phase 4
Implementation Strategy

- What are the **barriers** to implement the options identified in Phases 2 and 3?
- What is needed to **overcome** the identified barriers in implementation?

Deliverable 4 (Not Completed)
Roadmap and Implementation Strategy

Phase 2 Process

The **Shortlist of Available Funding, Financing, and Delivery Options for Further Analysis** builds on a series of analytical and stakeholder engagement steps the Consultant Team carried out between November 2022 and March 2023.

Discussion Guide of Available Funding, Financing, and Delivery Options, including:

State and County-level Assessment

- What are the options typically implemented for TOD Infrastructure?
- Are the options authorized by State and County Legislation?
- Do the options have a track-record of implementation in across Counties?

TOD Pilot Area-level Assessment

- Are there opportunities for implementation of the options in the TOD Pilot Areas, given the nature of the real estate markets and availability of government properties?

Impact vs. Feasibility Assessment

- Are the options available for implementation in the Counties and what is their likely revenue potential in the TOD Pilot Areas?

Discussion with County Permitted Interaction Group and Project Advisory Group

Focus of Discussion

- Feasibility and appetite for implementation of funding options subject to further analysis by Consultant Team in Phase 3, including district-based tools; monetization of government-owned real estate; user charges; lease of public facilities for ancillary purposes; and countywide tax revenues.

Outcome

- Confirmation of appetite from County and State agencies to implement narrow set of options identified from Discussion Guide.

Shortlist of Available Funding, Financing, and Delivery Options

Outcome

- Prioritization of options based on authorization from County and State agencies to implement them, revenue potential in TOD Pilot Areas, and appetite for implementation from State and County agencies

Next Steps

- In Phase 3, the Consultant Team will quantify revenues and financing capacity from shortlisted options.

Overview of Shortlisting Methodology

The **Discussion Guide** produced by the Consultant Team – included as Appendix 1 in this document – addresses a broad array of funding, financing, and delivery options (see Appendix 1, p. 31). **Deliverable 2** shortlists some of these options for prioritization in further phases of the study. Shortlisted funding and financing options will be subject to further analysis in Phase 3, while shortlisted delivery methods will be explored during Phase 4. For purposes of shortlisting, the Consultant Team contemplated the following :

a. **Funding**: options subject to shortlisting include those discussed with County PIGs and the PAG, including district-based tools; monetization of government-owned real estate; user charges; ancillary sources; and countywide tax revenues. The Consultant Team based the shortlisting on the perceived appetite for implementation by State and County authorities gathered during PIG and PAG meetings. Other funding options listed in the Discussion Guide (State Loan Funds, Federal Programs and Grants) are not subject for quantification of revenues and were therefore not considered for this shortlist.

b. **Financing**: options subject to shortlisting include State Instruments and Private Options (i.e., private debt and equity). Given that implementation of financing instruments relies on the viability of funding options (which will be validated in Phase 3), the Consultant Team based the shortlisting on whether the nature of the instrument facilitates an estimation of the monetary amounts they could bring to the projects in each TOD Pilot Area.

c. **Delivery**: options subject to shortlisting include the whole spectrum of fully public to fully private options included in the Discussion Guide. The Consultant Team shortlisted options on whether the nature of each model is compatible with the type of the projects in the pipeline of each TOD Pilot Area. This analysis is presented in further depth in the Discussion Guide (see Appendix 1, pp. 163-166 and 175-180)

Shortlist of Funding Options for Further Analysis

Guide to Shortlist Funding Options

For the set of funding option discussed with County PIGs and the PAG, the Consultant Team concluded on the degree to which **they are authorized for implementation at the County and State levels, their likely revenue potential if implemented in the TOD Pilot Areas, and the appetite for implementation by County and State agencies** the Consultant Team gathered during meetings with County PIGs and the PAG (see Appendix 2: Meeting Notes). These steps are summarized below. Ultimately, the decision to shortlist them or not was based on the perceived appetite from stakeholders.

Step 1: Regulatory Clearance	**Step 2:** Revenue Potential in TOD Pilot Area	**Step 3:** State and County Agencies Would Consider Implementation	**Step 4:** Shortlisting for Phase 3 Analysis
High: Authorized in County and State; ready to be implemented.	**Medium-High**: Active real estate market in TOD Pilot Area; opportunities to monetize government-owned properties; and/or strong expected household and employment growth.	**Yes**: County and/or State Agency expressed appetite in implementing option and/or removing barriers for implementation during County PIG and PAG meetings	**Yes:** County and/or State Agency appetite for implementation is either confirmed or unclear
Medium: a. Authorized in State and County but with restrictions; AND/OR b. County has authority over implementation, but further action is required from County Council.	**Low-Medium**: Uncertain expectations for real estate market in TOD Pilot Area; some opportunities to monetize government-owned properties; or uncertainties on household and employment growth.	**Unclear.** Consultant Team could not confirm interest from County or State Agencies in County PIG and PAG meetings	
Low: Not authorized at the State and/or County level.	**Low**: Soft real estate market; very limited or no opportunities to monetize government-owned properties; and/or limited expected household and employment growth.	**No**: County and/or State Agency did not express appetite in implementing option and/or removing barriers for implementation	**No:** County and/or State Agency confirmed no appetite for implementation

Iwilei-Kapalama (Oahu)

Category of Funding Instrument		Funding Instrument	Regulatory Clearance	Revenue Potential in TOD Pilot Area	State and County Agencies Would Consider Implementation	Shortlisted for Phase 3 Analysis
Real Estate Value Capture	District-Based Funding	Development Impact Fees	**Medium**. County Code restricts application to road funding in Ewa area	**Medium-High.** Active real estate market.	**Yes**. County administration open to all district-based funding options, in principle.	Yes
		Community Facilities District	**High.** Ready to be implemented			Yes
		Tax Increment Financing	**Low**. Clouds in State legislation as to legality of TIF			Yes
		Special Improvement District	**High.** Ready to be implemented			Yes
		Sale of Development Rights	**Medium**. County Code restricts application to historic properties	**Low-Medium**. Large availability of vacant plots zoned for high density		Yes
	Government-Owned Real Estate	Ground Leases	**High.** Ready to be implemented	**Medium-High.** Several government properties subject to redevelopment	**Yes**. State agencies would consider ground leases on their properties.	Yes
		Joint Development			**No**. Agencies have conservative approach on monetization	No
User Charges		Utilities Fees / Utilities District	**Medium.** Authorized but no precedents of implementation	**Medium-High.** Expected growth in user base.	**Yes.** County expressed interest in using utilities fees for funding.	Yes*
Ancillary Sources	Lease revenue for facilities	Advertisement / Broadband / Solar Panels	**High.** Ready to be implemented	**Low**. Public facilities not suitable to accommodate sources	**No.** No interest from county and state and representatives	No
Countywide Tax Revenues	Earmarking Tax Revenue from TOD Pilot Areas	GET surcharge revenue	**Low**. All revenue earmarked for HART	**Medium-High.** Strong expected household/employment growth	**No.** No interest from county to change current use of revenues	No
		TAT surcharge revenue	**Medium.** Requires County Council decision	**Low**. Limited market for hospitality development	**No.** County already assigns funding for programs and is not interested in shifting allocation.	No
	Increase Tax Rate	GET surcharge	**Low.** State legislation required to raise surcharges	**Medium-High.** Strong expected household/employment growth	**Unclear.** New surcharge would rely on state legislative changes. County did not express opinion as to increasing chargers	Yes
		TAT surcharge		**Low**. Limited market for hospitality development		Yes
		Effective property tax	**Medium.** Requires County Council decision.	**Medium-High.** Active real estate market.	**Unclear.** County opposed to overall increases but could be open to targeted increases.	Yes

**Based on prevailing and/or comparable relative (per unit or per SF) utility fees.*

Kaʻahumanu Avenue Corridor (Maui)

Category of Funding Instrument		Funding Instrument	Regulatory Clearance	Revenue Potential in TOD Pilot Area	State and County Agencies Would Consider Implementation	Shortlisted for Phase 3 Analysis
Real Estate Value Capture	District-Based Funding	Development Impact Fees	**Medium**. County Code restricts application to certain areas	**Low.** Soft real estate market.	**Unclear.** No confirmation of interest from County, although they expressed concerns on pushback from the community to implement new assessments or fees.	Yes
		Community Facilities District	**High.** Ready to be implemented			Yes
		Tax Increment Financing	**Low**. Clouds in State legislation as to legality of TIF			Yes
		Special Improvement District	**High.** Ready to be implemented			Yes
		Sale of Development Rights	**Low**. County Code does not authorize it.			Yes
	Government-Owned Real Estate	Ground Leases	**High.** Ready to be implemented	**Medium-High.** Several government properties subject to redevelopment	**No**. State agencies have plans to redevelop properties into government offices	No
		Joint Development				No
User Charges		Utilities Fees / Utilities District	**Medium.** Authorized but no precedents of implementation	**Low.** Limited expected growth in user base.	**No.** No interest from County and State agencies	No
Ancillary Sources	Lease revenue for facilities	Advertisement / Broadband / Solar Panels	**High.** Ready to be implemented	**Low**. Public facilities not suitable to accommodate sources	**No.** No interest from County and State agencies	No
Countywide Tax Revenues	Earmarking Tax Revenue from TOD Pilot Areas	GET surcharge revenue	**Low**. Surcharge not implemented in the County.	**Low**. Limited expected household/employment growth	**N/A.** Surcharge not implemented in the County.	No
		TAT surcharge revenue	**Medium.** Requires County Council decision	**Low**. Limited market for hospitality development	**No.** County already assigns funding for programs and is not interested in shifting allocation.	No
	Increase Tax Rate	GET surcharge	**Low.** State legislation required to raise surcharges	**Low.** Limited expected household/employment growth	**Unclear.** Decision relies on state legislature. County interested in new legislation to implement surcharge.	Yes
		TAT surcharge		**Low**. Limited market for hospitality development	**Unclear.** Decision relies on state legislature. County did not express opinion as to increasing surcharge	Yes
		Effective property tax	**Medium.** Requires County Council decision.	**Low.** Soft real estate market.	**Unclear.** County opposed to overall increases but could be open to targeted increases.	Yes

Līhuʻe Town Core (Kauaʻi)

Category of Funding Instrument		Funding Instrument	Regulatory Clearance	Revenue Potential in TOD Pilot Area	State and County Agencies Would Consider Implementation	Shortlisted for Phase 3 Analysis
Real Estate Value Capture	District-Based Funding	Development Impact Fees	**Low**. County Code does not authorize it.	**Low.** Soft real estate market.	**Yes**. County administration open to all district-based funding options, in principle.	Yes
		Community Facilities District	**High.** Ready to be implemented			Yes
		Tax Increment Financing	**Low**. Clouds in State legislation as to legality of TIF			Yes
		Special Improvement District	**High.** Ready to be implemented			Yes
		Sale of Development Rights	**Low**. County Code does not authorize it.		**No**. County did not express interest	No
	Government-Owned Real Estate	Ground Leases	**High.** Ready to be implemented	**Medium-High.** Several government properties subject to redevelopment	**Yes.** County interested in redeveloping Civic Center into mixed-use center	Yes
		Joint Development				Yes
User Charges		Utilities Fees / Utilities District	**Medium.** Authorized but no precedents of implementation	**Low.** Limited expected growth in user base.	**No.** No interest from County and State agencies	No
Ancillary Sources	Lease revenue for facilities	Advertisement / Broadband / Solar Panels	**High.** Ready to be implemented	**Low**. Public facilities not suitable to accommodate sources	**No.** No interest from county and state and representatives	No
Countywide Tax Revenues	Earmarking Tax Revenue from TOD Pilot Areas	GET surcharge revenue	**Low**. Revenues allocated to road infrastructure by State law.	**Low.** Limited expected household/employment growth	**No.** No interest from county to change current use of revenues	No
		TAT surcharge revenue	**Medium.** Requires County Council decision	**Low**. Limited market for hospitality development	**Yes**. County interested in exploring opportunity but noted political pressure to assign funding for tourism-related activities.	Yes
	Increase Tax Rate	GET surcharge	**Low.** State legislation required to raise surcharges	**Low.** Limited expected household/employment growth	**Unclear.** Decision relies on state legislature. County interested in raising surcharge.	Yes
		TAT surcharge		**Low.** Limited market for hospitality development	**Unclear.** Decision relies on state legislature. County interested in raising surcharge.	Yes
		Effective property tax	**Medium.** Requires County Council decision.	**Low.** Soft real estate market.	**Unclear.** County opposed to overall increases but could be open to targeted increases.	Yes

Ane Keohokalole Highway Corridor (Hawai'i)

Category of Funding Instrument		Funding Instrument	Regulatory Clearance	Revenue Potential in TOD Pilot Area	State and County Agencies Would Consider Implementation	Shortlisted for Phase 3 Analysis
Real Estate Value Capture	District-Based Funding	Development Impact Fees	**Low**. County Code does not authorize it.	**Medium-High.** Active real estate market.	**Yes**. County administration open to all options.	Yes
		Community Facilities District	**High.** Ready to be implemented			Yes
		Tax Increment Financing	**Low**. Clouds in State legislation as to legality of TIF			Yes
		Special Improvement District	**High.** Ready to be implemented			Yes
		Sale of Development Rights	**Low**. County Code does not authorize it.	**Low**. Mostly undeveloped area with vacant lots that can be developed	**No**. County does not see potential	No
	Government-Owned Real Estate	Ground Leases	**High.** Ready to be implemented	**Low**. No government properties ripe for redevelopment	**No**. County does not see potential	No
		Joint Development				No
User Charges		Utilities Fees / Utilities District	**Medium.** Authorized but no precedents of implementation	**Medium-High.** Expected growth in user base.	**Yes.** County expressed interest in utilities district	Yes*
Ancillary Sources	Lease revenue for facilities	Advertisement / Broadband / Solar Panels	**High.** Ready to be implemented	**Low**. No public facilities suitable to accommodate sources	**No.** No interest from county and state and representatives	No
Countywide Tax Revenues	Earmarking Tax Revenue from TOD Pilot Areas	GET surcharge revenue	**Low**. All revenue earmarked for HART	**Medium-High.** Strong expected household/employment growth	**No.** No interest from county to change current use of revenues	No
		TAT surcharge revenue	**Medium.** Requires County Council decision	**Low**. Limited market for hospitality development	**No.** County already assigns funding for programs and is not interested in shifting allocation.	No
	Increase Tax Rate	GET surcharge	**Low.** State legislation required to raise surcharges	**Medium-High.** Strong expected household/employment growth	**Unclear.** New surcharge would rely on state legislative changes. County did not express opinion as to increasing chargers	Yes
		TAT surcharge		**Low**. Limited market for hospitality development		Yes
		Effective property tax	**Medium.** Requires County Council decision.	**Medium-High.** Active real estate market.	**Unclear.** County opposed to overall increases but could be open to targeted increases.	Yes

**Based on prevailing and/or comparable relative (per unit or per SF) utility fees.*

Shortlist of Financing Instruments for Further Analysis

Process to Shortlist Financing Options

For each financing option, the Consultant Team concluded on the degree to which **they are authorized for implementation at the County and State levels, the likely potential if implemented in the TOD Pilot Area, and the potential to quantity monetary streams for each instrument**. These steps are summarized below. Ultimately, the Consultant Team shortlisted the instruments based on the latter aspect.

Step 1: Regulatory Clearance	**Step 2:** Financing Capacity Potential in TOD Pilot Area	**Step 3:** Potential to Quantity Monetary Streams	**Step 4:** Shortlisted for Phase 3 Analysis
High: Authorized in County and State; ready to be implemented.	**Medium-High**: Overall market conditions could generate enough funding revenues to support financing capacity.	**Yes**: Consultant Team can provide estimate of instrument's capacity.	**Yes:** Consultant Team can provide estimate of instrument's capacity
Medium: a. Authorized in State and County but with restrictions; AND/OR b. County has authority over implementation, but further action is required actions from County Council.	**Low-Medium**: Specific opportunities could generate enough funding revenues to support limited financing capacity.		
Low: Not authorized at the State and/or County level.	**Low.** Not enough revenues to support financing capacity.	**No**: Consultant Team cannot provide estimate if funding stream that sustains financing capacity is either unavailable due to limited information or lack of appetite from State/County agencies to implement tool that would enable funding stream in the first place.	**No:** Consultant Team cannot provide estimate of instrument's capacity
	Not Applicable. Implementation of instrument rely mostly on factors unrelated to conditions in the TOD Pilot Area		

Iwilei-Kapalama & Ane Keohokalole Highway Corridor

Category of Financing Instrument		Financing Instrument	Regulatory Clearance	Financing Capacity Potential in TOD Pilot Area	Potential to Quantity Monetary Streams	Shortlisted for Phase 3 Analysis
State Instruments	Bonds backed by full State credit	GO Bonds	**High.** County is within debt limits to issue GO Bonds.	**Not Applicable.** GO Bond issuance is not contingent on TOD Pilot Area conditions.	**Yes**. Financing capacity of GO Bond issuance can be estimated quantifying the net new revenue that newly implemented value capture instruments (CFD and SID) and/or new development can support above any current indebtedness cap in the County.	Yes
	Bonds backed by special funding streams	TIF Bonds	**Low**. Clouds in State legislation as to legality of TIF	**Medium-High.** Market conditions could generate enough funding revenues from special taxes or assessments to support issuance of these instruments.	**Yes**. Financing capacity of tax increment revenue can be estimated.	Yes
		CFD Bonds	**High.** Issuance of instruments authorized at State and County levels.		**Yes**. Financing capacity of special tax revenue can be estimated.	Yes
		SID Bonds			**Yes**. Financing capacity of special assessment revenue can be estimated.	Yes
		Private Activity Bonds		**Not Applicable.** Issuance of instruments depends on specific project for which financing is needed and is not necessarily tied to conditions in TOD Pilot Area.	**No**. Choice of project for which instrument is used is discretionary. It is not clear over which funding stream the Consultant Team would estimate the financing capacity of issuing these debt instruments.	No
		Special Purpose Revenue Bonds				No
		Revenue Bonds		**Medium-High.** Growth in revenue from user fees could support issuance of instruments.	**Yes**. Financing capacity of revenue from user fees can be estimated.	Yes
Private Options	Debt	Bank Loans	**High.** Ready to be implemented	**Medium.** Large-scale projects (for e.g., Cured in Place Pipe for Sea Level Rise Project) could appeal private financing.	**No.** Financing capacity depends on potential of project to generate revenues. The Consultant Team has no access to this information and cannot quantity them as part of the scope of the study.	No
	Equity	Private Equity				No

Ka‘ahumanu Avenue Corridor & Līhu‘e Town Core

Category of Financing Instrument		Financing Instrument	Regulatory Clearance	Financing Capacity Potential in TOD Pilot Area	Potential to Quantity Monetary Streams	Shortlisted for Phase 3 Analysis
State Instruments	Bonds backed by full State credit	GO Bonds	**High.** County is within debt limits to issue GO Bonds.	**Not Applicable.** GO Bond issuance is not contingent on TOD Pilot Area conditions.	**Yes**. Financing capacity of GO Bond issuance can be estimated quantifying the net new revenue that newly implemented value capture instruments (CFD and SID) and/or new development can support above any current indebtedness cap in the County.	Yes
	Bonds backed by special funding streams	TIF Bonds	**Low**. Clouds in State legislation as to legality of TIF	**Low.** Soft market conditions unlikely to generate enough funding revenues from special taxes or assessments to support issuance of these instruments.	**Yes**. Financing capacity of tax increment revenue can be estimated.	Yes
		CFD Bonds	**High.** Issuance of instruments authorized at State and County levels.		**Yes**. Financing capacity of special tax revenue can be estimated.	Yes
		SID Bonds			**Yes**. Financing capacity of special assessment revenue can be estimated.	Yes
		Private Activity Bonds		**Not Applicable.** Issuance of instruments depends on specific project for which financing is needed and is not necessarily tied to conditions in TOD Pilot Area.	**No.** Choice of project for which instrument is used is discretionary. It is not clear over which funding stream the Consultant Team would estimate the financing capacity of issuing these debt instruments.	No
		Special Purpose Revenue Bonds				No
		Revenue Bonds		**Low.** Limited growth in revenue from user fees could not support issuance of instruments.	**No.** State and County agencies not interested in funding works through user fees that could sustain revenue bond issuance.	No
Private Options	Debt	Bank Loans	**High.** Ready to be implemented	**Low.** Projects in pipeline unlikely to be appealing for private financing.	**Low.** No projects revenues over which private financing capacity can be estimated.	No
	Equity	Private Equity				No

Shortlist of Delivery Methods for Further Analysis

All Areas

The shortlisting of delivery methods was based on whether **they are compatible with the type of projects in each TOD Pilot Area.** A detailed analysis of their applicability is presented in the “Delivery Methods” section of the Discussion Guide and the shortlisting is summarized below.

Category of Delivery Models			Iwilei-Kapalama (Oahu)		Ka‘ahumanu Avenue Corridor (Maui)		Līhu‘e Town Core (Kaua‘i)		Ane Keohokalole Highway Corridor (Hawai‘i)	
			Availability of Methods in TOD Pilot Area	Shortlisting	Availability of Methods in TOD Pilot Area	Shortlisting	Availability of Methods in TOD Pilot Area	Shortlisting	Availability of Methods in TOD Pilot Area	Shortlisting
Contractual Models	Solely Public	Design-Bid-Build Design-Build	All projects	Yes	All projects	Yes	All projects	Yes	All projects	Yes
Contractual Models	Public/Private	P3s without Private Financing P3s with Private Financing	Only for Cured in Place Pipe for Sea Level Rise	Yes	Not available for any project	No	Not available for any project	No	Only for Kealakehe Wastewater Transmission Project & Road Improvements	Yes
Governance Models	Solely Public	Pre-existing Public Agencies Formal Agreement Among Agencies Dedicated Public Entity	All projects	Yes	All projects	Yes	All projects	Yes	All projects	Yes
Governance Models	Public/Private	Public/Private Entity Private Entity	Only for Cured in Place Pipe for Sea Level Rise	Yes	Not available for any project	No	Not available for any project	No	Only for Kealakehe Wastewater Transmission Project & Road Improvements	Yes

Appendix 1: Discussion Guide of Available Funding, Financing, and Delivery Options

Hawai‘i TOD Infrastructure Financing and Delivery Strategy for TOD Pilot Areas

Produced in January 2023

Prepared for:

Hawai‘i Office of Planning and Sustainable Development

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Abbreviations

AMI	Area Median Income
BID	Business Improvement District
BWS	City and County of Honolulu, Board of Water Supply
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDBG	Community Development Block Grants
CDP	Community Development Plan
CFD	Community Facilities District
CIP	Capital Improvement Program
DAGS	State of Hawaiʻi, Department of Accounting and General Services
DHHL	State of Hawaiʻi, Department of Hawaiian Home Lands
DLNR	State of Hawaiʻi, Department of Land and Natural Resources
DOE	State of Hawaiʻi, Department of Education
DPS	State of Hawaiʻi, Department of Public Safety
DURF	Dwelling Unit Revolving Fund
EDU	Equivalent Dwelling Unit
EIS	Environmental Impact Statement
GET	General Excise Tax
GO Bonds	General Obligation Bonds
HART	City and County of Honolulu, Honolulu Authority for Rapid Transportation
HCDA	State of Hawaiʻi, Hawaiʻi Community Development Authority
HECO	Hawaiian Electric Company, Inc.
HHFDC	State of Hawaiʻi, Hawaiʻi Housing Finance and Development Corporation
HOME	Department of Housing and Urban Development HOME Investment Partnerships Program
HPHA	State of Hawaiʻi, Hawaiʻi Public Housing Authority
HUD	United States Department of Housing and Urban Development
KS	Kamehameha Schools
kV	Kilovolt
LCP	Līhuʻe Community Plan
LIHTC	Low-Income Housing Tax Credits
MG	Million Gallon
NASED	New Aloha Stadium Entertainment District
O&M	Operations and Maintenance
OPSD	State of Hawaiʻi, Office of Planning and Sustainable Development
P3	Public-Private Partnership
PAB	Private Activity Bonds
RHRF	Rental Housing Revolving Fund
ROW	Right-of-Way
RPT	Real Property Tax
SF	Square Feet
State	State of Hawaiʻi
TAT	Transient Accommodations Tax
TIF	Tax-Increment Financing
TOD	Transit-Oriented Development
TOD Council	Hawaiʻi Interagency Council for Transit-Oriented Development
UH	University of Hawaiʻi
UHWO	University of Hawaiʻi West Oʻahu
US FWS	United States Fish and Wildlife Service
WWPS	Wastewater Pump Station
WWTP	Wastewater Treatment Plant

Background and Instructions for Reviewers

Introduction

The current document is a **Discussion Guide of Available Funding, Financing, and Delivery Options** for TOD infrastructure in four pilot areas (TOD Pilot Areas) in each county in the State of Hawai'i, including:

- **Iwilei-Kapalama**, City and County of Honolulu
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- **Līhu'e Town Core**, Kaua'i County
- **Ane Keohokalole Highway Corridor**, Hawai'i County

This document was produced in the context of **Phase 2** of the **Hawai'i TOD Infrastructure Financing and Delivery Strategy for TOD Pilot Areas Study**, with all its phases outlined below. HR&A Advisors is leading this study, with the support of subconsultants PBR Hawai'i, KPMG LLC, Ashurst, Starn O'Toole Marcus & Fisher, and R.M. Towill (the Consultant Team).

Phase 1
Project Reconnaissance and Initial Review
- What **infrastructure projects** are needed to facilitate TOD in the Pilot Areas, and what are their **capital costs**?

Phase 2
Assessment of Funding, Financing, and Delivery Options
- What **funding, financing, and delivery options** are available to pursue infrastructure projects in each TOD Area?

***In Progress** – Focus of Present Document*

Phase 3
Funding and Financing Analysis
- What are the **monetary streams of the identified funding and financing options** in each TOD Pilot Area?

Phase 4
Implementation Strategy
- What are the **barriers** to implement the options identified in Phases 2 and 3?
- What is needed to **overcome** the identified barriers in implementation?

Progress To Date

Phase 1: Groundwork

Between June and October 2022, the Consultant Team completed a summary of the infrastructure needs and their associated costs in each TOD Pilot Area (Deliverable 1), based on the information provided by State and County Agencies and legislative stakeholders either in writing or during meetings conducted with OPSD and the Consultant Team during site visits to the TOD Pilot Areas in June 2022.

Phase 2: Analysis in Present Document

After summarizing the needs of each TOD Pilot Area in Phase 1, **Phase 2 provides a shortlist of funding, financing, and delivery instruments suitable for those infrastructure needs**, and identify those options to be analyzed for Phases 3 and 4.

The Consultant Team prepared this **Discussion Guide of Available Funding, Financing and Delivery Options**, which identifies and assesses:

i. An array of funding, financing, and delivery options typically used for implementation of TOD-enabling infrastructure.

ii. The potential use of these options in each TOD Pilot Area, based on conditions in the State, the four counties, and the TOD Pilot Areas.

iii. The funding and financing tools that will require a quantification of revenue and financing capacity in subsequent phases, as well as delivery models that will require further consideration in terms of identifying barriers and policy recommendations for implementation.

Timeline

The timeline and phasing of the study are summarized below. At this point of the study the Consultant Team seeks input from the County **Permitted Interacting Groups** (PIGs) on the tools and options identified in the TOD Pilot Areas.

PHASE 1 — Jun – Oct 2022

PHASE 2 — Nov 2022 – Mar 2023

PHASE 3 — Mar* – Jul 2023

PHASE 4 — Aug – Nov 2023*

Jun 2022
Site Visit & CPIG Meeting
Project Reconnaissance and Information Collection

Oct 2023
Deliverable 1
Review and Summary of Existing Data

Early Jan 2023
Discussion Guide for CPIG Meeting
Includes summary of Available Funding, Financing and Delivery Options in TOD Areas

Jan – Early Feb 2023
CPIG Meetings
Validation of team findings on available options and discussion on prioritization of tools

We are here

Mid Feb-2023
Deliverable 2: Shortlist of Options
List of most promising options for implementation and subject of Phases 3 and 4 analysis

Early Mar 2023
Project Advisory Group (PAG) meeting
Obtain feedback from legislative stakeholders as to feasibility of tools and prioritization

Jul 2023
Deliverable 3: Quantitative Assessment of Funding and Financing Options
Estimates on funding streams and financing capacity of tools available in each TOD Pilot Area

Sep 2023
CPIG and PAG Meetings
Discussion on barriers for implementation of prioritized funding, financing, and delivery options

Nov 2023
Deliverable 4: Summary Report and Implementation Strategy

▲ Stakeholder Engagement
▲ Analysis & Deliverables

(*) The Consultant Team will begin preparing financial model and conducting analysis of Phase 3 in Feb-2023, while finalizing Phase 2, in order to prevent delays in the overall timeline.
(**) End of Contract Date.

Task at Hand and Next Steps

Discussion of Findings and Shortlisting of Options

This **Discussion Guide** is being shared with PIGs and their County and State Agency representatives to:

1. **Validate the Team's findings** regarding the availability of funding, financing, and delivery options in each Pilot Area.
2. **Obtain feedback on those options that should be prioritized** for further analysis in Phases 3 and 4 of the study.
3. **Create a shortlist of options** for each TOD Area that the Consultant Team can focus on in future phases of this study and discuss and validate this list with the Project Advisory Group.

Next Steps for Phases 3 and 4

Upon completion of Phase 2 in February 2023, the Consultant Team expects to proceeds with Phases 3 and 4, including:

- **Phase 3 | Funding and Financing Analysis** of shortlisted options in Phase 2, including an assessment of the funding and financing options and recommendations on which ones render the most benefits if implemented (March-July 2023);
- **Phase 4 | Implementation Strategy**, including the assessment of barriers to implement the instruments recommended in Phases 2 and 3, and recommendations on delivery, regulation, and institutional arrangements needed to implement the identified instruments (August-November 2023).

Discussion Guide: Sections

This **Discussion Guide contains the following sections**:

1. An **Overview of Funding, Financing, and Delivery Options typically used for implementation of TOD-enabling infrastructure** (pp. 11-27), including the advantages of each option and the challenges for implementation, both in general and in the State in particular.
2. An **Overview of Options by TOD Pilot Area** (pp. 29-60) suitable for the projects in their pipeline, as well as enabling factors in the State, the Counties, and each Pilot Area. This section includes for each TOD Pilot Area a summary of their location, infrastructure needs, and fiscal outlook, as well as a list of available funding, financing, and delivery options, and recommended next steps for analysis.
3. A **Resource Book with the full assessment of funding sources, delivery arrangements, and financing instruments** (pp. 61-164), including further background on each option and the steps considered to assess whether they are available in the Counties and TOD Pilot Areas of this study.

Discussion Guide: How To Use It

The **Consultant Team** suggests the following guidelines for review:

- **If you are a County Agency representative**, please focus your review on the Summary of Options for the TOD Pilot Area within your county (pp. 29-36 for Honolulu, pp. 37-44 for Maui, pp. 45-52 for Kaua‘i, pp. 53-60 for Hawai‘i) and consult the Resource Book section for further details, as needed.
- **If you are a State Agency representative**, please focus your review on the Resource Book sections covering value capture (pp. 63-83); monetization of public real estate (pp. 84-85); ancillary revenue (pp. 88-90), countywide tax revenues (pp. 91-94); and state and county debt (120-126), and delivery models (132-164);
- **If you are a Project Advisory Group member**, we welcome your comments on the Summary of Options for the TOD Pilot Area within the county you represent, as the well as the Resource Book sections highlighted for State Agency representatives.
- **To all reviewers, we ask you to please**:
    - Flag any State or County regulations, views from political and community stakeholders, agency practices, market dynamics, or any other factors that either compromise or support the feasibility of the options contemplated.
    - Comment on which options you recommend the Consultant Team to focus on for each TOD Pilot Area, given their potential feasibility and factors such as perceived future benefits, current political appetite for implementation, success of prior precedents, or any other factors that are relevant.
    - Identify the critical path or sequence for implementing the various infrastructure projects in each TOD Pilot Area (e.g., immediate or near term, medium term, and long term) necessary to enable vertical development.

1.0

Overview of Funding, Financing, and Delivery Options for TOD-Enabling Infrastructure

OVERVIEW OF FUNDING, FINANCING, AND DELIVERY OPTIONS

The Consultant Team evaluated the availability of funding sources, delivery models, and financing instruments, as defined below, for each TOD Pilot Area.

Category	Definition
Funding Sources	In a public finance context, it refers to the **revenue streams or other source of monies that are set apart to support a specific development objective**. It may be monies that are immediately available or monies that will derive from a future revenue stream and be used to repay financing. For the purposes of this analysis, the Consultant Team is excluding any ad-hoc or extraordinary contribution (for example, through special congressional appropriations) or donations.
Financing Instruments	Refers to the processes to raise upfront capital in order to expedite development by providing funds earlier than would otherwise be available. This typically involves **borrowing or otherwise leveraging future revenue streams**
Delivery Models	Refers to the **combination of all planning, technical, administrative and managerial actions** associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation, or disposal of infrastructure. The delivery of an infrastructure asset involves two stages: a contractual stage involving decisions over design, construction, financing, and operations needed to realize and maintain the asset; and a governance stage that concerns the long-term operation of the asset.

LIST OF FUNDING, FINANCING, AND DELIVERY OPTIONS EVALUATED

FUNDING SOURCES

Project-level, Districtwide, and Countywide Sources:

- Value Capture Instruments
- Monetization of Government-Owned Real Estate
- User Charges
- Ancillary Revenue
- Countywide Tax Revenues

Grants and Government Contributions

- State Loan Funds
- Federal Grants
- Federal Acts Competitive Funding

FINANCING INSTRUMENTS

State and County Debt

- General Obligation Bonds
- Revenue Bonds
- Private Activity Bonds
- CFD and SID Bonds
- Special Purpose Revenue Bonds

Federal Loan Programs

- Transportation Infrastructure Finance and Innovation Act
- Railroad Rehabilitation & Improvement Financing
- State Infrastructure Bank

Private Options

- Bank Loans
- Private Equity

DELIVERY MODELS

Contractual Models

- Design-Bid-Build
- Design-Build
- P3s With Private Financing
- P3s With Private Options and Maintenance

Governance Models

- Pre-Existing Public Agency
- Formal Agreement Among Agencies
- Dedicated Public Entity
- Public/Private Entity
- Private Entity

OVERVIEW OF PROJECT-LEVEL, DISTRICTWIDE, AND COUNTYWIDE FUNDING SOURCES

The table below summarizes project-level, districtwide and countywide funding sources, including their key characteristics, advantages, and factors that challenge their implementation.

Funding Source	Description	Advantages	Challenges
Value Capture Instruments			
Development Impact Fees (DIFs)	**One-time fee** imposed by a local public agency on a new or proposed development to pay for all or a portion of the costs of providing certain public services to the new development. An alternative to DIFs are in-kind contributions from developers that mitigate negative area effects from construction and development.	• Since fees are a one-time payment associated with funding a specific work, they can be **easier to implement and more successful in avoiding opposition than other methods** involving tax increases or new taxes. • Can be imposed by county councils and water boards and **do not require the agreement from property owners**.	• **Must meet the requirements of a "nexus test"** that demonstrates a link between the costs imposed by the fee and the specific services provided as a result of the fee. • **Not authorized** in Kaua'i and Hawai'i (i.e., enabling legislation is not in place) **and only authorized for specific areas** in Oahu and Maui**.**
Community Facilities District (CFD)	**Special districts** where property owners in an established geographic area agree to **tax themselves** to fund a broad array of services, public improvements, and infrastructure.	• **Versatile** and can fund and finance most infrastructure improvements. • CFD **rates can be adjusted** over time and eliminated once project costs are paid off. • **Starts providing revenues upfront** upon formation of district and may allow certain public improvements to be constructed earlier than they might otherwise be. • **Bonds can be issued** and are **secured only by the property subject to the tax** and not the General Fund of the County. Capital markets are often familiar with the instrument. • **Authorized in all counties and implemented successfully** in Kaua'i and Hawai'i counties.	• New **taxes can be unpopular**. Since property tax rates are low across Hawai'i, it would take a relatively large CFD surcharge above existing taxes to fund significant infrastructure investments. • **May deter new development** if the assessments are not aligned with market capacity to pay. • **Requires agreement** and consensus among property owners (owners of more than 45% of the land in the area of the district must agree on its formation).

OVERVIEW OF PROJECT-LEVEL, DISTRICTWIDE, AND COUNTYWIDE FUNDING SOURCES (cont.)

Funding Source	Description	Advantages	Challenges
Value Capture Instruments (cont.)			
Tax-Increment Financing (TIF)	A district-based tool that allows taxing jurisdictions to use anticipated future **increases in land-based tax revenues to finance present-day infrastructure improvements**.	• **Does not involve tax increases** or new assesments. • **Can issue revenue-backed bonds** that do not need to be backed by the full faith and credit of Counties or the State.	• It **takes time for TIF to generate revenue streams** strong enough to back a bond issuance. This is especially likely to be the case in Hawaiʻi given the low property tax rates. • **Mostly appropriate for areas with strong projected real estate growth** (for e.g., Iwilei-Kapalama). • Because of the lack of clarity of authorization in the State constitution, **TIF has never been implemented and it is unclear whether counties can do so**. • **County governments have concerns regarding the diversion of future revenues** that could restrict their ability to fund basic services. • **Requires a robust cadaster and tax assessment**, with regular updates to capture changes in property values.
Special Improvement Districts (SIDs)	Establishment of an area where property owners agree to **pay an assessment to fund a specific infrastructure improvement**.	• Similar to CFDs, SIDs start generating revenues after formation and may allow certain public improvements to be constructed earlier in the development process than they might otherwise be. • Similar to DIFs, since the assessments are associated with funding a specific work, they can be easier to implement and more successful in avoiding opposition than other methods involving blanket tax increases or new taxes. • Similar to CFDs, SID bonds are secured only by the property subject to the tax and not a county's general fund.	• Unlike CFDs, which are versatile and can fund most infrastructure improvements, revenue from SIDs can only be used to fund the specific improvements laid out upon the district's formation. • SIDs are used to fund very specific works (such as a sewer line or road necessary to enable a real estate development), unlike CFDs, which can be used to fund multiple and evolving needs within an area. • SIDs requires agreement among property owners (between +50% and +55%, depending on the county).

OVERVIEW OF PROJECT-LEVEL, DISTRICTWIDE, AND COUNTYWIDE FUNDING SOURCES (cont.)

Funding Source	Description	Advantages	Challenges
Value Capture Instruments (cont.)			
Sale of Development Rights	**Sale of development rights of public property** to raise funds for infrastructure works.	• Selling development rights can be a way to **monetize value of government property** without full disposition. • For properties where the government has an interest in preserving or **limiting development due to environmental or other concerns**, development rights over these plot can be sold to enable real estate development somewhere else.	• Authorized by State legislation but only **Oahu has passed legislation to implement it and under narrow circumstances**. • **Only provides significant revenue under specific conditions**, including a combination of demand for dense commercial/residential development, availability of government properties suitable for development, and a surrounding area fully or nearly built out at existing zoning parameters.
Monetization of Government-Owned Real Estate			
Land Sales	**Public land sales** can help raise revenue for infrastructure spending without issuing any debt liability for local governments.	• Relatively **straightforward method to obtain revenue** for improvements in a specific area. • Executable in the **short to medium term.**	• Sale of public land in Hawaiʻi generally **requires approval by the Legislature**. • **Financial returns for the government highly susceptible** to market cycle when sale is executed.
Ground Leases	Government retains ownership of asset and negotiates a **long-term leasehold** over it to raise revenue for area improvements.	• Provides government agencies with a low-risk development that results in **steady long-term income.** • **Revenues can be used to support bond issuances** to finance infrastructure costs.	• **Long-term commitment** (typically 50-99 years). • **Requires involvement of the public sector owner** and capacity within agencies to execute often complex agreements.
Joint Development	**Government contributes land as equity**, partner leads development and/or operations. Government receives **payments that can be used for area improvements**.	• Can jointly bring **revenue to government agencies**. • **Financial returns can be moderate to high**, as agency is compensated for share of development.	• **Moderate to high risk**. Depending on the deal structure, the agency shares a lower or higher degree of development and operating risks with the private developer.

OVERVIEW OF PROJECT-LEVEL, DISTRICTWIDE, AND COUNTYWIDE FUNDING SOURCES (cont.)

Funding Source	Description	Advantages	Challenges
User Charges			
Utilities	Usage charges are mechanisms that redirect a portion of the funds collected by State authorities and utility companies to fund capital infrastructure investments. **Creation of new utilities or new usage charges can provide additional resources for infrastructure investments,**	• Provide a relatively predictable revenue stream that **can support municipal bonds** to finance public utility projects. • **Utilities in Hawai'i have successfully issued bonds backed by user charges** (for e.g., Honolulu County Department of Environmental Services and the County Board of Water Supply). • Relevant precedent in the expected **creation of a new storm water utility in Honolulu** that will charge fees to fund storm water protection measures.	• **Potential inequitable outcomes** if funding for capital projects leads to increases in charges for lower income households.
Ancillary Revenue*			
Sponsorship / Advertisement	Revenues generated through naming rights of infrastructure (e.g., train station, stadium, etc.).	• Provide small-scale but **steady sources of revenues.** • Relatively **easy procurement** and implementation process.	• Deployment opportunities **limited to certain types of infrastructure projects** (e.g., flagship assets, high visibility transit hubs, large properties, etc.).
Retail Concessions	Revenues generated through rent proceeds from retail development on government land.		
Broadband	Revenues generated by leasing space for broadband infrastructure.		
Solar Panel Installation	Sale of electricity generated by solar panels installed on public assets or leasing of space to solar energy developers.		

(*) There are other ancillary revenue sources not applicable for this analysis, such as renewable energy wind facilities or fees charged for use of spaces for public events.

OVERVIEW OF PROJECT-LEVEL, DISTRICTWIDE, AND COUNTYWIDE FUNDING SOURCES (cont.)

Funding Source	Description	Advantages	Challenges
Countywide Tax Revenues			
General Excise Tax (GET)	A **new surcharge or a portion of the county's GET surcharge revenue** derived from point-of-sale operations or construction of new facilities in the TOD Pilot Areas could be allocated for infrastructure purposes.	• Existing **precedents of GET proceeds used to fund infrastructure** investments (0.5% GET surcharge on Oahu is allocated to HART rail line funding until 2030). • **Moderate to large share of revenue for** (7%-14%) Counties' General Funds.	• It would take **years for revenues to be generated** in areas with no development or where development is nascent. • Raising the surcharge or allowing counties to dedicate surcharge revenue to purposes other that roads and transportation would **require State legislative action**.
Transient Accommodation Taxes (TAT)	A **new surcharge or a portion of the county's TAT surcharge revenue** derived from point-of-sale operations in the TOD Pilot Areas could be allocated for infrastructure purposes.	• County-collected **TAT surcharges not currently earmarked** for specific purposes.	• **Highly volatile** to business cycle and tourism industry. • **Small revenue stream** (2%-8% of Counties' General Funds). • Raising the surcharge would **require State legislative action**.
Real Property Taxes	Portion of **revenue from existing or increased property taxes** over properties in TOD Pilot Areas could be allocated for infrastructure purposes.	• There is **potential to increase property taxes and dedicate them for infrastructure funding**, as all counties have very low property taxes in relation to national averages. • **Net property assessed values in the State have increased by 74% since 2012**, at an average annual rate of 5.7%.**Earmarking part of tax revenues could provide a significant flow of revenue** for infrastructure funding. • **There are precedents of earmarking property tax revenue for specific purposes.** Except for Kaua'i, all counties already earmark part of property tax revenues for affordable housing.	• **Property taxes are the main source of countywide revenue**, and therefore it might be politically unpalatable to dedicate part of this revenue to specific purposes. • Concerning the potential for increases in property taxes for infrastructure funding, there is an **expectation of low property taxes at the county level that might render this increase nonviable**. • Raising effective tax rates would **require County legislative action**.

OVERVIEW OF GRANTS AND GOVERNMENT CONTRIBUTIONS

The Consultant Team has identified federal and state grants that can help bridge funding gaps not covered by the asset- and district-level funding sources described earlier.

Funding Source	Intended Uses
State Loan Funds	
Dwelling Unit Revolving Fund	Revolving fund for **regional infrastructure projects that support development of affordable housing**.
Rental Housing Revolving Fund	Provides low-interest loans to **constructing or rehabilitation affordable housing rental units**.
Clean Water State Revolving Fund (CWSRF) Program	The CWSRF Program provides low interest loans to County and State agencies to construct point source and nonpoint source **water pollution control projects**.
Drinking Water State Revolving Fund	Provides low interest rate loans to Hawai'i's regulated water systems for the **construction of drinking water infrastructure projects.**
Federal Grants	
Community Development Block Grants	Formula grant for States, cities, and counties to develop viable urban communities by providing **decent housing and a suitable living environment**, principally for low- and moderate-income persons.
Investment Partnership (HOME) Funds	Formula grant for States and localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activities including **building, buying, and/or rehabilitating affordable housing.**
Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Discretionary Grant	Competitive grant for **capital investments in surface transportation** that will have a significant local or regional impact. Grants may also be used for planning needs.
Opportunity Zones	A community development initiative established by Congress in 2017 to encourage **long-term investments in low-income urban and rural communities** nationwide. Hawai'i has designated 25 census tracks as opportunity zones.
Title VIII - Housing Assistance for Native Hawaiians	Funding is used for **affordable housing activities for low-income groups** residing on Hawaiian Home Lands.
Community Facilities Direct Loan & Grant Program in Hawai'i and Western Pacific	Provides affordable funding to develop essential **community facilities in rural areas**.

OVERVIEW OF GRANTS AND GOVERNMENT CONTRIBUTIONS (cont.)

Funding Source	Intended Uses
Federal Acts Competitive Funding	
Coronavirus State and Local Fiscal Recovery Funds	Third round of COVID-19 stimulus funding. Funding may be used towards **affordable housing and investments in water, sewer, and broadband infrastructure**.
IIJA, FTA Pilot Program for TOD	Assists in financing of comprehensive or site-specific planning associated with eligible **projects that facilitate TOD**.
IIJA, Rural Surface Transportation Grant Program	Supports projects to improve and expand the surface **transportation infrastructure in rural areas.**
IRA HUD Green and Resilient Retrofit Program	Provides grant and loan funding to facilitate retrofits of **multifamily assisted housing properties.**

OVERVIEW OF FINANCING INSTRUMENTS

The table below provides an overview of state and county debt instruments, federal loan programs, and private financing options, including their key characteristics, advantages, and factors that challenge their implementation.

Financing Instrument	Description	Advantages	Challenges
State and County Debt			
General Obligation (GO) Bonds	Bonds in which the payment of the principal and interest are backed by the full faith and credit of the State or County.	• One of the **least costly means of securing new funds** for infrastructure projects. • Counties' **existing GO Bond debt is significantly below permitted debt limits**, which provides large room for further issuances.	• GO bond **issuances must be authorized by the County Council**, which provides it with less flexibility as a source of financing.
Revenue Bonds	Bonds payable from revenues, or user taxes, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law.	• **Issuance does not compromise future general tax fund revenues** as public utility typically repays bondholders directly from utility rates. • **Commonly used financing mechanism** with multiple precedents in the State (for e.g., Hawaii Airport Revenue Bonds, Honolulu City And County Board Water Supply Water System Revenue Bond Series).	• **Limited to specific projects** (sewer, water, and electricity projects) as bonds are issued by public or private utility agencies.
Private Activity Bonds (PABs)	Tax-exempt bonds issued by a State or local government on behalf of the private entity for qualified private activities with public benefit.	• **Largely unutilized** source of financing. • **Bonds are not secured by the County's credit** but rather the developer's project.	• **Lack of recent track record**. • **Annual issuance of PAB bonds is limited** to an annual maximum amount.
Community Facilities District (CFD) Bonds	District can provide a nearer-term revenue stream potentially enabling earlier funding or financing of infrastructure improvements.	• See CFD in Funding Sources.	• See CFD Funding Sources.

OVERVIEW OF FINANCING INSTRUMENTS (cont.)

Financing Instrument	Description	Advantages	Challenges
State and County Debt (cont.)			
Special Purpose Revenue Bonds	Can provide loan financing to assist qualifying private capital improvement projects.	• Facilitate loans for certain categories of private business projects **without spending taxpayers' money** or placing the State's credit at risk. • **Does not divert public funds** from infrastructure, education or other public functions.	• Only implemented at the **State level**. • **Issuance required to be approved by the legislature**, which provides less flexibility for implementation. • Limited only to **certain types of projects.**
Federal Loan Programs			
Transportation Infrastructure Finance and Innovation Act (TIFIA)	Loans and credit assistance for large-scale, surface **transportation projects and transit and transit-oriented development**, in particular: • Line of Credit of up to 33% of eligible project costs, and • Secured Loan or Loan Guarantee of up to 49% of eligible project costs.	• TIFIA credit assistance often available on **more advantageous terms than in the financial market.** • **Low interest rate** that does not accrue until proceeds are drawn. • Flexible tool that allows borrowers to **customize their loan terms and amortization.**	• Flexibility can lead to **long application process due to the custom negotiations.** • **Relatively long timeline of approval** (typical process has taken 14-18 months from Letter of Interest submission to reach financial close)
Railroad Rehabilitation & Improvement Financing (RRIF)	Direct loans and loan guarantees to finance the development of **railroad infrastructure**.	• **Direct loans can fund up to 100% project with repayment periods** of up to 35 years and interest rates equal to the cost of borrowing to the government. • **HART** can be a potential applicant.	• **Applicable only to City and County of Honolulu**, as program focuses on development of railroad infrastructure.

OVERVIEW OF FINANCING INSTRUMENTS (cont.)

Financing Instrument	Description	Advantages	Challenges
Federal Loan Programs (cont.)			
State Infrastructure Bank	A revolving loan fund program administered by a State to **provide low-cost loan financing to surface transportation projects** within the State. SIBs are capitalized with Federal-aid surface transportation funds and matching State funds, although Several states have established SIBs capitalized solely with state funds.	• If capitalized with Federal-aid surface transportation, **SIBs give states the capacity to make more efficient use of its transportation funds** and significantly leverage Federal resources by attracting non-Federal public and private investment. SIB **capital can be used as collateral** to borrow in the bond market or to establish a guaranteed reserve fund. • **If established with state funds, it can provide financing for projects related not only to transportation** (Rhode Island Infrastructure Bank, for instance, provides loans for water infrastructure, clean energy, climate resilience, brownfield remediation, and roads and bridges).	• The **State does not have an SIB program.**
Private Options			
Bank Loans	Traditional form of credit used to finance the capital costs of a project.	• In the case of P3 projects, it allows the project sponsor to **defer financing** either completely or partially during the construction period. • To a public agency with stretched financial demands, the **ability of the private sector to assemble financing** for a critical project can be the key point that allows for project execution.	• In practice, they can only be accessed by investors in **projects that can attract private investment.** • Mostly used in **projects that have a strong revenue stream** to repay the financing of the project.
Private Equity	Allows private entities to invest private funds or take an equity interest in the project in expectation of a return.		

OVERVIEW OF DELIVERY MODELS

The table below provides an overview of the delivery models analyzed by the Consultant Team, including for contractual and governance aspects, their key characteristics, advantages, and factors that challenge their implementation.

Delivery Arrangement	Description	Advantages	Challenges
Contractual Model			
Design-Bid-Build (i.e., Traditional Procurement)	Typically involves the sequential and discrete procurement of services to develop and construct an asset, with most risks associated with the delivery and operation.	• **Traditional project delivery method** in Hawai'i. • The **owner has full control** over the details of design, which may be a requirement for complex projects.	• Models do not address the fact that the **State and Counties are faced with limited funding.** • Most **risks** are retained by the public sector.
Design-Build	Owners execute a single, fixed-fee contract for both architectural/engineering services and construction.	• Schedule that allows for **overlapping design and construction.** • Has been **successfully used** in the State.	

OVERVIEW OF DELIVERY MODELS (cont.)

Delivery Arrangement	Description	Advantages	Challenges
Contractual Model (cont.)			
P3 models including private financing *Includes:* • *Design-Build-Finance (DBF)* • *Design-Build-Finance-Operate-Maintain (DBFOM)*	Integrated procurement model that combines the design and construction responsibilities of design-build procurements with operations and maintenance. Public ownership of the asset is retained.	• Allows project sponsor to **defer financing** either completely or partially during the construction period. • Allows the **transfer of certain risks to the private sector.** • Allows to **tap efficiencies** in delivery, management and commercialization from private sector. • Incentivizes **competitive pricing** for user services.	• **The State Procurement Code is flexible with regards to P3 contractual models, but it does not define them explicitly**. In order to enter such contracts, the developer is required to go through multiple opinions and interpretations of whether their proposed terms are compliant with the State Procurement Code and seek extensive guidance from State and county stakeholders. • **Concerns among some agency stakeholder** over the costs and benefits of P3s. • **Public sector pays a premium** in terms of financing costs.
P3 models including private operations and maintenance *Includes:* • *Design-Build-Operate-Maintain (DBOM)* • *Design-Build-Finance-operate-Maintain (DBFOM)*	A private entity is responsible for design and construction as well as long-term operation and/or maintenance services. The private entity is required to establish a long-term maintenance program up front, together with estimates of the associated costs. Public ownership of the asset is retained.	• Places **financial incentives and performance requirements** on the P3 partner to meet pre-established budget, scope, and schedule. • Promotes incorporation by the developer of **technical innovation** and best practices.	

OVERVIEW OF DELIVERY MODELS

Delivery Arrangement	Description	Advantages	Challenges
Governance Model			
Pre-existing Public Agencies	Project is led by a primary, pre-existing governmental entity. Local Example: Hawaii Department of Transportation	• Activities can be conducted with **staff and structures existing within existing agency.** • Agency **retains full ownership** and influence over the facility's design and operations.	• **Few incentives for entrepreneurship** unless strong leadership is installed. • Funding subject to legislative **appropriation process**.
Formal Agreement Among Agencies	Multiple governmental entities collaborate with binding obligations. Local Example: • Honolulu's Joint Traffic Management Center	• Activities can be conducted with **staff and structures existing within the collaborating agencies.**	• **Few incentives for entrepreneurship** unless strong leadership is installed. • Requires **strong coordination** system and division of responsibilities.
Dedicated Public Entity	A new public entity is established with infrastructure project as its essential purpose. Local Example: • Hawaii Community Development Authority	• Sometimes **able to issue its own debt.** • Potentially **larger accountability than other public agencies,** given narrower mission of the entity.	• Creation requires **executive or legislative approval** and reducing the competencies of other agencies. • Requires **costs associated with creating a separate government body.** • **No effective power** unless assigned revenue sources.

OVERVIEW OF DELIVERY MODELS (cont.)

Delivery Arrangement	Description	Advantages	Challenges
Governance Model (cont.)			
Public/Private Entity	Private and governmental entities share responsibility, funding, and risk. **Control over asset partly or fully transferred** to the private sector. Local Example: Graduate Housing Project at the University of Hawai'i at Mānoa.	• **Does not necessitate approval from legislative bodies** for formation. • Private partner can **fill the funding/financing gaps** from public sources. • Private partner can have **incentives to provide a good service** cost-effectively.	• If creation of a Special Purpose Vehicle for the governance asset takes place, it represents a **significant cost of creation and operation.**
Private Entity	All aspects of infrastructure and project management are led by a non-governmental entity. Local Example: Hawaiian Electric Industries.	• **Can facilitate quick delivery** and cost-effective governance. • **Not constrained by debt limit rules** like State agencies.	• **Would need high political approval** to control infrastructure projects that provide benefit to the public. • **Financing subject to cycles** in capital markets.

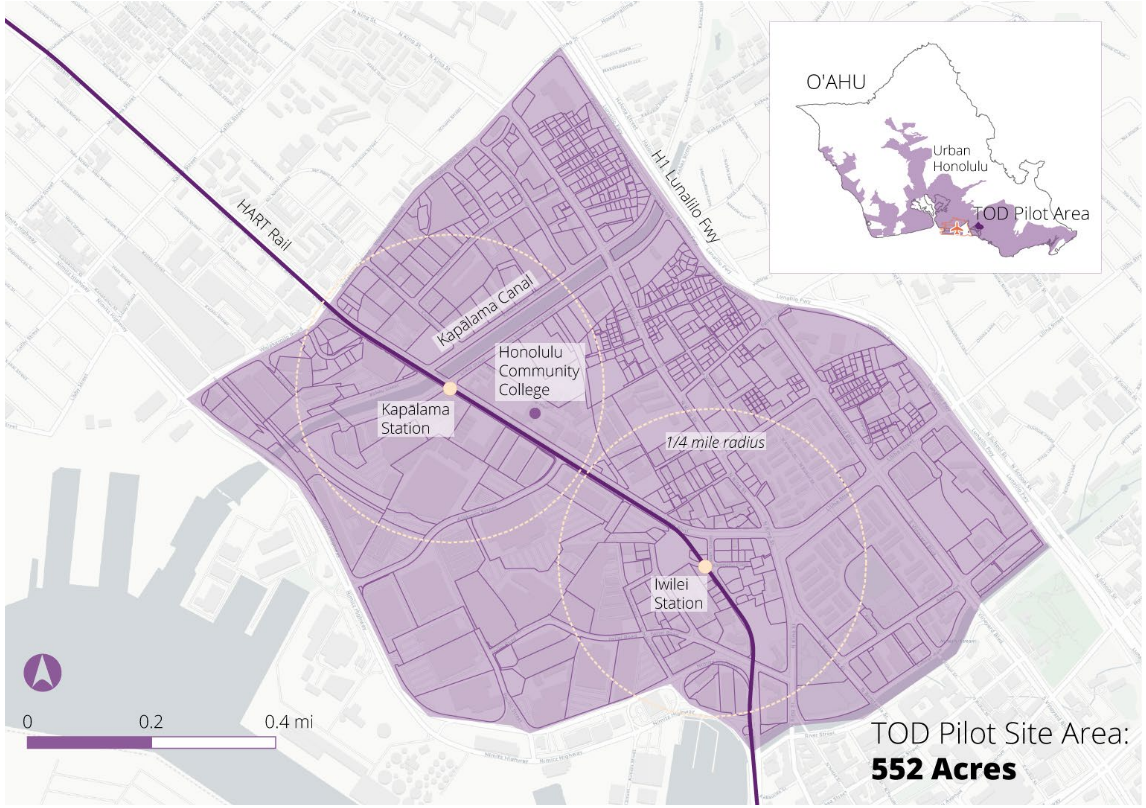
1.1

Overview of Options for Iwilei-Kapalama

OVERVIEW OF IWILEI-KAPALAMA TOD PILOT AREA

The Iwilei-Kapalama TOD Pilot Area is anchored by two planned rail stations with the Kapālama Station at the north and the Iwilei station south. 87 TOD-enabling infrastructure projects have been identified in the area, totaling $666.9 million in capital costs.

TOD Pilot Area Map and Key Landmarks



Summary of Infrastructure Needs

Projects*	# of Projects	Cost ($M)
Drainage System Improvements	18	$234.30
Electrical System Improvements	15	$163.30
Cured in Place Pipe for Sea Level Rise	1	$150.00
Roadway Improvement	18	$51.30
Water System Capacity Improvements	24	$41.50
Sewer Capacity Improvements	7	$21.60
Other Sea Level Rise Mitigation	1	$2.60
Improvement of Fire Facilities	2	$1.30
Wastewater Capacity Improvement	1	$1.00
Total	**87**	**$666.9**

Source: 2022 Draft Infrastructure Improvement Master Plan for the Iwilei Area; City and County of Honolulu.
(*) To the extent of information provided to the Consultant Team, all projects are considered districtwide infrastructure. See Deliverable 1 of the present study for further details.

COUNTY FISCAL OUTLOOK | City and County of Honolulu

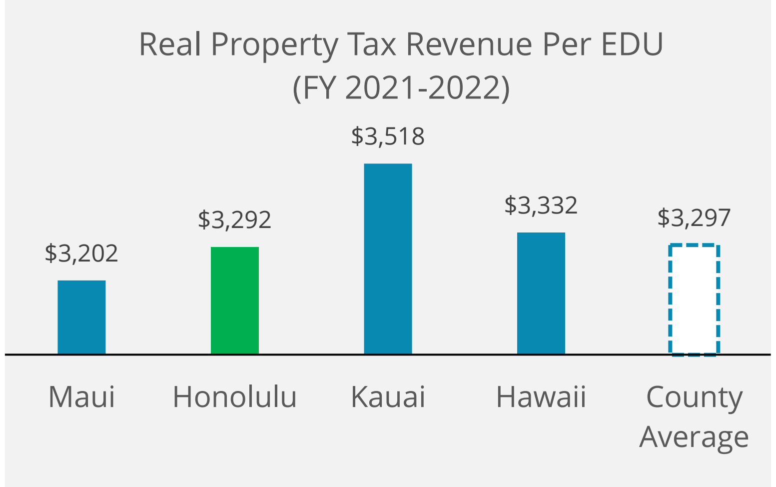
County General Fund, FY2018-2019*

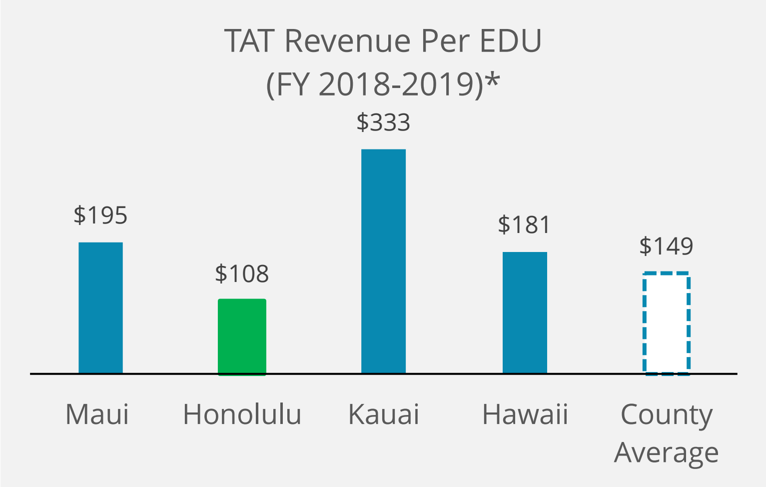
Item	$M	% of Total
Revenue from Taxes		
Real Property Taxes	$1,268.45	79%
TAT Transfer	$45.42	3%
Utilities Fees	$46.01	3%
Miscellaneous Fees**	$217.55	14%
Grants and Transfers	$25.58	2%
Total Fund	$1,603.00	100%
GET Surcharge Revenue	$270.00	17%

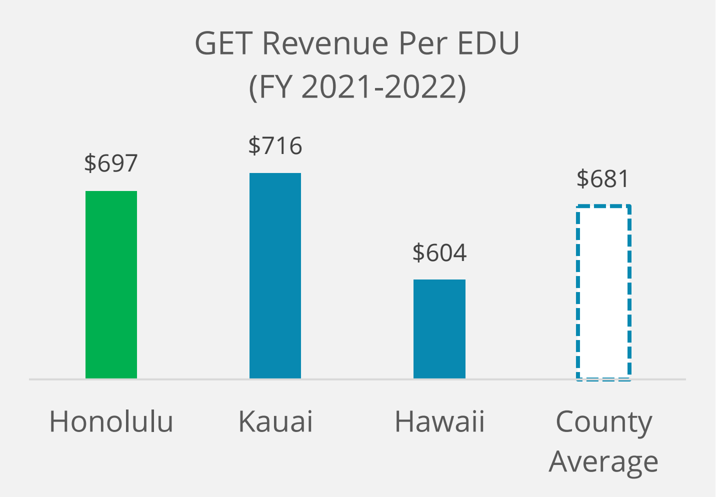
(*) Latest budget that is representative of TAT revenue within general fund, given COVID-19 pandemic and related suspension of TAT collection (**) Revenue from licenses and permits, fish and wildlife services, fines and forfeits, and other miscellaneous sources.

Key Takeaways for Infrastructure Funding:

- The County's budget has a high reliance on property tax revenue. However, effective property tax rates for in-State (0.4%) and out-of-state owners (0.46%) are less than half of the nationwide average (1.1%). At the current tax rates, property tax increment can bring in meaningful resources only in areas of high growth and high property values.
- Revenue from the GET surcharge, dedicated fully to the HART rail line, represents a significant share of the County's General Funds revenues (17%). The volume of resources a new GET surcharge could bring for infrastructure investments are likely significant.
- TAT provides relatively marginal revenues (2% of total funds) and revenue per EDU are below the average of Counties in Hawai'i. Given its relatively small tax base and weight in County finances, the TAT rate would have to be increased by a large amount to bring in additional resources for infrastructure funding.
- Revenue from Miscellaneous Fees are a significant share of the County's General Fund (14%). Depending on the regulations concerning the use of funds from each fee, it could be possible to earmark part of their revenue for infrastructure funding.







FUNDING AND FINANCING OPTIONS AVAILABLE IN IWILEI-KAPALAMA

Below is the list of available funding and financing options for the Iwilei-Kapalama TOD Pilot Area, including a distinction for whether they have significant or little revenue potential.* Available instruments are either permitted by the state regulatory framework or applicable for the purpose of projects in the case of government-sponsored programs.

Funding Sources			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Real Estate Value Capture	Land Value Capture	Development Impact Fees	●				Funding & Financing Capacity Assessment
		Community Facilities District	●				
		Tax Increment Financing			●		
		Special Improvement District	●				
		Sale of Development Rights			●		
	Government-Owned Real Estate	Ground Leases	●				
		Joint Development	●				
User Charges		Utilities Fees**			●		
Ancillary Sources	Lease revenue for facilities	Sponsorship/Advertisement		●			Review and Recommendation of Best Practices for Implementation
		Retail Concessions		●			
		Broadband		●			
		Solar Panel Installation		●			

(*) For further details on each option and analysis of availability in the TOD Pilot Area, please refer to the Resource Book.
(**) Utilities fees from projects in the TOD Pilot Area would not be available as a funding source for project-level utility infrastructure in the area as utilities do not typically isolate project-level user charges to pay for isolated project-level infrastructure. Instead, they use their overall user charge revenues to issue bonds, which go towards funding a comprehensive capital program (See Revenue Bonds section). At this time the capital project data has not isolated project responsibilities by utility companies.

FUNDING AND FINANCING OPTIONS AVAILABLE IN IWILEI-KAPALAMA (cont.)

Funding Sources (cont.)			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
State Loan Funds	Enabling Infrastructure for Affordable Housing	Dwelling Unit Revolving Fund	●				
		Rental Housing Revolving Fund	●				
	Other Infrastructure	Clean Water State Revolving Fund Program	●				
		Drinking Water State Revolving Fund	●				
Federal Sources	Federal Grants for Affordable Housing	Community Development Block Grants	●				
		HOME funds	●				
		Title VIII	●				
	Federal Grants for Transit	Local and Regional Project Assistance Grants (RAISE)	●				
	Federal Acts Discretionary Funding	COVID State and Local Fiscal Recovery Funds	●				
		IIJA-funded programs	●				
		IRA HUD Green and Resilient Retrofit Program	●				

FUNDING AND FINANCING OPTIONS AVAILABLE IN IWILEI-KAPALAMA (cont.)

			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	**Phase 3 Analysis**
Funding Sources (cont.)							
County Sources	Earmarking Tax Revenue from TOD Pilot Areas	GET surcharge revenue			●		Funding & Financing Capacity Assessment
		TAT surcharge revenue		●			
		Property tax revenue	●				
	Increase Tax Rate	GET surcharge rate			●		
		TAT surcharge rate				●	
		Effective property tax rate	●				
Financing Instruments							
State Instruments	Bonds backed by full State credit	GO Bonds	●				Funding & Financing Capacity Assessment
	Bonds backed by special funding streams	CFD Bonds	●				
		SID Bonds	●				
		Revenue Bonds	●				
		Special Purpose Revenue Bonds	●				
		Private Activity Bonds	●				
Federal Programs	Competitive Programs	TIFIA	●				
		State Infrastructure Bank			●		
		RRIF	●				

FUNDING AND FINANCING OPTIONS AVAILABLE IN IWILEI-KAPALAMA (cont.)

Financing Instruments (cont.)			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Private Options	Debt	Bank Loans	●				
	Equity	Private Equity	●				

DELIVERY OPTIONS AVAILABLE IN IWILEI-KAPALAMA

The delivery options for the Iwilei-Kapalama TOD Pilot Area are listed below.* Except for the Cured in Place Pipe for Sea Level Rise Project, all other projects in the pipeline would likely be realized through a government-led delivery model.**

Delivery Options			Available for all projects in TOD Pilot Area	Available only for certain projects in TOD Pilot Area	Not available for any project in TOD Pilot Area
Contractual Models	Solely Public	Design-Bid-Build	●		
		Design-Build	●		
	Public/Private	P3s without Private Financing		●	
		P3s with Private Financing		●	
Governance Models	Solely Public	Pre-existing Public Agencies	●		
		Formal Agreement Among Agencies	●		
		Dedicated Public Entity	●		
	Public/Private	Public/Private Entity		●	
		Private Entity		●	

(*) For further details on each option and analysis of availability in the TOD Pilot Area, please refer to the Resource Book.
(**) The Cured in Place Pipe for Sea Level Rise Project has several characteristics – such as a large capital need, a fair level of complexity, the need to build facilities from the ground, no specific utility company in charge – that makes it more suitable for public/private delivery models. For further details, please refer to the Resource Book.

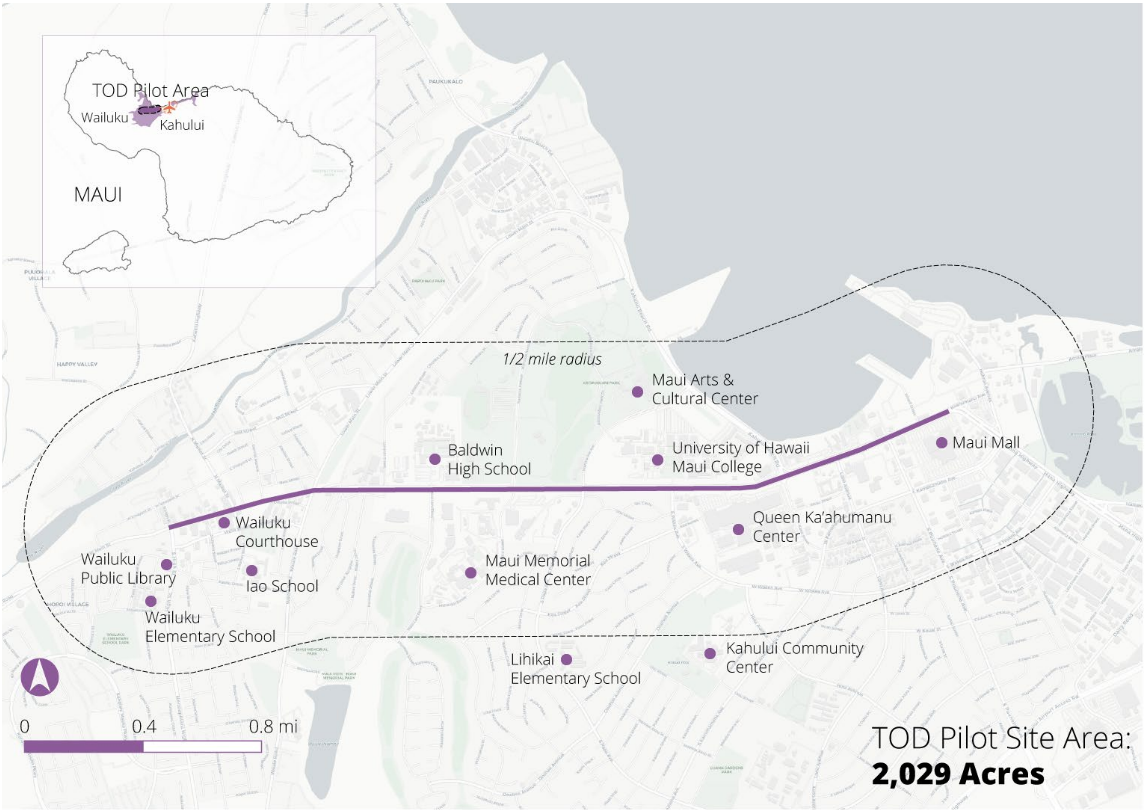
1.2

Overview of Options for Kaʻahumanu Avenue Corridor

OVERVIEW OF KA'AHUMANU AVENUE COMMUNITY CORRIDOR TOD PILOT AREA

The Kaʻahumanu Avenue Community Corridor is the location of Maui's major economic hub, hosting a large density of jobs, educational institutions, healthcare services, government services, retail, commercial, and recreational activities. Several TOD-enabling infrastructure projects have been identified in the area, totaling $115.7 million in capital costs.

TOD Pilot Area Map and Key Landmarks



Summary of Infrastructure Needs

Projects*	Type of Infrastructure	Cost ($M)
Wailuku Civic Hub - Parking Facility and plaza	Social Infrastructure	$5.5
Central Maui Reliable Capacity - Waihee Aquifer	Water	$14.6
Improvements to Kahekili Terrace	Housing	Unknown
60 S. Church St Building Renovations - County recently purchased building for efficiency of government operations	Social Infrastructure	$9.4
Halau of Oiwi Arts	Social Infrastructure	$54.0
War Memorial Gym Building Improvements - repair and renovation of the facility	Social Infrastructure	$25.0
War Memorial Football Stadium and Track Rehabilitation	Social Infrastructure	$7.2
Total		**$115.7**

Source: 2022-2023 Proposed Mayoral Budget; County of Maui.
(*) To the extent of information provided to the Consultant Team, all projects are considered districtwide infrastructure, except for Improvements to Kahekili Terrace. See Deliverable 1 of the present study for further details.

COUNTY FISCAL OUTLOOK | Maui County

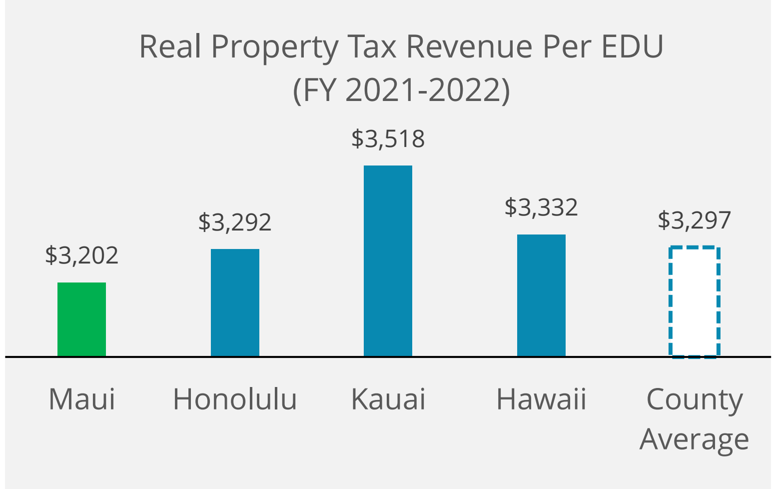
County General Fund, FY2018-2019*

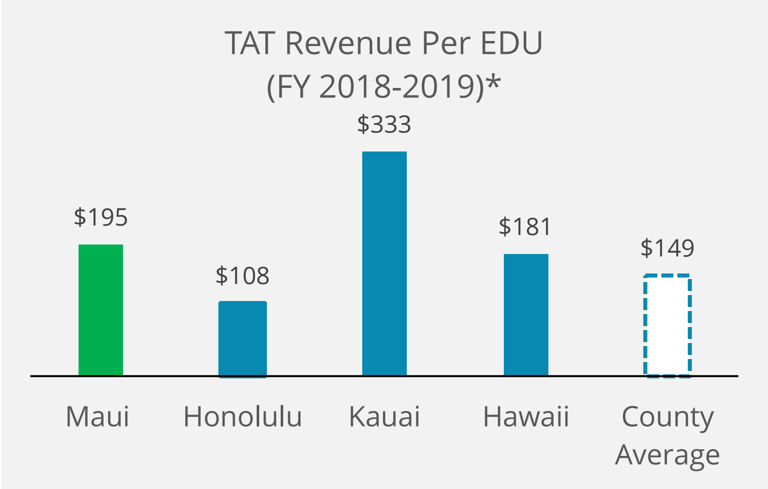
Item	$M	% of Total
Revenue from Taxes		
Real Property Taxes	$319.98	84%
TAT Transfers	$23.48	6%
Utility Fees	$7.82	2%
Federal payment in lieu of taxes	$0.07	0%
Miscellaneous Fees**	$28.94	8%
Total Fund	$380.29	100%

(*) Latest budget that is representative of TAT revenue within general fund, given COVID-19 pandemic and further suspension of TAT collection.
(**) Revenue from licenses and permits, fines and forfeits, and other misc. sources.

Key Takeaways Relevant for Infrastructure Funding

- Maui County has a high reliance on property tax revenue, although its collection per equivalent dwelling unit (EDU) is the lowest among counties and effective tax rates are lower than the national average of 1.1%. At the current rates, using property tax revenue for district-based financing could only bring significant revenues if implemented in areas with high growth and property values.
- Maui County does not implement the General Excise Tax (GET) surcharge, although it is authorized to do so by State legislation. GET represents a moderate to large source of resources in other counties and implementing in Maui could bring significant resources for infrastructure investments.
- Prior to COVID-19, TAT collection per EDU was above the average for all Counties in Hawai'i but was of moderate importance, representing 6% of the County's General Fund. Therefore, the TAT rate would likely need to undergo a large increase in order to bring meaningful additional resources.
- Revenue from Miscellaneous Fees are a significant share of the County's General Fund (8%). Depending on the regulations concerning the use of funds from each fee, it could be possible to earmark part of their revenue for infrastructure funding.





FUNDING AND FINANCING OPTIONS AVAILABLE IN KA‘AHUMANU AVENUE CORRIDOR

Below is the list of available funding and financing options for the Ka‘ahumanu Avenue Corridor TOD Pilot Area, including a distinction for whether they have significant or little revenue potential.* Available are either permitted by the regulatory framework or applicable for the purpose of projects in the case of government-sponsored programs.

Funding Sources			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Real Estate Value Capture	Land Value Capture	Development Impact Fees	●				Funding & Financing Capacity Assessment
		Community Facilities District		●			
		Tax Increment Financing				●	
		Special Improvement District		●			
		Sale of Development Rights				●	
	Government-Owned Real Estate	Ground Leases	●				
		Joint Development	●				
User Charges		Utilities Fees**			●		
Ancillary Sources	Lease revenue for facilities	Sponsorship/Advertisement Retail Concessions		●			Review and Recommendation of Best Practices for Implementation
		Broadband		●			
		Solar Panel Installation		●			

(*) For further details on each option and analysis of availability in the TOD Pilot Area, please refer to the pages noted.
(**) Utilities fees from projects in the TOD Pilot Area would not be available as a funding source for project-level utility infrastructure in the area as utilities do not typically isolate project-level user charges to pay for isolated project-level infrastructure. Instead, they use their overall user charge revenues to issue bonds, which go towards funding a comprehensive capital program (See Revenue Bonds section). At this time the capital project data has not isolated project responsibilities by utility companies.

FUNDING AND FINANCING OPTIONS AVAILABLE IN KAʻAHUMANU AVENUE CORRIDOR (cont.)

Funding Sources (cont.)			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
State Loan Funds	Enabling Infrastructure for Affordable Housing	Dwelling Unit Revolving Fund	●				
		Rental Housing Revolving Fund	●				
	Other Infrastructure	Clean Water State Revolving Fund Program	●				
		Drinking Water State Revolving Fund	●				
Federal Sources	Federal Grants for Affordable Housing	Community Development Block Grants	●				
		HOME funds	●				
		Title VIII	●				
	Federal Grants for Transit	Local and Regional Project Assistance Grants (RAISE)	●				
	Federal Acts Discretionary Funding	COVID State and Local Fiscal Recovery Funds	●				
		IIJA-funded programs	●				
		IRA HUD Green and Resilient Retrofit Program	●				

FUNDING AND FINANCING OPTIONS AVAILABLE IN KA'AHUMANU AVENUE CORRIDOR (cont.)

			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	**Phase 3 Analysis**
Funding Sources (cont.)							
County Sources	Earmarking Tax Revenue from TOD Pilot Areas	GET surcharge revenue			●*		Funding & Financing Capacity Assessment
		TAT surcharge revenue		●			
		Property tax revenue	●				
	Increase Tax Rate	GET surcharge rate			●*		
		TAT surcharge rate				●	
		Effective property tax rate	●				
Financing Instruments							
State Instruments	Bonds backed by full State credit	GO Bonds	●				Funding & Financing Capacity Assessment
	Bonds backed by special funding streams	CFD Bonds	●				
		SID Bonds	●				
		Revenue Bonds	●				
		Special Purpose Revenue Bonds	●				
		Private Activity Bonds	●				
Federal Programs	Competitive Programs	TIFIA	●				
		State Infrastructure Bank			●		
		RRIF				●	

(*) Maui County is authorized by the State to implement a GET surcharge of up 0.5%, but the County has not exercised this authorization.

FUNDING AND FINANCING OPTIONS AVAILABLE IN KA‘AHUMANU AVENUE CORRIDOR (cont.)

			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	**Phase 3 Analysis**
Financing Instruments (cont.)							
Private Options	Debt	Bank Loans				●	
	Equity	Private Equity				●	

DELIVERY OPTIONS AVAILABLE IN KAʻAHUMANU AVENUE CORRIDOR

The delivery options for the Kaʻahumanu Avenue Corridor TOD Pilot Area are listed below.* All projects in the pipeline would be most appropriately realized through a government-led delivery model.**

Delivery Options			Available for all projects in TOD Pilot Area	Available only for certain projects in TOD Pilot Area	Not available for any project in TOD Pilot Area
Contractual Models	Solely Public	Design-Bid-Build	●		
		Design-Build	●		
	Public/Private	P3s without Private Financing			●
		P3s with Private Financing			●
Governance Models	Solely Public	Pre-existing Public Agencies	●		
		Formal Agreement Among Agencies	●		
		Dedicated Public Entity	●		
	Public/Private	Public/Private Entity			●
		Private Entity			●

(*) For further details on each option and analysis of availability in the TOD Pilot Area, please refer to the Resource Book.
(**) Identified projects in the area have several characteristics – including their relatively small capital needs, low complexity, and lack of potential for revenue generation – that do not render them suitable candidates for public/private delivery models. for further analysis, please refer to the Resource Book.

1.3

Overview of Options for Līhuʻe Town Core

OVERVIEW OF LĪHUʻE TOWN CORE TOD PILOT AREA

The Līhuʻe Civic Center is the anchor of the town of Līhuʻe in Kauaʻi County, located west of the Līhuʻe Airport and the cruise ship terminal at Nāwiliwili Harbor. Several TOD-enabling infrastructure projects have been identified in the area, totaling at least $8.0 million in capital costs.

TOD Pilot Area Map and Key Landmarks

Summary of Infrastructure Needs

Projects*	Type of Infrastructure	Cost ($M)
Civic Center Special Planning Area water and wastewater hook-up fees.	Water Capacity Improvements	$2.9M
Rice Street Special Planning Area water and wastewater hook-up fees.	Water Capacity Improvements	$5.1M
Līhuʻe Civic Center Mobility Plan	Transportation	To be determined
Additional Water Capacity Improvements	Water Capacity Improvements	To be determined
Total		**$8.0**

Source: County of Kauaʻi.
(*) To the extent of information provided to the Consultant Team, all projects are considered districtwide infrastructure. See Deliverable 1 of the present study for further details.

COUNTY FISCAL OUTLOOK | Kauaʻi County

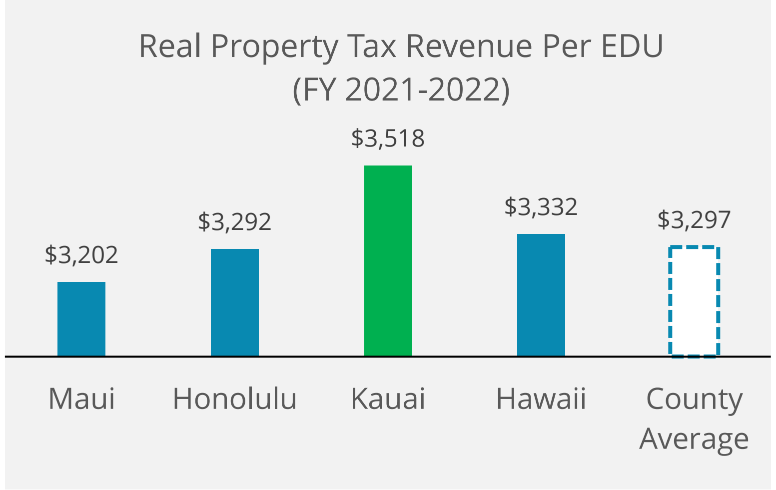
County General Fund, FY2018-2019*

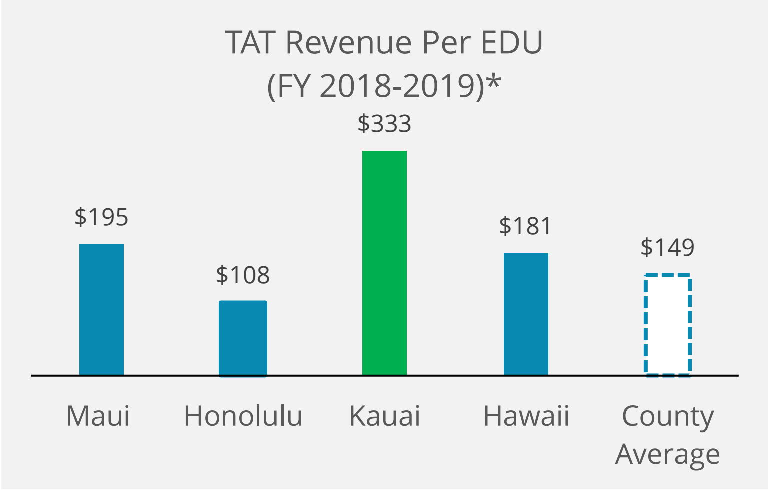
Item	$M	% of Total
Revenue from Taxes		
Real Property Taxes	$135.46	73%
TAT Surcharge	$14.90	8%
GET Surcharge	$12.50	7%
Utility Fees	$3.20	2%
Miscellaneous Fees***	$20.49	11%
Total Fund	$159.15	100%

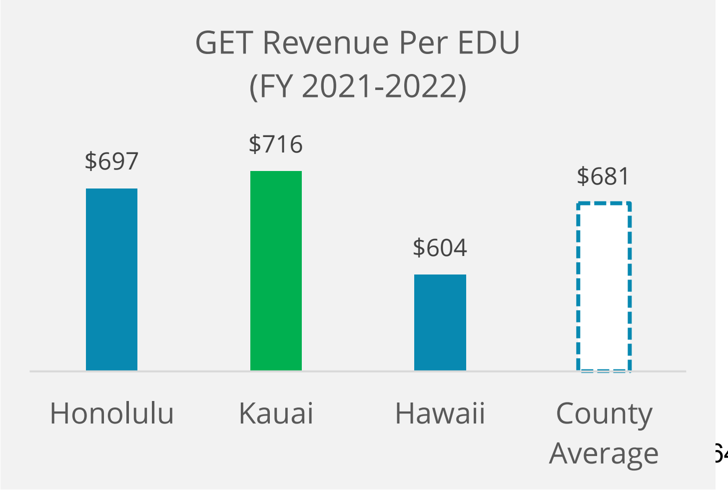
(*) Latest budget that is representative of TAT revenue within general fund, given COVID-19 pandemic and further suspension of TAT collection.
(***) Revenue from licenses and permits, investments, property, inter-gov. revenues, and charges for current services.

Key Takeaways relevant for Infrastructure Funding:

- Kauaʻi County has a high reliance on property tax revenue. At the same time, the effective rate of property tax (0.56% of home value for in-State owners, 1.05% for out-of-State owners) is relatively low when compared with other States, although its collection per equivalent dwelling unit (EDU) is the largest among the four counties. At the current tax rates, property tax increment can bring in meaningful resources only in areas of high growth and high property values.
- Revenue from GET and TAT represent a moderate share of county revenues (7% and 8% of the County's General Fund in the last fiscal year prior to the COVID-19 pandemic, respectively), despite bringing the largest collection per EDU when compared with other counties in the State. Increasing rates would likely provide a meaningful but only complementary source of funding for infrastructure investments, assuming the County finds other resources to cover these investments.
- Revenue from Miscellaneous Fees are a significant share of the County's General Fund (11%). Depending on the regulations concerning the use of funds from each fee, it could be possible to earmark part of their revenue for infrastructure funding.







FUNDING AND FINANCING OPTIONS AVAILABLE IN LĪHUʻE TOWN CORE

Below is the list of available funding and financing options for the Līhuʻe Town Core TOD Pilot Area, including a distinction for whether they have significant or little revenue potential.* Available are either permitted by the regulatory framework or applicable for the purpose of projects in the case of government-sponsored programs.

Funding Sources			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Real Estate Value Capture	Land Value Capture	Development Impact Fees			●		Funding & Financing Capacity Assessment
		Community Facilities District		●			
		Tax Increment Financing				●	
		Special Improvement District		●			
		Sale of Development Rights				●	
	Government-Owned Real Estate	Ground Leases	●				
		Joint Development	●				
User Charges		Utilities Fees**			●		
Ancillary Sources	Lease revenue for facilities	Sponsorship/Advertisement Retail Concessions		●			Review and Recommendation of Best Practices for Implementation
		Broadband		●			
		Solar Panel Installation		●			

(*) For further details on each option and analysis of availability in the TOD Pilot Area, please refer to the Resource Book.
(**) Utilities fees from projects in the TOD Pilot Area would not be available as a funding source for project-level utility infrastructure in the area as utilities do not typically isolate project-level user charges to pay for isolated project-level infrastructure. Instead, they use their overall user charge revenues to issue bonds, which go towards funding a comprehensive capital program (See Revenue Bonds section). At this time the capital project data has not isolated project responsibilities by utility companies.

FUNDING AND FINANCING OPTIONS AVAILABLE IN LĪHUʻE TOWN CORE (cont.)

Funding Sources (cont.)			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
State Loan Funds	Enabling Infrastructure for Affordable Housing	Dwelling Unit Revolving Fund	●				
		Rental Housing Revolving Fund	●				
	Other Infrastructure	Clean Water State Revolving Fund Program	●				
		Drinking Water State Revolving Fund	●				
Federal Sources	Federal Grants for Affordable Housing	Community Development Block Grants	●				
		HOME funds	●				
		Title VIII	●				
	Federal Grants for Transit	Local and Regional Project Assistance Grants (RAISE)	●				
	Federal Acts Discretionary Funding	COVID State and Local Fiscal Recovery Funds	●				
		IIJA-funded programs	●				
		IRA HUD Green and Resilient Retrofit Program	●				

FUNDING AND FINANCING OPTIONS AVAILABLE IN LĪHU‘E TOWN CORE (cont.)

			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Funding Sources (cont.)							
County Sources	Earmarking Tax Revenue from TOD Pilot Areas	GET surcharge revenue			●		Funding & Financing Capacity Assessment
		TAT surcharge revenue		●			
		Property tax revenue	●				
	Increase Tax Rate	GET surcharge rate			●		
		TAT surcharge rate				●	
		Effective property tax rate	●				
Financing Instruments							
State Instruments	Bonds backed by full State credit	GO Bonds	●				
	Bonds backed by special funding streams	CFD Bonds	●				Funding & Financing Capacity Assessment
		SID Bonds	●				
		Revenue Bonds	●				
		Special Purpose Revenue Bonds	●				
		Private Activity Bonds	●				
Federal Programs	Competitive Programs	TIFIA	●				
		State Infrastructure Bank			●		
		RRIF				●	

FUNDING AND FINANCING OPTIONS AVAILABLE IN LĪHU‘E TOWN CORE (cont.)

Financing Instruments (cont.)			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Private Options	Debt	Bank Loans				●	
	Equity	Private Equity				●	

DELIVERY OPTIONS AVAILABLE IN LĪHUʻE TOWN CORE

The delivery options for the Līhuʻe Town Core TOD Pilot Area are listed below.* All projects in the pipeline would be most appropriately realized through a government-led delivery model.**

Delivery Options			Available for all projects in TOD Pilot Area	Available only for certain projects in TOD Pilot Area	Not available for any project in TOD Pilot Area
Contractual Models	Solely Public	Design-Bid-Build	●		
		Design-Build	●		
	Public/Private	P3s without Private Financing			●
		P3s with Private Financing			●
Governance Models	Solely Public	Pre-existing Public Agencies	●		
		Formal Agreement Among Agencies	●		
		Dedicated Public Entity	●		
	Public/Private	Public/Private Entity			●
		Private Entity			●

(*) for further details on each option and analysis of availability in the TOD Pilot Area, please refer to the Resource Book.
(**) Identified projects in the area have several characteristics – including their relatively small capital needs, low complexity, and lack of potential for revenue generation – that do not render them suitable candidates for public/private delivery models. for further analysis, please refer to the Resource Book.

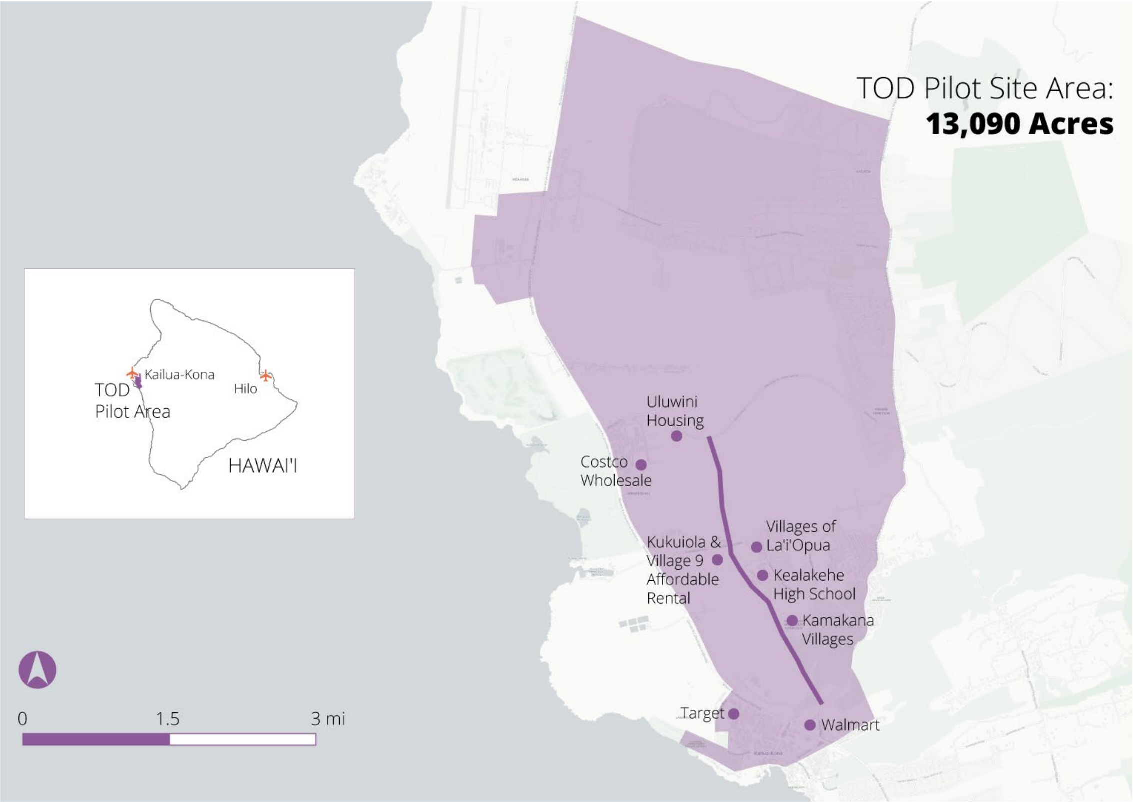
1.4

Overview of Options for Ane Keohokalole Highway Corridor

OVERVIEW OF ANE KEOHOKALOLE HIGHWAY CORRIDOR TOD PILOT AREA

The 2.9-mile Ane Keohokalole Highway Corridor runs parallel to the Queen Kaʻahumanu Highway from Palani Road to Hina Lani Street and has multiple opportunities for new development, particularly affordable housing. Several TOD-enabling infrastructure projects have been identified in the area, totaling $461.7 million in capital costs.

TOD Pilot Area Map and Key Landmarks



Source: County of Hawaiʻi; 2010 Infrastructure Master Plan for North Kona.
(*) To the extent of information provided to the Consultant Team, all projects are considered districtwide infrastructure, except those related to La'i 'Ōpua and Kamakana Villages developments.
See Deliverable 1 of the present study for further details.

Summary of Infrastructure Needs

Projects	Type of Infrastructure	Cost ($M)
Old Airport Park Transit Station and Kailua-Kona Bus Maintenance Facility	Transit	$10.70
Kealakehe Animal Shelter and Kealakehe Regional Park	Social infrastructure	$40.60
Ulu Wini Low Income Housing Wastewater Treatment Plant	Repair of existing Wastewater Transportation Project	$4.00
Kealakehe Wastewater Transportation Projects	Wastewater Upgrade	$144.50
Kealakehe Refuse Transfer Station	Solid Waste	$7.20
North Kona Mid-Level Well	Wells, Reservoirs and Pipelines	$20.00
Waiaha Well No. 2	Wells, Reservoirs and Pipelines	$7.00
Enabling infrastructure for La'i 'Ōpua Villages	Off-site water and wastewater distribution lines, roads, utilities, and extension of the Ane Keohokalole Highway	$169.20
Enabling infrastructure for Kamakana Villages	Wells, a reservoir, a sewer plant, access roads from Ane Keohokalole Highway, and parks	$58.50
Total		**$461.70**

COUNTY FISCAL OUTLOOK | Hawaiʻi County

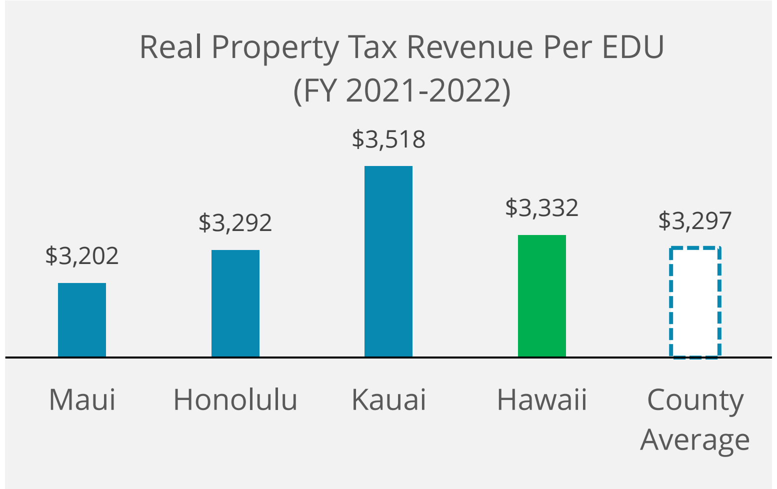
County General Fund, FY2018-2019*

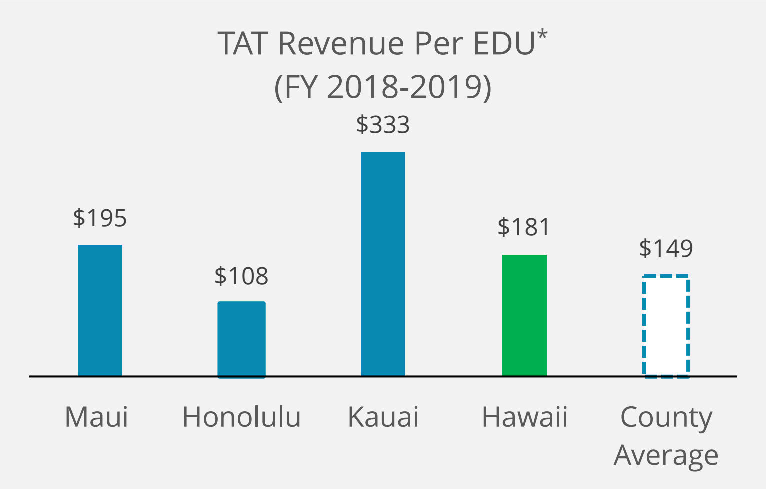
Item	$M	% of Total
Revenue from Taxes		
Real Property Taxes	$424.01	66%
TAT Surcharge	$19.00	3%
GET Surcharge**	$50.00	8%
Other Taxes	$8.80	1%
Miscellaneous Fees	$50.88	8%
Grants and Transfers	$94.63	15%
Total Fund	$647.32	100%

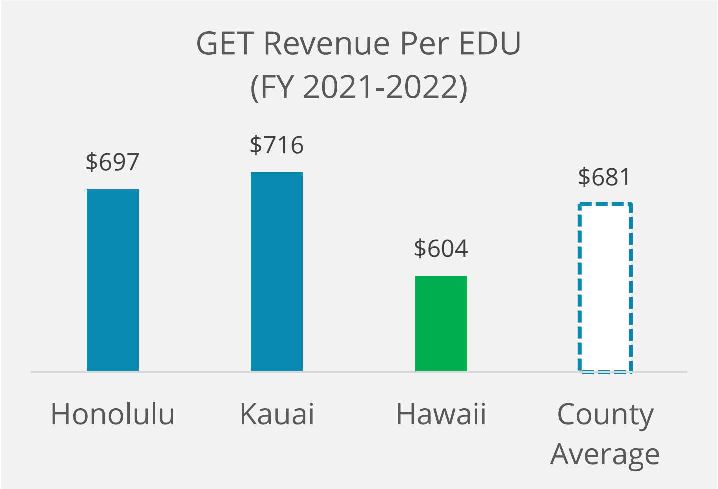
(*) Latest budget that is representative of TAT revenue within general fund, given COVID-19 pandemic and further suspension of TAT collection.
(**) GET Surcharge is not part of the General Fund but included for ease of comparison. (***) Accounts for intergovt. revenue charges for services, fines and forfeitures, and other misc. revenues,

Key Takeaways Relevant for Infrastructure Funding

- Hawaiʻi County has a high reliance on property tax revenue. Effective property rates tax for in-state owners are low when compared with the national average (0.9% versus 1.1%), although out-of-State owners are charged significantly more (2.22% of home values). At the current tax rates, property tax increment can bring in meaningful resources only in areas of high growth and high property values.
- Revenue from the new GET surcharge is becoming a significant source of county revenue, at 8% of the County's General Fund, although it is below the amount collected per equivalent dwelling unit (EDU) on Oahu and Kauaʻi. Therefore, increasing rates would likely provide a meaningful but only complementary source of funding for infrastructure investments, assuming the County finds other resources to fund these investments.
- TAT provides a relatively marginal share of revenues (3% of the General Fund). Therefore, the TAT rate would likely have to be increased substantially to bring meaningful additional resources for infrastructure investments.
- Revenue from Miscellaneous Fees are a significant share of the County's General Fund (11%). Depending on the regulations concerning the use of funds from each fee, it could be possible to earmark part of their revenue for infrastructure funding.







FUNDING AND FINANCING OPTIONS AVAILABLE IN ANE KEOHOKALOLE HIGHWAY CORRIDOR

Below is the list of available funding and financing options for the Ane Keohokalole Highway Corridor TOD Pilot Area, including a distinction for whether they have significant or little revenue potential.* Available instruments are either permitted by the state regulatory framework or applicable for the purpose of projects in the case of government-sponsored programs.

Funding Sources			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Real Estate Value Capture	Land Value Capture	Development Impact Fees			●		
		Community Facilities District	●				
		Tax Increment Financing			●		
		Special Improvement District	●				Funding & Financing Capacity Assessment
		Sale of Development Rights			●		
	Government-Owned Real Estate	Ground Leases	●				
		Joint Development	●				
User Charges		Utilities Fees**			●		
Ancillary Sources	Lease revenue for facilities	Sponsorship/Advertisement		●			
		Retail Concessions					Review and Recommendation of Best Practices for Implementation
		Broadband		●			
		Solar Panel Installation		●			

(*) For further details on each option and analysis of availability in the TOD Pilot Area, please refer to the Resource Book.
(**) Utilities fees from projects in the TOD Pilot Area would not be available as a funding source for project-level utility infrastructure in the area as utilities do not typically isolate project-level user charges to pay for isolated project-level infrastructure. Instead, they use their overall user charge revenues to issue bonds, which go towards funding a comprehensive capital program (See Revenue Bonds section). At this time the capital project data has not isolated project responsibilities by utility companies.

FUNDING AND FINANCING OPTIONS AVAILABLE IN ANE KEOHOKALOLE HIGHWAY CORRIDOR (cont.)

			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Funding Sources (cont.)							
State Loan Funds	Enabling Infrastructure for Affordable Housing	Dwelling Unit Revolving Fund	●				
		Rental Housing Revolving Fund	●				
	Other Infrastructure	Clean Water State Revolving Fund Program	●				
		Drinking Water State Revolving Fund	●				
Federal Sources	Federal Grants for Affordable Housing	Community Development Block Grants	●				
		HOME funds	●				
		Title VIII	●				
	Federal Grants for Transit	Local and Regional Project Assistance Grants (RAISE)	●				
	Federal Acts Discretionary Funding	COVID State and Local Fiscal Recovery Funds	●				
		IIJA-funded programs	●				
		IRA HUD Green and Resilient Retrofit Program	●				

FUNDING AND FINANCING OPTIONS AVAILABLE IN ANE KEOHOKALOLE HIGHWAY CORRIDOR (cont.)

			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	**Phase 3 Analysis**
Funding Sources (cont.)							
County Sources	Earmarking Tax Revenue from TOD Pilot Areas	GET surcharge revenue			●		Funding & Financing Capacity Assessment
		TAT surcharge revenue		●			
		Property tax revenue	●				
	Increase Tax Rate	GET surcharge rate			●		
		TAT surcharge rate				●	
		Effective property tax rate	●				
Financing Instruments							
State Instruments	Bonds backed by full State credit	GO Bonds	●				
	Bonds backed by special funding streams	CFD Bonds	●				Funding & Financing Capacity Assessment
		SID Bonds	●				
		Revenue Bonds	●				
		Special Purpose Revenue Bonds	●				
		Private Activity Bonds	●				
Federal Programs	Competitive Programs	TIFIA	●				
		State Infrastructure Bank			●		
		RRIF				●	

FUNDING AND FINANCING OPTIONS AVAILABLE IN ANE KEOHOKALOLE HIGHWAY CORRIDOR (cont.)

Financing Instruments (cont.)			Available in county and high-moderate revenue potential in TOD Pilot Area	Available in county but low revenue potential in TOD Pilot Area	Not available in county but high-moderate revenue potential in TOD Pilot Area	Not available in county and low revenue potential in TOD Pilot Area	Phase 3 Analysis
Private Options	Debt	Bank Loans	●				
	Equity	Private Equity	●				

DELIVERY OPTIONS AVAILABLE IN ANE KEOHOKALOLE HIGHWAY CORRIDOR

The delivery options for the Ane Keohokalole Highway Corridor TOD Pilot Area are listed below.* Projects that enable a specific private real estate development – including the Kealakehe Wastewater Transportation and the Roads to La'i 'Ōpua Villages & Kamakana Villages – have potential to be delivered through government-led or public/private models.** All other projects in the pipeline would likely be realized through a government-led delivery model.

Delivery Options			Available for all projects in TOD Pilot Area	Available only for certain projects in TOD Pilot Area***	Not available for any project in TOD Pilot Area
Contractual Models	Solely Public	Design-Bid-Build	●		
		Design-Build	●		
	Public/Private	P3s without Private Financing		●	
		P3s with Private Financing		●	
Governance Models	Solely Public	Pre-existing Public Agencies	●		
		Formal Agreement Among Agencies	●		
		Dedicated Public Entity	●		
	Public/Private	Public/Private Entity		●	
		Private Entity		●	

(*) For further details on each option and analysis of availability in the TOD Pilot Area, please refer to the Resource Book.
(**) These projects have several characteristics – such as a large capital need, a fair level of complexity, the need to build facilities from the ground (i.e., a greenfield asset), no specific utility company in charge – that makes it more suitable for public/private delivery models. for further analysis, please see the Resource Book.
(***) Includes Kealakehe Wastewater Transportation and the Roads to La'i 'Ōpua Villages & Kamakana Villages.

RESOURCE BOOK

2.0

Assessment of Funding Sources

2.1

Value Capture Instruments

Development Impact Fees

Development Impact Fees

Characteristics and Potential for Infrastructure Funding

Development Impact Fees (DIFs) are one-time charges levied by local governments on new development. They are charged to developers to help municipalities recover growth-related infrastructure and public service costs. DIFs help protect the existing tax-paying local community from having to shoulder the additional cost of added public services by asking the developer and incoming users of new spaces to share such costs.

An **alternative to DIFs are in-kind contributions from developers** (for e.g., public space improvements, other community benefits) that are negotiated with government agencies to mitigate negative area effects from construction and development.

Revenue Characteristics

Revenue Magnitude	
Gross revenue potential	DIFs can be a meaningful source of funding if they can be charged at a high enough rate to mitigate impacts from growth. for this to take place, a private developer must be interested in building a new development program, and market conditions need to be strong enough for the project to be financially viable with the fee.
Timing of revenues	One-time charges. Payments vary based on program design.
Revenue Stability	
Sensitivity to market conditions	This tool is subject to the volatility of real estate markets in that the amount of exaction a project investor can afford to pay varies according to land value and the economics of the real estate project.
Predictability of revenue stream	Relatively predictable, as they are a function of the cost required to build new infrastructure.

Advantages

- Impact fees can be used to fund infrastructure expenses and proceeds can be earmarked to fund specific works.
- Since fees are a one-time payment associated with funding a specific work, they can be easier to implement and more successful in avoiding opposition than other methods involving tax increases or new taxes.
- In Hawai‘i, they can be imposed by County Councils and Water Boards and do not require the agreement from property owners.

Disadvantages

- In comparison with other land value capture instruments, there is less flexibility in revenue from DIFs. Any use must meet the requirements of a rational nexus test that demonstrates a link between the costs imposed by the fee and the services provided as a result of the fee.
- Imposing DIFs can threaten the viability of new real estate development if market conditions are not strong enough to sustain financial viability of projects in the presence of fees.
- DIFs require significant research to determine the correct fee amount and require County Council approval.

Development Impact Fees

State-level Context and Applicability

Availability in the State of Hawai‘i:

AVAILABLE

The existing regulatory framework allows county councils to adopt DIFs for infrastructure purposes and the State implements a type of DIFs through the Department of Education in order to fund new schools. However, there is a limited track record of implementation.

Institutional and Regulatory Framework

There are **two types of DIFs** authorized in the State:

Act 282 SLH 1992 allows county councils and water boards to impose impact fees. The authority to impose impact fees is granted to counties by the Hawai‘i Revised Statutes (HRS) Sections 346-141. The main use has been for highway improvements in East Kapolei, Oahu, where a highway impact fee is assessed on nearby housing and commercial development to fund the additional infrastructure needs associated with the growth spurred by the highway construction. Counties have also enacted impact fees ordinances related to traffic, water, wastewater, solid waste, housing, and other public services.

Act 245 SLH 2007 allows the Hawai'i Department of Education (DOE) to collect impact fees from residential housing developments in certain areas. Developers can either pay a fee or provide land to contribute to the cost of building new or expanding existing DOE facilities. DHHL affordable housing projects are exempted from paying these fees. The DOE has identified five impact districts across Oahu, Hawai'i, and Maui.

Development Impact Fees

Availability in Counties and TOD Pilot Areas

Availability in Counties	City and County of Honolulu	County of Maui	County of Kauaʻi	County of Hawaiʻi
Track record of Implementation in the County	Impact fees only allowed on the Ewa area; implementation of the Ewa highway impact fee program is still ongoing. Beginning Oct. 1, 2018, homebuilders and residential developers in the urban corridor from Kalihi to Ala Moana are subject to the DOE impact fee when applying for building permits for new residential construction.	County Bill 83 (2006) created an impact fee system for traffic and roadway improvements in West Maui, Kihei-Makena, Hana, Makawao-Pukalani-Kula, Wailuku-Kahului and Paia-Haiku areas. However, planning studies needed to estimate the fees have not yet been conducted, and DIFs have not been implemented.	DIFs are not authorized. However, the county has a system of one-time Facilities Reserve Charges (FRC) in place on new water system connections. The FRC is intended to recover a proportional share of the cost of facilities (source, storage, and transmission) necessary to provide water system capacity to new developments.	DIFs are not authorized. County charges a "fair-share contribution" to pay for parks, police, fire, roads and solid waste facilities and services (Hawaii County Code §2-162).
Availability in the County	**AVAILABLE,** although only permitted in the Ewa Area	**AVAILABLE,** although only permitted in specific areas	**NOT AVAILABLE**	**NOT AVAILABLE**

Availability in TOD Pilot Areas	Iwilei-Kapalama	Kaʻahumanu Avenue Corridor	Līhuʻe Town Core	Ane Keohokalole Highway Corridor
Opportunities for Implementation in TOD Area	There is significant residential and commercial growth forecasted for the area that could bring revenue streams for DIFs.	Corridor is within area were impact fees can be implemented. However, except for the potential redevelopment of the Queen Kaʻahumanu Center, there is no existing development pipeline to support the implementation of DIFs, This could change if a large developer gains interest in the area.	Only FRCs could be charged on new redevelopment projects.	Identified redevelopment opportunities could provide relevant revenue streams for DIFs.
Availability in TOD Pilot Area	**NOT AVAILABLE**, although revenue potential is feasible provided changes in local legislation	**AVAILABLE,** although with likely limited revenue potential	**NOT AVAILABLE**	**NOT AVAILABLE**, although revenue potential is feasible provided changes in local legislation

Community Facilities Districts

Community Facilities Districts

Characteristics and Potential for Infrastructure Funding

Community Facilities Districts (CFDs) are special districts where property owners in an established geographic area agree to levy a special tax on their property to fund services and infrastructure improvements. Thus, those owners effectively pay for public facilities improvements as part of their property tax bill. CFDs are created through sponsorship by the county councils, and the district includes all properties that will benefit from improvements or services resulting from its formation.

Counties can issue CFD bonds, which are only payable from the annual special tax levied, without affecting their credit rating. As a community develops, the responsibility for payment of that debt shifts from the developer to the property owner, as it is the property owner who benefits from the public infrastructure improvements.

CFD property tax rates vary by year, depending on the levy needed to cover debt service requirements as well as the district's operations and maintenance.

Revenue Characteristics

Revenue Magnitude	
Gross revenue potential	**Magnitude and feasibility of a CFD tax is contingent on the market conditions of the development**, and on whether a new tax does not threaten financial viability. The magnitude of the tax will also determine the amount of financing the CFD can obtain.
Timing of revenues	**Unlike TIF districts, CFDs start generating revenues immediately**. Once CFD bonds are issued and insured, funds can be deployed to the improvements that will benefit a specific area.
Revenue Stability	
Sensitivity to market conditions	While the funding provided by CFDs are provided at one point in time, the **cash flow needed to service the debt are sensitive to market conditions**. Therefore, CFD property tax rates will vary by year depending on the levy needed to cover debt service requirements
Predictability of revenue stream	**Revenues are predictable** as taxes are collected once the district is established.

Advantages

- CFD is versatile and can fund and finance most infrastructure improvements. CFD tax rates are flexible and can be adjusted over time.
- Starts providing revenues upfront upon formation of district and may allow certain public improvements to be constructed earlier in the development process than they might otherwise be.
- CFD bonds are secured only by the property subject to the tax and not the general fund of the county, and capital markets are familiar with the instrument

Disadvantages

- Creating new taxes is often unpopular.
- Requires agreement and consensus among property owners. Across counties Hawaii, approval from 25% of owners is required to initiate the process of district formation, and 45% of owners must not oppose the CFD to be formally created.

Community Facilities Districts

State-level Context and Applicability

Availability in the State of Hawaiʻi:

AVAILABLE

The existing regulatory framework allows county councils to adopt CFDs. CFDs have been successfully adopted in the Counties of Kauaʻi and Hawaiʻi.

Institutional and Regulatory Framework

All four Hawaiʻi counties have adopted ordinances enabling the creation of CFDs. In Oahu, Kauaʻi, and Hawaiʻi, formation of a CFD requires approval by the county council and at least 25% of the property owners within the proposed district. In Maui, County Council action alone can initiate a CFD.

Community Facilities Districts

Availability in Counties and TOD Pilot Areas

Availability in Counties	City and County of Honolulu	County of Maui	County of Kauaʻi	County of Hawaiʻi
Track record of Implementation in the County	No track record.	No track record. In March 2022, residents of Maui's Kahana Bay formed a steering committee to explore the possibility of forming a CFD to pay for investments in beach restoration and stabilization to protect coastal condo complexes.	The Kukui Ula Project CFD was formed in 2008 and in 2012 the County of Kauaʻi issued its first CFD bonds. The bond helped fund road and intersection construction and improvements, as well as the expansion of the County's potable water system.	The Kaloko Heights Project CFD was formed in 2021 to help fund sewer line improvements for the Kaloko Heights master-planned community, including its affordable housing component. In 2022 Hawaiʻi County announced it will issue $14.4M in revenue bonds to build a sewer extension on the site.
Availability in the County	**AVAILABLE**	**AVAILABLE**	**AVAILABLE**	**AVAILABLE**
Availability in TOD Pilot Areas	Iwilei-Kapalama	Kaʻahumanu Avenue Corridor	Līhuʻe Town Core	Ane Keohokalole Highway Corridor
Opportunities for Implementation in TOD Area	There is significant residential and commercial growth forecasted for the area, as well as several identified redevelopment opportunities. This growth could bring substantial revenue streams if associated with a CFD tax.	Except for the potential redevelopment of the Queen Kaʻahumanu Center, there is no existing development pipeline to support the implementation of a CFD tax, but this could change if a large developer gains interest in the area.	Growth potential for the area include redevelopment projects that are mostly government driven. A CFD could be hypothetically implemented if a large developer gains interest in the areas.	Units in proposed developments could provide relevant revenue streams for CFDs.
Availability in TOD Pilot Area	**AVAILABLE**	**AVAILABLE,** although with likely limited revenue potential	**AVAILABLE,** although with likely limited revenue potential	**AVAILABLE**

Tax Increment Financing

Tax Increment Financing

Characteristics and Potential for Infrastructure Funding

Tax increment financing (TIF) is a district-based tool that allows taxing jurisdictions to use anticipated future increases in certain land-based tax revenues to finance present-day infrastructure improvements. This takes place by local government issuing bonds that are backed by a percentage of projected future tax collections, which are expected to increase given larger property values or new business activity within a designated project area (i.e., the TIF district, whose boundaries are defined by local regulations).

TIF can be used in conjunction with Payment in Lieu of Taxes (PILOT) agreements, by which a public agency and a developer agree to remove the property from its tax rolls and impose a typically discounted payment amount in-lieu of property taxes. These amounts can then be used to service the TIF bond payments.

Revenue Characteristics

Revenue Magnitude	
Gross revenue potential	**TIF districts can render substantial revenue when new expected development is sufficiently large and its completion is expected to result in a significant increase in the assessed value of surrounding real estate**, such that the resulting incremental local tax revenues can be used to finance infrastructure through bond issuances.
Timing of revenues	**It often takes time for land values to ramp up sufficiently to support any significant financing capacity**. Funds are generated at time of bond issuance and are repaid over time with the expected increases in tax revenues.
Revenue Stability	
Sensitivity to market conditions	This **tool is subject to the volatility of real estate markets** as the repayment of TIF bonds depends on the realization of tangible increases in land values and property tax revenues.
Predictability of revenue stream	**TIF revenue can be particularly unpredictable, especially shortly after the formation of the district.** The ability to issue a TIF bond in the future and the ability to repay those bonds will largely depend on the factors affecting land value, over which taxes (and TIF revenue) is estimated

Advantages

- TIFs do not entail the levying of new taxes. They use future value to build present infrastructure needs.
- TIF bonds can be backed by future tax revenue from the TIF district. Therefore, they do not necessarily require the full faith and credit of Counties or the State to back it. In that case, their issuance would not affect the Counties' or State's credit ratings.

Disadvantages

- TIF districts take time to generate revenue streams strong enough to back bond issuances.
- Concerning implementation in Hawai'i, TIF is appropriate for areas with strong development growth (for e.g., some areas in Oahu) and less likely to be effective in neighboring islands.
- While TIF does not entail having the municipal government bear the risk of repayment for TIF-issued bonds, in the past large TIF bonds have necessitated the guarantee from government agencies (for e.g., Hudson Yards).

Tax Increment Financing

State-level Context and Applicability

Availability in the State of Hawai‘i:

UNCERTAIN

HRS Chapter 46 grants broad powers to county authorities to implement TIF, but the Attorney General opinion has stated that the States Constitution is not clear on whether counties can issue TIF bonds. A bill has been introduced to the legislature that would clarify counties' authority to leverage TIF districts in order to issue bonds for infrastructure and other investments.

Availability in Counties:

UNCERTAIN

Because of the perceived lack of regulatory certainty at the State-level, it is unclear whether counties can implement TIF. Even if they were, it is unclear what county agencies would implement the instrument. During informal briefings with stakeholders, the Consultant Team heard that Counties have concerns regarding the diversion of future revenues that could impact their ability to pay for other basic services.

Institutional and Regulatory Framework

HRS Chapter 46-101 grants broad powers to county authorities to implement TIF.

HB2085, introduced in the 2022 legislative session, seeks to clarify and reaffirm county’s authority to issue bonds financed by TIF thus resolving past doubts about the legality of County authority to issue such debt. HB2085 has garnered the support a variety of county and state agencies, as well as of representatives from the development community

Moreover, the Consultant Team learnt during stakeholder briefings that the State Legislature may consider legislation in the future to make amendments to the State Constitution to expressly authorize counties to issue tax increment bonds and to exclude tax increment bonds in calculating the debt limit of the political subdivisions.

Tax Increment Financing

Availability in TOD Pilot Areas (assuming applicability at the State and County levels)

Availability in TOD Pilot Areas	Iwilei-Kapalama	Kaʻahumanu Avenue Corridor	Līhuʻe Town Core	Ane Keohokalole Highway Corridor
Opportunities for Implementation in TOD Area	There is significant residential and commercial growth forecasted for the area, as well as several identified redevelopment opportunities, that could bring substantial revenue streams for the creation of a TIF district and the servicing of a TIF bond.	Growth potential for the area include redevelopment projects that are mostly government driven. TIF could be hypothetically implemented but the instrument's revenue potential would be limited to mixed-use residential projects.	Growth potential for the area include redevelopment projects that are mostly government driven. TIF could be hypothetically implemented but the instrument's revenue potential would be limited to mixed-use residential projects.	Conditions for TIF might be present in the area given the eight development and redevelopment projects planned in the area.
Availability in the County	**AVAILABLE**	**AVAILABLE,** although with limited monetary potential	**AVAILABLE,** although with limited monetary potential	**AVAILABLE**

Special Improvement Districts

Special Improvement Districts

Characteristics and Potential for Infrastructure Funding

Special Improvement Districts (SIDs) involve the establishment of a district where owners agree to pay an assessment to make improvements that fall under the following categories: (1) supplemental maintenance and security services; (2) Environmental research, restoration, and maintenance; (3) Natural resource management; (4) Natural hazard mitigation; (5) Climate change and sea level rise adaptation; and (6) Other improvements that the county council determines will improve environmental conditions, provide community benefits, and restore or promote business activity in the area.

The **calculation of the SID assessment** is related to how each unit benefits from the improvements and is restricted to paying for the defined improvements upon creation of the district.

Counties may issue SID bonds and they may be only payable from the special assessment levied, without affecting their credit rating. **Counties can also issue General Obligation bonds instead,** which are authorized through the SID formation process. In this case, bonds may be guaranteed by the County.

Revenue Characteristics

Revenue Magnitude	
Gross revenue potential	**Magnitude and feasibility of a SID assessment is contingent on the market conditions of the development**, and on whether the assessment does not threaten the project's financial viability. The magnitude of the assessment may also determine the amount of financing the SID can obtain.
Timing of revenues	**Unlike TIF districts, SIDs start generating revenues immediately**. Once SID assessments are collected and/or SID bonds are issued, funds can be deployed to the improvements that will benefit a specific area.
Revenue Stability	
Sensitivity to market conditions & Predictability of revenue stream	**If no SID bonds are issued, then net revenue streams are highly certain** as it is related to the cost of the improvements for which the SID is created. **If a SID bond is issued, then the net revenue obtained by the SID will be sensitive to market conditions**. This is due to the SID assessments having to be adjusted periodically to reflect the debt service on the Bonds.

Advantages

- Similar to CFDs, SIDs start providing revenues upfront and may allow certain public improvements to be constructed earlier in the development process than they might otherwise be.
- Similar to DIFs, since the assessment is associated with funding a specific work, they can be easier to implement and more successful in avoiding opposition than other methods involving tax increases or new taxes.
- Similar to CFDs, SID bonds are secured only by the property subject to the tax and not the general fund of the county.

Disadvantages

- Unlike CFDs, which are versatile and can fund most infrastructure improvements, revenue from SIDs can only be used to fund the specific improvements laid out upon the district's formation. Therefore, they are used to fund very specific works (such as a sewer line necessary to enable a development), unlike CFDs, which can be used to fund multiple and evolving needs within an area.
- Similar to CFDs, SIDs requires agreement among property owners (required share of approval varies across counties in Hawai'i).

Special Improvement Districts

State-level Context and Applicability

Availability in the State of Hawaiʻi:
AVAILABLE

All counties are authorized to implement SIDs. SIDs have an established track record of implementation for infrastructure funding, especially in the City and County of Honolulu and in the County of Hawaii.

Institutional and Regulatory Framework

HRS §46-80.5 enables counties to create SIDs to provide support to these districts, provided their targeted improvements fall within certain categories (mentioned in the prior page). HRS §46-80.5 also authorizes counties to issue and sell bonds to finance improvements within the SIDs, as long as the ordinance authorizing the creation of SIDs provide the method, procedure, and type of security for those bonds.

According to county ordinances, SIDs require approval by County Council and a certain share of property owners (+50% in Maui and Hawaiʻi, +51% in Honolulu, +55% in Kauaʻi).

SIDs have an established track record of implementation in the State.

- In Oahu, the best example of their use for infrastructure funding is the Waikiki Beach Special Improvement Association, which is dedicated to long-term sustainability of Waikiki Beach and nearshore waters. The district is the most effective shoreline project to come from special tax districts in the State, and it works exclusively to pay for the restoration and maintenance of shorelines in Waikiki Beach.
- In Hawaiʻi County, SIDs have a decades-long track record. In 1991, the Kaloko Heights SID was established and a SID bond issued to finance the construction of certain roadway and water transmission systems.

Special Improvement Districts

Availability in Counties and TOD Pilot Areas

Availability in Counties	City and County of Honolulu	County of Maui	County of Kauaʻi	County of Hawaiʻi
Track record of Implementation in the County	Oahu is home to several SIDs, including the Waikiki SID, the Fort Street Mall SID, and the Waikiki Beach SID.	No track record but allowed by existing ordinances.	No track record but allowed by existing ordinances.	The Kaloko Heights SID was created in 1991 and a SID bond was issued to cover the construction cost of a roadway, street lighting and electrical system, and water transmission and storage systems within the district. In 2017, the Lono Kona sewer **improvement district** was created so that landowners could replace cesspools with a sanitary sewer system.
Availability in the County	**AVAILABLE**	**AVAILABLE**	**AVAILABLE**	**AVAILABLE**
Availability in TOD Pilot Areas	Iwilei-Kapalama	Kaʻahumanu Avenue Corridor	Līhuʻe Town Core	Ane Keohokalole Highway Corridor
Opportunities for Implementation in TOD Area	There is significant residential and commercial growth forecasted for the area, as well as several identified redevelopment opportunities. This growth could bring substantial revenue streams if associated with a SID assessment.	Except for the potential redevelopment of the Queen Kaʻahumanu Center, there is no existing development pipeline to support the implementation of a SID assessment, but this could change if a large developer gains interest in the area.	Growth potential for the area include redevelopment projects that are mostly government driven. A SID assessment could be hypothetically implemented if a large developer gains interest in the areas.	Units in proposed developments could provide relevant revenue streams for an assessment.
Availability in TOD Pilot Area	**AVAILABLE**	**AVAILABLE,** although with likely limited revenue potential	**AVAILABLE,** although with likely limited revenue potential	**AVAILABLE**

Sale and Purchase of Development Rights

Sale and Purchase of Development Rights

Characteristics and Potential for Infrastructure Funding

The Sale and Purchase of Development Rights involves the economic value from monetizing the difference between the maximum permitted floor area in a plot and the actual built floor area. When plots belong to public authorities (for instance, a downtown public parking garage or government buildings below allowable density), selling the development rights over these facilities means that a private developer can now build on that land, or over another plot provided by the owner, in exchange for a sum that the government can use to fund infrastructure works. Among the benefits of this funding approach is that the disposition of development rights does not cause a negative fiscal impact.

Proceeds from the sale of development rights can be used to directly fund the capital costs of infrastructure projects or to service debt issued to finance a project, including from mechanisms such as a TIF or a CFD district .

Revenue Characteristics

Revenue Magnitude	
Gross revenue potential	**The revenue potential of publicly-owned development rights depends on: i) the availability of publicly owned land and development rights; and ii) the willingness of developers to purchase development rights**. Moreover, the latter will depend on: i) whether the real estate market presents demand for dense commercial and/or residential development; and ii) whether the area is fully or nearly built out at its existing zoning parameters and/or its available plots are zoned for low-density.
Timing of revenues	**Timing of value capture varies based on the demand for development rights in a designated development rights market.** Transactions might occur earlier in more robust real estate markets in the early stages of development.
Revenue Stability	
Sensitivity to market conditions	The **value of development rights is linked to the demand for the privileges to which the buyer may be entitled to**, traditionally extra density allowances, and overall real estate market conditions.
Predictability of revenue stream	**Revenue streams depend on the resilience of the real estate market**. Mature markets with robust real estate demand are less volatile than less stablished markets.

Advantages

- In the case of government property, selling development rights can be a way to monetize their value without full disposition.
- For properties where the government has an interest in preserving them as they are or limiting development due to environmental or other concerns, development rights over these plots can be sold to enable real estate development somewhere else.

Disadvantages

- Selling development rights provides significant revenue under very specific conditions, including a combination of demand for dense commercial/residential development, availability of government properties suitable for development, and a surrounding area fully or nearly built out at existing zoning parameters.

Sale and Purchase of Development Rights

State-level Context and Applicability

Availability in the State of Hawai‘i:

AVAILABLE

The existing state legislation allows counties to regulate the transfer of development rights, including their sale and purchase. However, sale and purchase of development rights are seen mainly as a vehicle for the state to conserve certain type of properties for specific uses – such as agricultural, open space, and preservation – rather than as a tool to collect additional infrastructure funding.

Institutional and Regulatory Framework

HRS § 46-163 IX authorizes counties to exercise the power to transfer development rights within a comprehensive planning program to: (1) Protect the natural, scenic, recreational, and agricultural qualities of open lands including critical resource areas; and (2) Enhance sites and areas of special character or special historical, cultural, aesthetic, or economic interest or value. Act 1436 SLH 2022 expanded the authority of counties to transfer development rights to address areas at risk of sea level rise, coastal erosion, storm surge or flooding associated with climate change.

Sale and Purchase of Development Rights

Availability in Counties and TOD Pilot Areas

Availability in Counties	City and County of Honolulu	County of Maui	County of Kauaʻi	County of Hawaiʻi
Track record of Implementation in the County	Honolulu's current Land Use Ordinance, Chapter 21, currently limits development rights sales to the transfer of development rights from historic structures to another property.	A draft ordinance from 2009 contemplated a program for the sale and purchase of development rights, but it was never implemented.	Community Plans proposed development rights sales as a potential tool to help protect certain areas rich in natural and/or cultural resources from development, but no ordinances were introduced.	Community Plans proposed development rights sales as a potential tool to help protect certain areas rich in natural and/or cultural resources from development, but no ordinances were introduced.
Availability in the County	**NOT AVAILABLE**	**NOT AVAILABLE**	**NOT AVAILABLE**	**NOT AVAILABLE**

Availability in TOD Pilot Areas	Iwilei-Kapalama	Kaʻahumanu Avenue Corridor	Līhuʻe Town Core	Ane Keohokalole Highway Corridor
Opportunities for Implementation in TOD Area	Development rights of parcels could be monetized, particularly those of HART line right of way. However, TOD zoning around Kalihi and Kapalama stations creates a situation of a large supply of high-density zoned parcels. Unless real estate demand is particularly large, development rights over government parcels might struggle to attract interest in the short term given the availability of nearby parcels that allow for density without any additional payments.	Given the relative lack of existing and expected density in the TOD area, there is likely limited potential for a development rights market.	While development opportunities are limited in the Līhuʻe Town Core, it is a fairly built-out area where supply of development rights could currently be limited. If the latter takes places and there is moderate demand for real estate, there could be a modest market for development rights..	Given the intention to preserve certain environmentally protected areas from development, the County's relative flexibility to change zoning, and the presence of several developments in the pipeline, there is potential for the sale of development rights, provided a certain threshold of market demand.
Availability in TOD Pilot Area	**NOT AVAILABLE,** although revenue potential is feasible provided changes in local legislation	**NOT AVAILABLE**	**NOT AVAILABLE**	**NOT AVAILABLE,** although revenue potential is feasible provided changes in local legislation

2.2

Monetization of Government-Owned Real Estate

Monetization of Government-Owned Real Estate

There are multiple approaches to create new revenue sources from government-owned property that can be used to invest in new infrastructure. The table below describes each approach and notes whether it is available in the State, how it has been used before, and whether it could potentially be used in government properties located in the TOD Pilot Areas.

Monetization Model	Description of Model	Is Model Allowed in the State?	Precedents and Notes on Application by State & County Agencies	Availability for Infrastructure Funding in TOD Pilot Areas
Land Sales	Public land sales can help raise revenue for infrastructure spending without issuing any debt liability for local governments.	Under limited circumstances	**Sale of public land in Hawai'i requires approval by at least a two-thirds majority vote in each house** (Act 176 SLH 2009). This requirement and overall political opposition against the State transferring lands to private makes it an unpopular tool to raise funds for infrastructure investment.	**NOT AVAILABLE**
Ground Leases	Ground leases are a way of raising revenues for infrastructure spending while allowing public agencies to retain ownership of land and to benefit from increases in land values. However, tying land values to future revenue increases the exposure to market risk for public finances.	Yes	For the construction of the **Villages of Leiali'i master-planned community,** Hawai'i Housing Finance and Development Corporation, which owns the land, awarded a ground leases to Ikaika Ohana, a non-profit developer. The project will provide rental units for up to 200 families and households earning no more than 60 percent of area median income.	**AVAILABLE**
Joint Development	Joint development is the simultaneous improvement of public infrastructure and the surrounding real estate coordinated between public agencies and real estate developers. Public agencies actively participate in joint development by contributing either property or funding, while benefiting from system improvements and a share of the development revenues.	Yes	HHFDC, the State affordable housing agency, partnered with the State Judiciary through a Joint Development to develop the **Alder Street Affordable Rental Housing project, a mixed-use development, and a Juvenile Detention Facility in Honolulu**. The land was owned and provided by the State Judiciary and HHFDC led the development. This was the first mixed-use project on State-owned property.	**AVAILABLE**

2.3

User Charges

User Charges

While the majority of revenue collected by State authorities and utility companies in the form of user charges are often used for operations and maintenance, part of them can also be used to fund capital infrastructure investments. Funding through user charges aims to levy infrastructure improvement costs on the users that benefit from such investments by directly passing these costs on to consumers. User charges have been used in Hawai'i to fund capital improvements, for instance:

- In June 2022, Hawaiʻi American Water implemented new rates for Hawaiʻi Kai customers to improve wastewater treatment and services in the area and to cover higher operating costs, including wage and salary increases that occurred over the last decade.
- In July 2022, Hawaiian Electric asked State regulators for authorization to invest around $190 million over five years on upgrading its transmission and distribution infrastructure to be more resilient to the impacts of a changing climate. Hawaiian Electric could recover these investments from its customers by increasing the average monthly bill of a typical residential customer by $0.33 in Oahu, $0.86 in Hawaiʻi, and $0.71 in Maui.

However, **user charges arising from the infrastructure projects required in the TOD Pilot Areas are likely not directly available as a funding source for upfront capital**, given that:

a) The bulk of user charges are often directed towards operations and maintenance expenses, as oppose to capital improvements;
b) It is not common to have user charges from utilities earmarked for a specific area or project;
c) At this point the Consultant Team has no confirmation of which projects are to be funded by utilities compared to county or state agencies, which makes assigning revenues from user charges to specific projects difficult; and
d) Utilities often do not invest the collected user charges directly in infrastructure investments. Instead, they use these revenue streams to back **revenue bonds** to finance the works.

2.4

Ancillary Revenue

Ancillary Revenue

Ancillary revenue is generated from goods or services that differ from or enhance the main function of a specific asset. Ancillary revenues are important because they can help diversity sources of revenue from an infrastructure asset, targetting operations and maintenance expenses or partial recovery tool of capital expenses. The Consultant Team has identified the set of the most used ancillary sources **that are available** in the State.

Source	Description	Process to Obtain Revenues	Potential Monetary Range	Prior Applicability in the State
Sponsorship / Advertisement	Revenues generated through naming rights of infrastructure assets, advertising exclusivity arrangements with private sponsors.	Contractual arrangements are executed with individual sponsors and advertisers.	Can range depending on the sponsorship opportunity and scale of advertising across assets, rolling stock, and buses.	• SimpliFi Arena at Stan Sheriff Center (University of Hawai'i, 2020)
Mixed-use Retail	Revenues generated through ground and percentage rent proceeds arising from retail development on agency and other entity land.	A developer identifies parcels for ground lease and solicits potential retail establishments to participate. Contractual documents between the developer and retail entities are negotiated.	Dependent on terms of ground lease.	Ward Centers, a 550,000-square-foot shopping district in Honolulu that is evolving into a premier mixed-use asset – which includes retail and housing.
Solar Panel Installation	Hawaiian Electric offers three programs for solar installation: private roof top solar; community-based renewable energy; and generate your own power. Other solar opportunities may include the capture of revenues from potential private party solar development land lease and/or share of net metering. Federal tax code may allow businesses to receive certain tax credits.	Hawaiian Electric: Application process depends on the program the project falls under. Community-based renewable energy is solicited through a competitive RFP process. The "generate your own power" program has detailed submittal requirements and execution of a standard interconnection agreement.	Dependent on terms of lease.	• Hawaiian Electric – seven solar and storage projects for LMI program
Broadband	Revenues generated through installing broadband infrastructure within the infrastructure assets to service the surrounding area.	Contractual arrangements are executed with individual sponsors and internet providers.	Dependent on terms of ground lease.	Unknown.

2.5

Countywide Tax Revenues

General Excise Tax

The General Excise Tax (GET) is a State tax imposed on businesses in Hawai‘i and assessed at various percentage rates on the gross income businesses derived from activity in the State. Businesses may also need to pay the tax on the value of tangible personal property, services, and contracting that are brought into Hawai‘i from anywhere outside the State. The general excise tax rate varies depending on the business activity, but it is set at 4% on most activities at the consumer level.

Counties are permitted to apply a surcharge over the State's GET at a maximum rate of 0.5% and assign this revenue at discretion. The table below presents the extent to which each County has implemented the surcharge and whether they have the option, given existing regulations and current restrictions on the use of proceeds, to earmark the surcharge revenue in TOD Pilot Areas for infrastructure funding purposes or to impose an additional surcharge.

Availability in Counties	City and County of Honolulu	County of Maui	County of Kaua‘i	County of Hawai‘i
County Surcharge Rate	0.50%	No surcharge, although the County is authorized to implement it since 2019.	0.50%	0.50%
Is part of county surcharge revenue tied to specific purposes?	Yes. All revenue from surcharge dedicated to HART rail project.	Surcharge not implemented.	County legislation restricts use of revenues for road and transportation projects.	County legislation restricts use of revenues for road and transportation projects.
Options available to fund infrastructure in TOD Pilot Area				
Earmarking existing surcharge:	**NOT AVAILABLE** Existing surcharge revenue is fully assigned to HART rail line.	**NOT AVAILABLE** Surcharge has not been implemented.	**NOT AVAILABLE** County legislation restricts use of revenues for road and transportation projects.	**NOT AVAILABLE** Part or all of the revenue from surcharge could be earmarked to specific uses and/or infrastructure improvements.
Implementing or imposing new surcharge:	**NOT AVAILABLE** Although 2020 proposal from prior Consultant – DTA – was not deemed feasible by consulted stakeholders.	**NOT AVAILABLE** County missed the window to authorized surcharge. New State legislation required for County to implement it.	**NOT AVAILABLE** County not authorized to raise surcharge given existing State legislation.	**NOT AVAILABLE** County not authorized to raise surcharge given existing State legislation.

Transient Accommodation Tax

The Transient Accommodation Tax (TAT) is a State tax imposed on the gross rental proceeds from transient accommodation, time share vacation units and gross receipts of transient accommodations brokers, travel agents and tour packagers. The TAT rate on gross rental proceeds is 10.25%. State revenue from TAT has fixed allocations to the State's General Fund.

Counties are allowed to apply a surcharge over the State's TAT rate at a maximum rate of 3%. Similar to GET analysis, the table below presents the extent to which each County has implemented the surcharge and whether they have the option, given existing regulations and current restrictions on the use of proceeds, to earmark the surcharge revenue in TOD Pilot Areas for infrastructure funding purposes or to impose an additional surcharge.

Availability in Counties	City and County of Honolulu	County of Maui	County of Kauaʻi	County of Hawaiʻi
County Surcharge Rate	3%	3%	3%	3%
Is part of county surcharge revenue tied to specific purposes?	No.	No.	No.	No.
Options available to fund infrastructure in TOD Pilot Area				
Earmarking existing surcharge:	**AVAILABLE** Part or all of revenue could be allocated to specific uses and/or infrastructure improvements, similar to how State-TAT revenue is allocated by fixed proportions for different uses.			
Implementing or imposing new surcharge:	**NOT AVAILABLE** County not authorized to raise surcharge given existing State legislation.			

Real Property Taxes

Unlike GET and TAT, real property taxes are levied at the county level. The effective average rate for the whole State is currently 0.31%, significantly lower than the national average of 1.11%. However, effective rates vary by county and by whether the property is considered a first or second home. In practice, the latter means that counties impose higher rates on residential owners that do not reside full-time in the subject property, and in fact nearly one third of property taxes are usually contributed by property owners residing out-of-State.

The table below presents the extent to which each County has implemented the surcharges and whether any existing allocations on the collected revenue or regulations would impede their earmarking in each TOD Pilot Area increase the revenue from the surcharge for infrastructure funding purposes.

Availability in Counties	City and County of Honolulu	County of Maui	County of Kauaʻi	County of Hawaiʻi
Average Tax Rates (over properties assessed value)	In-State-owners: 0.38% Out-of-State-owners: 0.46%	In-State-owners: 0.56% Out-of-State-owners: 1.05%	In-State-owners: 0.49% Out-of-State-owners: 1.01%	In-State-owners: 0.90% Out-of-State-owners: 2.22%
Is part of the tax revenue tied to specific purposes?	Honolulu's Affordable Housing Fund builds up from 0.5% of taxpayer's property taxes on assessed value, at a pace of ~$8 million a year.	3% of yearly property tax revenues assigned to the County's Affordable Housing Fund.	No.	No less than 75% of the property tax revenue collected from the difference in revenue from the residential tier one property tax rate to the residential tier two property tax rate is appropriated each fiscal year to County-sponsored programs to address affordable housing and homelessness.
Options available to fund infrastructure in TOD Pilot Area				
Earmarking existing surcharge:	**AVAILABLE,** subject to county legislation			
Increasing effective tax rates:	**AVAILABLE,** subject to county legislation			

2.6

State Loan Funds

Applicability of State Loan Funds for TOD Pilot Area Projects

Projects of certain typology may be suitable candidates for State loan funds in order to supplement county funding and fast-track delivery. Based on the intended uses of each program, the table below summarizes the potential applicability of each program to the projects in the TOD Pilot Areas. Each program is presented in further detail following this summary.

Project	Sector	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Dwelling Unit Revolving Fund	Rental Housing Revolving Fund
	Projects Applicable for Fund:	*Wastewater and Water Pollution Control*	*Drinking Water Sources*	*Affordable housing development*	*Affordable housing development*
Iwilei-Kapalama *City and County of Honolulu*	Drainage System Improvement	Not Applicable	Not Applicable	Applicable if project enables development or rehabilitation affordable housing units.	
	Electrical System Improvement	Not Applicable	Not Applicable		
	Improvement of Fire Facilities	Not Applicable	Not Applicable		
	Water System Capacity Improvement	Applicable	Applicable		
	Wastewater Capacity Improvement	Applicable			
	Sea Level Rise Mitigation	Not Applicable	Not Applicable		
	Roadway Improvement	Not Applicable	Not Applicable		

Applicability of State Loan Funds for TOD Pilot Area Projects (cont.)

Project	Sector	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Dwelling Unit Revolving Fund	Rental Housing Revolving Fund
	Projects Applicable for Fund:	*Wastewater and Water Pollution Control*	*Drinking Water Sources*	*Affordable housing development*	*Affordable housing development*
Ka'ahumanu Avenue Community Corridor *Maui*	Social infrastructure	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Transit Improvements	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Water Availability	Not Applicable	Applicable	Applicable if project enables development or rehabilitation affordable housing units.	
	Affordable housing	Not Applicable	Not Applicable	Applicable	Applicable
Līhu'e Town Core *Kaua'i County*	Water and wastewater hook-up fees	Applicable	Applicable	Applicable if project enables development or rehabilitation affordable housing units.	

Applicability of State Loan Funds for TOD Pilot Area Projects (cont.)

<table>
<tr><th>Project</th><th>Sector</th><th>Clean Water State Revolving Fund</th><th>Drinking Water State Revolving Fund</th><th>Dwelling Unit Revolving Fund</th><th>Rental Housing Revolving Fund</th></tr>
<tr><td></td><td>Projects Applicable for Fund:</td><td>Wastewater and Water Pollution Control</td><td>Drinking Water Sources</td><td>Affordable housing development</td><td>Affordable housing development</td></tr>
<tr><td rowspan="8">Ane Keohokalole Highway Corridor
Hawai'i</td><td>Transit</td><td>Not Applicable</td><td>Not Applicable</td><td>Not Applicable</td><td>Not Applicable</td></tr>
<tr><td>Social Infrastructure</td><td>Not Applicable</td><td>Not Applicable</td><td>Not Applicable</td><td>Not Applicable</td></tr>
<tr><td>Affordable housing</td><td>Not Applicable</td><td>Not Applicable</td><td>Applicable</td><td>Applicable</td></tr>
<tr><td>Districtwide Water and Wastewater</td><td>Applicable</td><td>Applicable</td><td colspan="2" rowspan="4">Applicable if project enables development or rehabilitation affordable housing units.</td></tr>
<tr><td>Project-specific Water and Wastewater</td><td>Applicable</td><td>Applicable</td></tr>
<tr><td>Solid Waste</td><td>Not Applicable</td><td>Not Applicable</td></tr>
<tr><td>Districtwide Roads</td><td>Not Applicable</td><td>Not Applicable</td></tr>
<tr><td>Project-specific roads</td><td>Not Applicable</td><td>Not Applicable</td><td>Not Applicable</td><td>Not Applicable</td></tr>
</table>

Clean Water State Revolving Fund (CWSRF) Program

Administered by State of Hawaiʻi, Department of Health (DOH)

Source Summary

Intended Uses	The CWSRF Program provides low interest loans to county and State agencies to construct point source and nonpoint source water pollution control projects, including: **1. Point Source Projects:** a) New, expanded, or rehabilitated wastewater treatment plants; b) Publicly-owned water reuse systems and distribution lines; c) New or rehabilitated collector, trunk, and interceptor sewers; d) Sludge reuse, treatment, and disposal facilities; e) Septage handling, marine vessel pump out, and treatment facilities. **2. Non-Point Source (NPS) Projects:** a) Watershed planning/assessment or implementation of projects needed to restore NPS impaired waters; c) Cesspool replacement with septic tanks, aerobic units, constructed wetlands, or treatment plants; c) Equipment purchase of street sweepers, catch basin vacuum vehicles, and sediment traps and basins; d) Capping and closure of municipal solid waste landfills, landfill reclamation, landfill leachate collection, storage and treatment, and landfill gas collection and control systems; e) Brownfield projects involving site assessments, underground storage tank removal and disposal, contaminated soil or sediment removal and disposal, capping wells, soil remediation, controlling stormwater runoff, and monitoring groundwater and surface water for contaminants; f) Water quality projects involving leachate and stormwater management at municipal solid waste transfer stations; g). Stormwater management projects. Project selection is based on the project's priority ranking as well as its readiness to proceed. The project ranking system assigns points to potential projects based on various criteria, such as whether a project corrects surface water quality impairment, results in energy efficiency, water efficiency, or achieves compliance with a federal or State enforcement issue. Points for each project are totaled and a Project Priority List is compiled listing projects in the order of highest to lowest priority. A significant factor in project selection is the project's readiness to proceed. If a project is high in priority, but not ready to commence, then it may be bypassed.
Are counties eligible applicants?	Yes.
Max. Receivable Grant Amount	If there are sufficient CWSRF funds, then 100% of eligible project costs are financed. Projects are subject to an annual interest rate of 0.25% and a semi-annual loan fee of 0.5%.
Grant Availability & Application Timeline	Hawaiʻi is expected to receive a federal capitalization grant of $12,306,000.00 under the FFY 2022 Base CWSRF Appropriations Act and $14,509,000.00 under the FFY 2022 BIL CWSRF Appropriations Act. Priority project list timeline: October 15th: DOH asks applicants submit list of proposed projects. Nov 15th: Project proposals are submitted. October 15th, EPA issues capitalization Grant to DOH.

Drinking Water State Revolving Fund (DWSRF)

Administered by State of Hawaiʻi, Department of Health (DOH)

Source Summary

Intended Uses	The Drinking Water State Revolving Fund program provides low interest rate loans to Hawaiʻi's regulated water systems for the construction of drinking water infrastructure projects. These projects help achieve or maintain compliance with drinking water standards, protect public health and the environment. Eligible projects usually address present or prevent future violations of health-based drinking water standards, such as the replacement of aging infrastructure and those needed to maintain compliance or further the public health protection objectives of the Safe Drinking Water Act. All eligible projects must fall under one of the following categories: Treatment; Transmission and distribution; Source; Storage; Consolidation; and Creation of new systems.
Are counties eligible applicants?	Yes. In January 2022, the county water departments and privately-owned water systems were invited to submit proposed projects for DWSRF funding.
Max. Receivable Grant Amount	Loans to eligible projects, using the DWSRF funds, may be for up to 100 percent financing of the allowable project costs.
Grant Availability & Application Timeline	In FY 2023, there will be $61.1M of lending capacity. To be eligible for funding, the project must be identified with the DWSRF Priority List of projects for 2023.

Dwelling Unit Revolving Fund (DURF)

Administered by Hawaiʻi Housing Finance & Development Corporation (HHFDC)

Source Summary

Intended Uses	The DURF program is a revolving fund that may be used to provide developers construction financing. In general, DURF funds have been used to provide interim construction loans for development of affordable housing, but it can also be used to fund regional infrastructure projects in conjunction with the counties, private landowners and developers that supports the development of affordable housing. DURF was established pursuant to Act 105, SLH 1970, which authorized the issuance of $125,000,000 of general obligation bonds to carry out the purposes of the Housing Development Program. Funds may be used for the acquisition of real property; development and construction of residential, commercial and industrial properties; interim and permanent loans to developers; and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses. Affordable housing projects both for rental and for sale are eligible for funding.
Are counties eligible applicants?	No. Project is aimed at developers.
Max. Receivable Grant Amount	No limit found on applications.
Grant Availability & Application Timeline	The DURF application is an open application accepted throughout the year.

Rental Housing Revolving Fund (RHRF)

Administered by Hawaiʻi Housing Finance & Development Corporation (HHFDC)

Source Summary	
Intended Uses	Provides low-interest loans to qualified developers constructing affordable housing units. May be used for development, predevelopment, construction, acquisition, preservation, and substantial rehabilitation of rental housing units that meet the program's criteria for eligibility.
Are counties eligible applicants?	Yes. Eligible applicants include qualified nonprofit and for-profit corporations, limited liability companies, partnerships, and government agencies.
Max. Receivable Grant Amount	Up to $150 million is available, although the 2022 funding Round Awards list indicates that $136.6 million was awarded. 2022 Award amounts range from $10.6 million to $25 million. As part of the 2022 awards process, $330.6 million was requested. Applicants included private entities.
Grant Availability & Application Timeline	Process to Obtain Financing: • To obtain a loan, a Consolidated application needs to be submitted to the Hawai'i Housing Finance and Development Corporation (HHFDC). • HHFDC publishes a Notice of Funding Availability for the program. • All applications will be subject to funding availability and the minimum threshold/qualifying guidelines of the RHRF program. • Income Requirements: Mixed-income rental projects for individuals and families with incomes above 60% and at or below 100% of the median family income for the State of Hawai'i.

2.7

Federal Grants

Applicability of Federal Grants to TOD Pilot Area Projects

Projects of certain typology may be suitable candidates for federal grants. Based on the intended uses of each grant, the table below summarizes the potential applicability of each program to the projects in the TOD Pilot Areas. Each program is presented in further detail following this summary.

TOD Area	Infrastructure Project	CDBG	HOME Funds	RAISE Grants	Opp. Zone Incentives	NAHASDA	USDA Comm. Fac.
Iwilei-Kapalama *City and County of Honolulu*	Drainage System Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable
	Electrical System Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Improvement of Fire Facilities *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Water System Capacity Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Wastewater Capacity Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Sea Level Rise Mitigation *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Roadway Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable

Applicability of Federal Grants to TOD Pilot Area Projects (cont.)

TOD Area	Infrastructure Project	CDBG	HOME Funds	RAISE Grants	Opp. Zone Incentives	NAHASDA	USDA Comm. Fac.
Ka'ahumanu Avenue Community Corridor *Maui*	Social infrastructure Civic Center renovation, Halau of Oiwi Arts, War Memorial Gym Building Improvements, War Memorial Football Stadium and Track Rehabilitation	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Applicable
	Transit Improvements Central Maui Transit Hub	Not Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable
	Water Availability Waihee Aquifer	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Applicable
	Affordable housing Improvements to an existing government-owned affordable housing complex	Applicable	Applicable	Not Applicable	Not Applicable	Applicable	Applicable
Līhu'e Town Core *Kaua'i County*	Water and wastewater hook-up fees Water Capacity Improvements *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Applicability of Federal Grants to TOD Pilot Area Projects (cont.)

TOD Area	Infrastructure Project	CDBG	HOME Funds	RAISE Grants	Opp. Zone Incentives	NAHASDA	USDA Comm. Fac.
Ane Keohokalole Highway Corridor *Hawaiʻi*	Transit Old Airport Park Transit Station; *Kailua-Kona Bus Maintenance Facility*	Not Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable
	Social Infrastructure *Kealakehe Animal Shelter; Kealakehe Regional Park*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Applicable
	Affordable housing Ulu Wini Low Income Housing Wastewater Treatment Plant (repair *of existing Wastewater Transportation Project in affordable housing complex)*	Applicable	Applicable	Not Applicable	Not Applicable	Applicable	Applicable
	Districtwide Water and Wastewater *Kealakehe Wastewater Transportation Projects; North Kona Mid-Level Well;*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Project-specific Water and Wastewater *On-site and off-site water and wastewater distribution lines for La'i 'Ōpua Villages; Wells, reservoir, and sewer plant for Kamakana Villages*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Solid Waste *Kealakehe Refuse Transfer Station*	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Districtwide Roads *Extension of Ane Keohokālole Highway*	Not Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable
	Project-specific roads *Onsite roads for Kamakan Villages; Access roads from Ane Keohokālole Highway to Kamakana Village*	Not Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable

Community Development Block Grants

Administered by U.S. Department of Housing and Urban Development (HUD)

Formula grant for States, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

Source Summary

Intended Uses	Acquisition of real property; relocation and demolition; rehabilitation of residential and non-residential structures; construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes; public services, within certain limits; activities relating to energy conservation and renewable energy resources; provision of assistance to nonprofit and profit-motivated businesses to carry out economic development and job creation/retention activities.
Are counties eligible applicants?	Yes.
Max. Receivable Grant Amount	The use of CDBG funds is dependent on certain area median income (AMI) limits of individuals where the infrastructure improvements benefit. Over a 1, 2, or 3-year period, as selected by grantee, not less than 70% of funds must be used for activities that benefit low-moderate-income persons. Funding allocations are based on population and federal appropriation. The CDBG formula allocations counties received during federal fiscal year 2022 included: Hawai'i County: $2.7 million; City and County of Honolulu: $7.9 million; Kaua'i County: $0.7 million; Maui County: $1.9 million. Formula allocation is provided annually to States and local jurisdictions.
Grant Availability & Application Timeline	Funding is administered through HUD. Counties in Hawai'i receive CDBG funding and manage the grant process with sub-recipients. To receive CDBG funds, the grantees are required to submit a Consolidated Plan to HUD's Honolulu Field Office. The grantee awards funds to subrecipients – including government agencies, private for-profit agencies, non-profit agencies, and small businesses – based on the grantee's application processes. Projects must be consistent with various planning documents submitted to HUD.

Investment Partnership (HOME) Funds

Administered by U.S. Department of Housing and Urban Development (HUD)

Formula grant for States and localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people.

Source Summary

Intended Uses	Home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership; or for "other reasonable and necessary expenses related to the development of non-luxury housing," including site acquisition or improvement, demolition of dilapidated housing to make way for HOME-assisted development, and payment of relocation expenses. Participating Jurisdictions (PJs) may use HOME funds to provide tenant-based rental assistance contracts.
Are counties eligible applicants?	Eligible Applicants include Public Agencies, Private Non-profit agencies, Government agencies, Developers, Owners and Community Housing Development Organizations. The State of Hawaiʻi is the Participating Jurisdiction and the Hawaiʻi Housing Finance and Development Corporation (HHFDC) is the agency designated to administer the HOME Program for the State. The State distributes its HOME funds in accordance with the State Consolidated Plan, which provides information on the State's housing needs, primarily in the counties of Hawaiʻi, Kauaʻi, and Maui, and a strategic plan to address those needs. The State has designated the counties of Hawaiʻi, Kauaʻi and Maui as HOME State Recipients to administer the State's HOME funds to address their respective housing needs. Honolulu receives their own HOME allocation.
Max. Receivable Grant Amount	States are automatically eligible for HOME funds and receive either their formula allocation or $3 million, whichever is greater. Local jurisdictions eligible for at least $500,000 under the formula ($335,000 in years when Congress appropriates less than $1.5 billion for HOME) can also receive an allocation. for federal fiscal year 2022, the Hawai'i Housing Finance and Development Corporation was awarded $3.0 million and the City and County of Honolulu. $3.3 million.
Grant Availability & Application Timeline	Funding is administered through HUD and formula allocation is provided annually to States and local jurisdictions. State and local jurisdictions receiving HOME funds are required to complete a Consolidated Plan. HHFDC awards funds to subrecipients based on it' s application process. Projects must be consistent with various planning documents submitted to HUD.

Local and Regional Project Assistance Grants (RAISE)

Administered by U.S. Department of Transportation (DOT)

Discretionary grant for capital investments in surface transportation that will have a significant local or regional impact. Grants may also be used for planning needs.

Source Summary

Intended Uses	Highway or bridge project eligible for assistance under title 23, United States Code; a public transportation project eligible for assistance under chapter 53 of title 49, United States Code; a passenger rail or freight rail transportation project eligible for assistance under title 49, United States Code; a port infrastructure investment, including inland port infrastructure and a land port-of-entry; the surface transportation components of certain eligible airport projects; a project for investment in a surface transportation facility located on Tribal land, the title or maintenance responsibility of which is vested in the Federal Government; a project to replace or rehabilitate a culvert or prevent stormwater runoff for the purpose of improving habitat for aquatic species; and any other surface transportation infrastructure project that the Secretary considers to be necessary to advance the goal of the program.
Are counties eligible applicants?	Yes. Eligible applicants include any territory or possession of the US; a unit of local government; public agency or publicly chartered authority; special purpose district; public authority with a transportation function; and federally recognized Indian tribes.
Max. Receivable Grant Amount	$1.5 billion in total available funding from fiscal years 2022 through 2026. The minimum RAISE grant award is $5M in urban areas and $1M in rural areas. There are no minimum awards for planning grants. The program guidelines may limit the amount of RAISE grants funds a State may receive for projects. The grant may not exceed 80% of the project costs, unless the project is in a rural area, a historically disadvantaged community, or an area of persistent poverty.
Grant Availability & Application Timeline	This is a new discretionary grant program, so there is not a typical amount that the State of Hawai'i would receive. Annual application cycles announced by USDOT, Office of Infrastructure Finance and Innovation. Applications are submitted through Grants.gov. Grants.gov registration must be completed prior to submitting a Final Application. The registration may take 2 to 4 weeks to complete.

Opportunity Zones

Administered by U.S. Department of Housing and Urban Development (HUD)

A community development initiative established by Congress in 2017 to encourage long-term investments in low-income urban and rural communities nationwide. Hawai'i has designated 25 census tracks as opportunity zones.

Source Summary

Intended Uses	Opportunity Zones are census tracts that are economically-distressed communities where new investments may, under certain conditions, be eligible for preferential federal tax treatment or preferential consideration for federal grants and programs. The initiative provides a tax incentive for investors to re-invest their capital gains into Opportunity Funds that are dedicated to investing into Opportunity Zones.
Are counties eligible applicants?	In order to be eligible, the project needs to be within one of the 25 census tracks. Opportunity Zones TOD Pilot Areas include Ane Keohokalole Highway in Hawai'i County and Iwilei-Kapalama in O'ahu partly overlap with Opportunity Zones designated by the State of Hawai'i. Ka'ahumanu Corridor in Maui and Līhu'e Town Core in Kaua'i aren't part of designated Opportunity Zones.
Max. Receivable Grant Amount	A temporary tax deferral for capital gains reinvested in an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the Opportunity Zone investment is sold or December 31, 2026. A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis of the original investment is increased by 10% if the investment in the qualified Opportunity Zone fund is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years, excluding up to 15% of the original gain from taxation A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified Opportunity Zone Fund if the investment is held for at least 10 years. (Note: this exclusion applies to the gains accrued from an investment in an Opportunity Fund, not the original gains).
Grant Availability & Application Timeline	If investors have community-based opportunity zone investment projects they can submit it to the State of Hawai'i Department of Business, Economic Development (DBEDT) if there is a community benefit. The investor then completes the Opportunity Fund Investor Project Request From. The DBEDT also posts potential opportunity zone investments on their website for investor consideration.

Title VIII - Housing Assistance for Native Hawaiians

Administered by U.S. Department of Housing and Urban Development (HUD)

Authorized by the American Homeownership and Economic Opportunity Act of 2000. This Act amends the Native American Housing Assistance and Self Determination Act (NAHASDA) of 1996 and creates Title VIII - Housing Assistance for Native Hawaiians. Program funding is used for affordable housing activities for low-income native Hawaiians eligible to reside on Hawaiian Home Lands.

Source Summary

Intended Uses	New construction, rehabilitation, acquisition, infrastructure, and various support services. Housing can be either rental or homeownership. Funds can also be used for certain types of community facilities if the facilities serve eligible residents of affordable housing.
Are counties eligible applicants?	No. The Hawaii State Department of Hawaiian Home Lands (DHHL) is the sole recipient of NHHBG funds.
Max. Receivable Grant Amount	For fiscal year 2022-2023, the U.S. Department of Housing and Urban Development allocated $22.3 million in Native Hawaiian Housing Block Grant funding to the Department of Hawaiian Home Lands. Annual allocations for previous years hovered around $2 million.
Grant Availability & Application Timeline	Funding is administered through the U.S. Housing and Urban Development (HUD). The Department of Hawaiian Home Lands (DHHL) receives NHHBG funding annually. Each year, DHHL submits a Native Hawaiian Housing Plan (NHHP) to HUD for review and approval. Income Requirements: The use of Native Hawaiian Housing Block Grants NHHBG funds is limited to eligible affordable housing activities for low-income (not exceeding 80% of the median income for the area) native Hawaiians eligible to reside on Hawaiian home lands. Eligible activities include new construction, rehabilitation, acquisition, infrastructure, and various support services. Housing can be either rental or homeownership. NHHBG funds can also be used for certain types of community facilities if the facilities serve eligible residents of affordable housing.

Community Facilities Direct Loan & Grant Program in Hawai'i and Western Pacific

Administered by U.S. Department of Agriculture (USDA)

Provides affordable funding to develop essential community facilities in rural areas.

Source Summary	
Intended Uses	Can be used to purchase, construct, and / or improve essential community facilities, purchase equipment and pay related project expenses. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area.
Are counties eligible applicants?	Yes. Eligible applicants include public bodies, community-based non-profit corporations, and federally recognized tribes.
Max. Receivable Grant Amount	Funds may be provided on a graduated scale ranging from 15% to 75% of project costs. The scale is adjusted based on population and income requirements of the population.
Grant Availability & Application Timeline	Application Process: • Applications are open year-round and submitted to USDA Rural Development. • At the earliest possible time, applicants should provide a Preliminary Architectural Feasibility Report, including the cost estimate, for the review by the RD Area Loan Specialist and RD State Architect. These two documents are used to determine the project's feasibility. Income Requirements: • Rural areas including cities, villages, townships and towns including Federally Recognized Tribal Lands with no more than 20,000 residents according to the latest U.S. Census Data are eligible for this program. Funding is prioritized through a point system based on population, median household income. Specifically, communities that meet the following criteria are prioritized: • Small communities with a population of 5,500 or less; • Low-income communities having a median household income below 80% of the State nonmetropolitan median; household income.

2.8

Federal Acts Competitive Funding

Applicability of Federal Acts Competitive Funding Federal to TOD Pilot Area Projects

Projects of certain typology may be suitable candidates for federal grants. Based on the intended uses of each grant, the table below summarizes the potential applicability of each program to the projects in the TOD Pilot Areas. Each program is presented in further detail following this summary.

Project	Sector	Coronavirus State and Local Fiscal Recovery Funds	FTA Pilot Program for TOD	Rural Surface Transportation Grant Program	HUD Green and Resilient Retrofit Program
Iwilei-Kapalama *City and County of Honolulu*	Drainage System Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable
	Electrical System Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable
	Improvement of Fire Facilities *Districtwide infrastructure*	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Sewer Capacity Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable
	Water System Capacity Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable
	Wastewater Capacity Improvement *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable
	Sea Level Rise Mitigation *Districtwide infrastructure*	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Roadway Improvement *Districtwide infrastructure*	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Applicability of Federal Acts Competitive Funding Federal to TOD Pilot Area Projects (cont.)

Project	Sector	Coronavirus State and Local Fiscal Recovery Funds	FTA Pilot Program for TOD	Rural Surface Transportation Grant Program	HUD Green and Resilient Retrofit Program
Ka'ahumanu Avenue Community Corridor *Maui County*	Social infrastructure *Civic Center renovation, Halau of Oiwi Arts, War Memorial Gym Building Improvements, War Memorial Football Stadium and Track Rehabilitation*	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Water Availability *Waihee Aquifer*	Applicable	Not Applicable	Not Applicable	Not Applicable
	Affordable housing	Applicable	Applicable	Not Applicable	Applicable
Līhuʻe Town Core *Kauaʻi County*	Water and wastewater hook-up fees Water Capacity Improvements *Districtwide infrastructure*	Applicable	Not Applicable	Not Applicable	Not Applicable

Applicability of Federal Acts Competitive Funding Federal to TOD Pilot Area Projects (cont.)

Project	Sector	Coronavirus State and Local Fiscal Recovery Funds	FTA Pilot Program for TOD	Rural Surface Transportation Grant Program	HUD Green and Resilient Retrofit Program
Ane Keohokalole Highway Corridor *Hawai'i County*	Transit *Old Airport Park Transit Station; Kailua-Kona Bus Maintenance Facility*	Not Applicable	Applicable	Applicable	Not Applicable
	Social Infrastructure *Kealakehe Animal Shelter; Kealakehe Regional Park*	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Affordable housing *Ulu Wini Low Income Housing Wastewater Treatment Plant (repair of existing Wastewater Transportation Project in affordable housing complex)*	Applicable	Applicable	Not Applicable	Applicable
	Districtwide Water and Wastewater *Kealakehe Wastewater Transportation Projects; North Kona Mid-Level Well;*	Applicable	Not Applicable	Not Applicable	Not Applicable
	Project-specific Water and Wastewater *On-site and off-site water and wastewater distribution lines for La'i 'Ōpua Villages; Wells, reservoir, and sewer plant for Kamakana Villages*	Applicable	Not Applicable	Not Applicable	Not Applicable
	Solid Waste *Kealakehe Refuse Transfer Station*	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Districtwide Roads *Extensions of Ane Keohokālole Highway*	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Project-specific roads *Onsite roads for Kamakan Villages; Access roads from Ane Keohokālole Highway to Kamakana Village*	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Summary of Federal Acts Competitive Funding Programs

Source	Description	Application Process and Deadlines	Potential Monetary Range
Coronavirus State and Local Fiscal Recovery Funds	**Description:** Third round of COVID-19 stimulus funding. **Eligible Uses:** Funding may be used towards affordable housing and to make necessary investments in water, sewer, and broadband infrastructure.	**Application Process**: Funding is allocated to States, which then provides funds to benefit certain programs. **Key Deadlines:** • Funds must be used for costs incurred on or after March 3, 2021. • Funds must be obligated by December 31, 2024, and expended by December 31, 2026.	The State of Hawai'i received $1,641,602,610 in funding.
IIJA Discretionary Funding: **US DOT, Federal Transit Administration Pilot Program for TOD**	**Description:** Provides funding for efforts associated with an eligible transit project for which the project sponsor will seek funding through FTA's Capital Investment Grants Program. The TOD planning grants support community efforts to improve access to public transportation. The grants help organizations plan for transportation projects that connect communities and improve access to transit and affordable housing. **Eligible Uses:** To assist in financing comprehensive or site-specific planning associated with eligible projects that seek to: enhance economic development; facilitate multimodal connectivity; increased access to transit hubs; mixed-use development; identify infrastructure needs associated with eligible project; include private sector participation. **Eligible Applicants:** States, local governments, and FTA grant recipient. An applicant must be the project sponsor of an eligible transit capital project or an entity with an use planning authority in the project corridor of an eligible transit capital project.	**Application Process:** Annual application cycle announced by U.S. Department of Transportation (USDOT), Federal Transit Administration (FTA) Grant opportunities are posted on Grants.gov. Only one application per transit capital project corridor may be submitted to FTA.	Federal appropriation for the program ranges from $13.2M to $14.4M annually. Funds appropriated for fiscal years 2022 through 2026. Grant award amounts as part of the FY22 funding round ranged from $360k to $1.6M. The maximum federal share is 80%.

Summary of Federal Acts Competitive Funding Programs (cont.)

Source	Description	Process to Obtain Revenues	Potential Monetary Range
IIJA Discretionary Funding **US DOT,** **Rural Surface Transportation Grant Program**	**Description:** Supports projects to improve and expand the surface transportation infrastructure in rural areas. **Eligible Projects**: Highway, bridge, or tunnel projects, highway freight projects, highway safety improvement projects, projects on a publicly owned highway or bridge improving access to certain facilities that support the economy of a rural area, integrated mobility management systems, transportation demand management systems, or on-demand mobility services. Project must meet five requirements 1) generate economic, mobility and safety benefits; 2) cost-effective; 3) national objective; 4) results of preliminary engineering; 5) construction to begin within 18 months. **Eligible Applicants:** State, Regional transportation planning organizations, Local governments, Tribal governments.	**Application Process:** Annual competitive grant program administered by U.S. Department o Transportation (USDOT). Program funding made available under the Multimodal Project Discretionary Grant Opportunity (MPDG), which combines Notice of Funding Opportunity that will allow applicants to use one application to apply for three separate discretionary grant opportunities – one being the Rural Surface Transportation Grant.	$2 billion in total available funding from fiscal years 2022 through 2026. Grants may be used for up to 80% for the project costs.
IRA Discretionary Funding: **HUD Green and Resilient Retrofit Program (GRRP)**	**Description**: Provides grant and loan funding to facilitate retrofits of properties participating in multifamily assisted housing programs to make them more energy efficient, healthier, and resilient in the face of natural disasters and climate change. **Eligible Projects:** Properties participating in Section 8 Project-based Rental Assistance, Section 202 Supportive Housing for Low-Income Elderly, and Section 811 Supportive Housing for Low-Income Persons with Disabilities programs. **Eligible Uses:** The cost of providing direct loans, the cost of modifying such loans, projects that improve energy or water efficiency, indoor air quality and sustainability improvements, implementation of low-emissions technologies, zero-emissions electricity generation, energy storage, building electrification, electric car charging station installations, and climate resilience of multifamily properties.	GRRP is still in development and information regarding how to access funding for this program has not been made available.	The IRA allocates $1 billion in funding to HUD to implement GRRP.

3.0

Financing Instruments

3.1

State and County Debt

General Obligation (GO) Bonds

Bonds for the payment of the principal and interest for which the full faith and credit of the State or County are pledged and, unless otherwise indicated, including reimbursable general obligation bonds. GO bonds have no associated source of revenue and are backed fully by the State or counties. They are generally recognized as one of the least costly means of securing new funds that can be used for public projects.

Source Summary	
Intended Uses	Capital related projects.
Potential Issuers	State and County Governments.
Maximum Amount	Potential monetary ranges depend on project size, revenue sources to repay the bonds and available debt capacity within debt ceilings/ policies. The Counties within the State are limited to the requirements in the State Constitution, Article VII, Section 13, which limits the amount of general obligation bonds that can be outstanding at any time to 15% of the total assessed value for real property tax rate purposes in each political subdivision. Based on the information within the 2021 Annual Comprehensive Financial Reports within each County: • Hawai'i County: The current debt limit for the County is $5.3 billion. As of June 30, 2021, the County's outstanding debt applicable to legal debt margin totaled $416 million or 7.87% of the County's debt limit. • Kaua'i County: The current debt limit for the County is $3.4 billion. As of June 30, 2021, the County's outstanding debt applicable to the legal debt margin totaled $100.5 million or 2.98% of the County's debt limit. • Maui County: The County confines long-term borrowing to capital assets or equipment that cannot be financed from current resources. The County only borrows when necessary and utilizes pay-as-you-go financing to the extent possible to conserve debt capacity. The current debt limit for the County is $8.2 billion. As of June 30, 2021, the County's current outstanding debt applicable to the legal debt margin totaled $359 million or 4.37% of the County's debt limit. • City and County of Honolulu: The current debt limit for the County is $31.7 billion. As of June 30, 2021, the County's outstanding debt applicable to the legal debt margin totaled $2.8 billion or 8.71% of the County's debt limit.
Issuance Process	GO Bonds may be issued by a County, provided the County authorizes the sale of bonds through an ordinance or resolution. The Director of Finance of the County then outlines the bonds terms and the County may issue the bonds to pay all or part of the cost of appropriations for public improvements made in a capital budget ordinance

Revenue Bonds

Bonds payable from revenues, or user fees, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law.

Source Summary	
Intended Uses	Capital related projects with a revenue stream to repay the debt associated with the project.
Potential Issuers	• City and County of Honolulu: Water System Revenue Bonds (2022) • Maui County: Water Revenue Bonds (1991) • Kauai County: Rental Housing Revenue Bonds, issued in 1992 • Hawaii County: none.
Maximum Amount	Issuers often include the County Department of Environmental Services and the County Board of Water Supply, as the fees charged to users for these services represent revenue streams that can underwrite revenue bonds. Notable examples of agencies that have issued revenue bonds to partly finance capital facilities include the C&C's Department of Environmental Services, which manages the county's wastewater collection and treatment services, and Honolulu's Board of Water Supply, which manages freshwater and distribution system.
Issuance Process	Depends on the potential revenue stream that is being leveraged to issue the bonds relative to project size.

Private Activity Bonds (PABs)

Tax-exempt bonds issued by a State or local government on behalf of the private entity for qualified private activities with public benefit.

Source Summary	
Intended Uses	States receive an allocation of PABs, which is based on population. Federal law limits how much tax-exempt debt each State can issue in a calendar year for private projects that have a qualified public benefit. The PAB volume cap is then allocated to each county based on a percentage in statute. In 2005, there was $15 billion of tax-exempt PABs authorized. The Infrastructure Investment and Jobs Act signed into law on November 15, 2021 increased the available PAB authority from $15 billion to $30 billion. The Secretary of Transportation allocates the national limit (which is not subject to State volume cap/limit). Any project that is TIFIA eligible is also PABs eligible.
Potential Issuers	PABs subject to the State's volume cap have been used for the following uses in Hawai'i: Multifamily housing; Exempt facilities; Mortgage credit certificates; and Hula Mae Multi-Family Program. Hawai'i has not used the PABs program administered by USDOT.
Maximum Amount	State of Hawai'i; all county governments.
Issuance Process	Size of a PABs issuance depends on available limits at the time of allocation, merits of project, and the potential revenue stream that is being leveraged to issue the bonds. Chapter 39B-2, HRS, provides for the following allocation of the annual State ceiling for PABs: (1) 50% to the State; (2) 37.55% to the City and County of Honolulu; (3) 5.03% to the County of Hawai'i; (4) 2.41% to the County of Kaua'i; and (5) 5.01% to the County of Maui. There is flexibility within the law of how the allocation may be assigned between counties. The volume caps for PAB bonds include: • Hawai'i's volume cap in 2020 was $321.8 million, of which $121.5 million was used for multifamily housing PABs. • IIJA increased the available PABs authority for transportation projects from $15 billion to $30 billion.

Community Facilities District (CFD) and Special Improvement District (SID) Bonds

Bonds issues by a special taxing district that can either be a construction or acquisition district. These may provide a nearer-term revenue stream than tax increment, depending on how the tax is set, potentially enabling earlier funding or financing of infrastructure improvements. A CFD may allow for the issuance of tax-exempt municipal bonds secured by land within the district.

Source Summary	
Intended Uses	Revenues or financing may be used to fund the acquisition or construction of public improvements including transit, roadway, water, wastewater, pedestrian, cultural and police and fire facilities within the boundaries of the CFD/SID.
Potential Issuers	To date there has been one CFD-related bond issuance in Hawai'i: in 2012 for the Kukui'ula Project CFD/SID on Kaua'i. Bond sizing was dependent on projected revenues less expenses of the CFD/SID. Most recently, the Kaloko Heights approved a CFD/SID bond resolution that is to be used as part of an affordable housing project in Hawai'i County. The bond resolution has been approved by the County Council.
Maximum Amount	All four Hawai'i counties have adopted ordinances enabling the creation of CFDs and issuance of related bonds.
Issuance Process	Varies based upon various factors, including the rate and method of apportionment of the special tax levied, boundaries of the district(s), and development status of the property within the district.

Special Purpose Revenue Bonds

A type of revenue bond authorized by Hawaiʻi's Legislature that can be issued by the State to provide loan financing to assist qualifying private capital improvement projects (for example, certain hospital or school construction) in the public interest. The bonds do not constitute a general obligation of the State and are not State monies. SPRBs are sold to private investors, who provide the actual funds and invest their funds in exchange for tax-exempt or taxable interest payments. The borrowers are required to secure the loans with revenues as part of the loan agreements. for the State, selling SPRBs is a way to facilitate loans for certain categories of private business projects without spending taxpayers' money or placing the State's credit at risk.

Source Summary

Intended Uses	Used to finance facilities or to loan the proceeds of such bonds to assist manufacturing, processing or industrial enterprises, certain not-for-profit private schools, utilities serving the general public, health care facilities provided to the general public by not-for-profit corporations, early childhood education and care facilities provided to the general public by not-for-profit corporations, agricultural enterprises serving important agricultural lands, or low and moderate income government housing programs.
Potential Issuers	The State of Hawai'i has issued bonds for health care facilities provided to the general public by not-for profit corporations, utilities serving general public, and not-for-profits, and universities serving the general public.
Maximum Amount	Usually implemented at the State level since bond issuance must be approved by the Hawai'I State Legislature and is issued by the State. The Legislature authorizes the sale of SPRBs to private investors, and the revenues are used to fund loans to borrowers for improvement projects. Investors receive repayments of principal and tax-exempt interest payments over time from the project owners. Because investors accept lower interest rates for tax-free income, project owners save money.
Issuance Process	Depends on the potential revenue stream that is being leveraged to issue the bonds and project size.

State Infrastructure Bank (SIB)

A revolving loan fund program administered by a State to provide low-cost loan financing to surface transportation projects within the State. SIBs are capitalized with Federal-aid surface transportation funds and matching State funds, although Several states have established SIBs capitalized solely with state funds.

Source Summary	
Intended Uses	If capitalized with Federal-aid surface transportation, SIBs give states the capacity to make more efficient use of its transportation funds and significantly leverage Federal resources by attracting non-Federal public and private investment. SIB capital can be used as collateral to borrow in the bond market or to establish a guaranteed reserve fund. If established with state funds, it can provide financing for projects related not only to transportation (Rhode Island Infrastructure Bank, for instance, provides loans for water infrastructure, clean energy, climate resilience, brownfield remediation, and roads and bridges).
Potential Issuers	Hawai'i does not have a State Infrastructure Bank.
Maximum Amount	The State of Hawai'i does not currently have a SIB program
Issuance Process	Potential monetary ranges depend on the amount the State is willing to capitalize the loan program. States must match the Federal funds used to capitalize the SIB on an 80-20 Federal/non-Federal basis, except for the highway account where the sliding scale provisions apply. States also have the opportunity to contribute additional State or local funds beyond the required nonfederal match.

3.2

Federal Loan Programs

Transportation Infrastructure Finance and Innovation Act (TIFIA)

Administered by U.S. Department of Transportation (DOT), Build America Bureau

Loans and credit assistance for qualified projects of regional and national significance. TIFIA 49 provides for special financing for transit and transit-oriented development projects.

Summary

Intended Uses	Large-scale, surface transportation projects (incl. highway, transit, railroad, intermodal freight, port access projects). The project must have a dedicated revenue source pledged to secure TIFIA financing.
Potential Applicants	Yes, eligible applicants include State and local governments, transit agencies, railroad companies, special authorities, special districts, and private entities.
Maximum Receivable Grant Amount	TIFIA Secured Line of Credit: Maximum loan amount of 33% of eligible project costs. TIFIA Secured Loan or Loan Guarantee: Maximum loan of up to 49% of eligible project costs. Minimum Project Size: • $10 million – transit-oriented development, local and rural projects • $15 million for Intelligent Transportation System Projects • $50 million for all other eligible Surface Transportation Projects
Grant Availability & Application Timeline	Program is administered by U.S. Department of Transportation (DOT), Build America Bureau. It requires the submission of a Letter of Interest, financial model, investment grade preliminary rating opinion, application and fees. Typical process has taken 14-18 months from Letter of Interest submission to reach financial close.

Railroad Rehabilitation & Improvement Financing (RRIF)

Administered by U.S. Department of Transportation (DOT), Build America Bureau

Direct loans and loan guarantees to finance the development of railroad infrastructure.

Summary

Intended Uses	Acquire, improve, or rehabilitate intermodal or rail equipment or facilities. Develop or establish new intermodal or railroad facilities. Reimburse planning and design expenses relating to activities listed above.
Potential Applicants	Yes, eligible applicants include: railroads, State and local governments, government-sponsored authorities and corporations, limited option freight shippers, joint ventures that include one of the preceding.
Maximum Receivable Grant Amount	TOD Projects: Credit assistance is limited to 75% of total project costs. Non-TOD Projects: Can fund up to 100% of eligible project cost. However, DOT prefers applicants to provide equity to the project. The RRIF program does not have a minimum project cost threshold.
Grant Availability & Application Timeline	Program is administered by U.S. Department of Transportation (DOT), Build America Bureau. Requires submission of Letter of Interest, completion of a creditworthiness review (incl. review of financial model, plan of finance, feasibility of pledged revenue), and evaluation of application. Request for a loan will be approved or disapproved within 90 days after receipt of a complete application.

3.3

Private Options

Private Options

Source	Description	Process to Obtain Financing	Potential Monetary Range
Bank Loans	A form of credit used to finance the capital costs of a project. Bank loans are used in conjunction with equity and in projects that have a strong revenue stream to repay the loan on the project. Eligible Uses: To finance housing and commercial/ retail spaces.	Bank loans would typically be obtained by private developers or private sector under a P3 agreement. Depending on the size of financing required, multiple lenders may need to participate in the financing. Key Process Considerations: Private entities obtaining the financing would need to ensure the project economics would pass the rigorous review of credit committees May require a private rating from a rating agency May require an equity investment to obtain financing. Significant number of agreements between different entities that will require negotiation.	Potential monetary ranges depend on project size, and revenue strength to repay the debt.
Private Equity	Allows private entities to invest private funds or take an equity interest in the project in expectation of a return. Equity sources are typically available only for projects or infrastructure that generate a significant return. Low-Income Housing Tax Credit (LIHTC) also provide for a form of equity investment for affordable housing. A State LIHTC equal to 50% of the federal LIHTC is also available to qualified applicants.	Process to Obtain Financing: Depending on the size of financing required, multiple investors may need to participate in the financing. Key Process Considerations: May be used in a developer or P3 arrangement Private equity requires significant due diligence on the projects they intend to invest in Significant number of agreements between different entities that will require negotiation Key Process Considerations for LIHTC: Tax credits are allocated each State based on population The Hawai'i Housing Finance & Development Corporation (HHFDC) develops a qualified allocation plan Developers apply to HHFDC each year to obtain credits Developer partner with syndicates or investors to finance the project	Potential monetary ranges depend on project size, and revenue strength to repay the equity investment along with any required returns. Equity only finances a portion of a projects and is used in conjunction with other financing sources such as debt, PABs, and TIFIA. Potential Monetary Range for LIHTC depends on IRS guidelines for a particular year.

4.0

Infrastructure Delivery

Introduction

Delivering an infrastructure asset requires two stages: a contractual stage involving decisions over design, construction, financing, and operations needed to realize and maintain the asset; and a governance stage that concerns the long-term management of the asset.

Contractual Model

The contractual model addresses the process by which a construction project is designed and constructed for an owner, including project scope definition; organization of designers, constructors, and various consultants; sequencing and execution of design and construction operations; and closeout and start-up.

Public agencies share the ability of their private-sector counterparts to acquire construction services via different project delivery methods, including:

- **Traditional procurement;**
- **Design-Build;**
- **P3s with no private financing;** and
- **P3s with private financing**

Governance Model

The governance model addresses how the infrastructure asset is managed upon completion. It relates to the processes, decision-making and monitoring used by government organizations and their counterparts with respect to making infrastructure services available to the public. It thus relates to the interaction between government institutions internally, as well as their interaction with the private sector, users and citizens.

Models of infrastructure governance involve:

- A **traditional public agency** solely managing an asset;
- **Several public agencies** jointly managing an asset through an agreement;
- A **dedicated public agency** created solely for the management of an asset;
- A **private organization and a public agency** jointly managing an asset through an agreement; and
- A **private organization** managing an asset

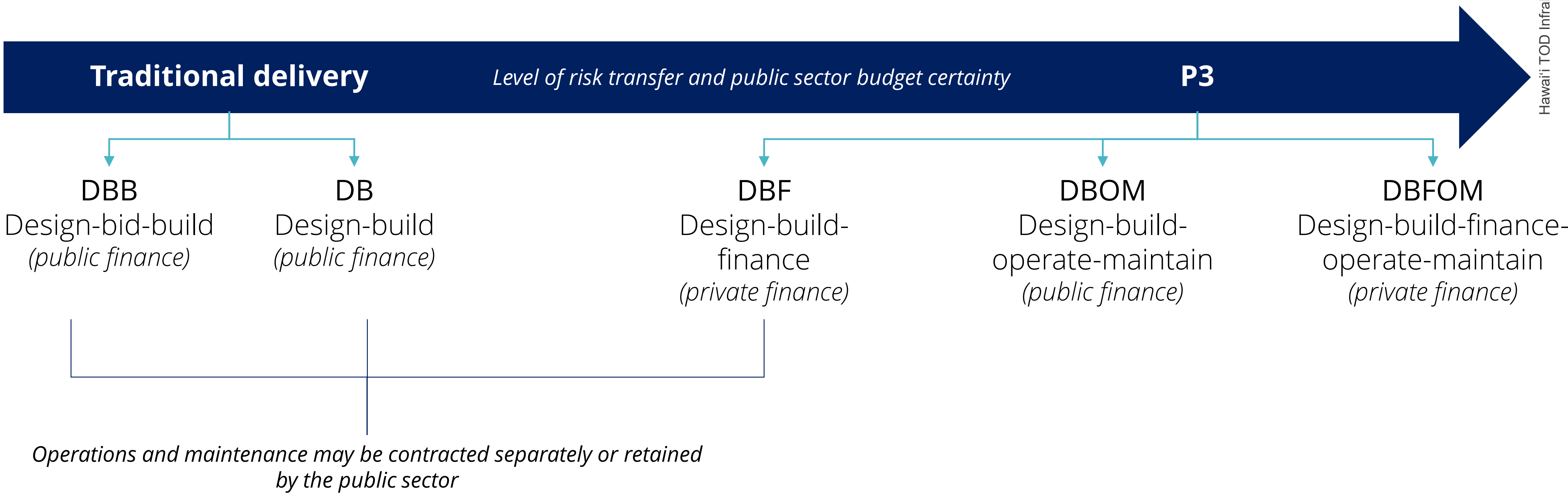
4.1

Contractual Model

Overview of Contractual Models

Overview of Contractual Models

The spectrum of options to deliver infrastructure sit on a continuum whereby responsibilities and risks are progressively passed from the public to the private sector. Each method is described in the pages that follow.



Overview of Traditional Procurement Methods

Under traditional procurement models, the public sector retains most of the control as well as risks associated with the delivery and operation of the infrastructure asset.

Role	Design-Bid-Build (DBB)	Design-Build (DB)
Key characteristics	• Typically involves the **sequential and discrete procurement of services to develop and construct an asset**, with the majority of risks associated with the delivery and operation of the asset retained by the public sector. • **Most common method of contracting** for construction projects in public works.	• Owners execute **a single, fixed-fee contract for both architectural/engineering services and construction**. The design-build entity - also known as a constructor - may be a single firm, a consortium, joint venture or other organization assembled for a particular project.
Responsibilities	• **Owner holds separate contracts for design and construction**, segregating these tasks under separate entities. Owner retains a designer to furnish complete design services and then advertises and awards a separate construction contract. • **Owner is responsible for the details of design** and warrants the quality of the construction design documents to the construction contractor. • The **owner is financially liable for the cost of any design errors** or omissions encountered in construction.	• The **design-builder assumes responsibility for most of the design work and all construction activities, together with the risks** associated with providing these services for a fixed fee. • **Owners usually retain responsibility for financing, operating and maintaining the project**. In some cases, however, separate maintenance, or operations and maintenance, agreements have been combined with design-build contracts.
Advantages	• DBB is **generally viewed as the traditional project delivery method in the United States**, it is well understood and accepted by owners and members of the design and construction industries. • The **owner has full control over the details of design,** which may be a requirement for some complex projects.	• Public sector can **offload both design and construction risk** to a private contractor. • Schedule allows for overlapping design and construction. • The design-builder takes both design and construction risks. As a result, the DB project delivery method has proven to be **highly successful in compressing the project delivery period.**

Overview of Public-private Partnerships (P3s)

P3s are performance-based contracts that allocate risks to the party best suited to manage them, and link public sector payments to contractual performance obligations of the private sector partner.

Role	Design-Build-Operate-Maintain DBOM	Design-Build-Finance DBF	Design-Build-Finance-Operate-Maintain DBFOM
Key characteristics	• Integrated procurement model that **combines the design and construction responsibilities of design-build procurement with operations and maintenance.** • Project components are **procured from the private sector in a single contract.**	• A **single contract** is awarded for the design, construction, and full or partial financing of a facility. • Allows the project sponsor to **defer financing** either completely or partially during the construction period.	• Responsibilities for **designing, building, financing and operating are bundled together and transferred to private sector partners**. • Projects are either partly or wholly **financed by equity or debt leveraging** revenue streams dedicated to the project. • Whether debt or equity, **financing must be repaid**. The funding stream that secures the financing can be generated from the project itself – such as a toll paid by users – or from dedicated tax revenues (i.e., availability payments).
Responsibilities	• A **private entity is responsible for design and construction as well as long-term operation and/or maintenance services**. • The **private entity is required to establish a long-term maintenance program up front,** together with estimates of the associated costs. • The **public sector secures the project's financing independently** and retains the operating revenue risk.	• The **design-builder assumes responsibility for most of the design work, all construction activities, the short-term financing for all or a portion of the project**, together with the risk of providing these services for a fixed fee. • **Owners usually retain responsibility for the long-term operation and maintenance of the project.** In some cases; however, separate operations and maintenance agreements have been combined with DBF contracts • DBF arrangement is a deferred payment. The **project sponsor is purchasing construction services and deferring payment for them**.	• DBFOM requires **private sector partners to assume responsibilities traditionally held by public agencies**. • **Private partner is required to invest its own equity or secure debt** to increase incentives to satisfy the terms of the agreement. This increase incentives to satisfy the terms of the agreement. • Public **agency retains full ownership of the facility.**

Key Distinctions of P3s

What P3s are...

As a form of alternative delivery, **P3s are "performance-based" contracts that allocate risks to the party best suited to manage them** and link public sector payments to contractual performance obligations of the private-sector partner.

P3s typically transfer to a private partner a substantial degree of risk associated with the design, construction, operation and performance of the asset. This risk is the priced within the compensations demanded by the private partner as part of the P3 agreement.

P3s can involve hybrid structures comprising both public and private sources of financing.

What P3s are not...

P3s do not represent new sources of revenue for government entities — any element of private financing must be repaid via credible revenue sources.

P3s are not a form of privatization — the public sector maintains ownership of the land and retains the residual interest in the asset.

P3s are not appropriate for every project — suitability will depend on factors such as project scale, capital intensity, technological complexity, and revenue risk.

Factors differentiating P3s from Traditional Procurement

P3s combines responsibility for functions that are usually disparate in traditional procurement methods under a single entity, which allows the private partners to take advantage of several efficiencies, as described below.

Category	Description	DBOM	DBF	DBFOM
Risk transfer	• Allocates risk to the parties best equipped to accept the respective risks and responsibilities. • Encourages increased and robust competition among US-based and international contractors with positive performance records in developing and operating major infrastructure projects, many of whom are unlikely to propose for only a DB or DBB program.	✓	✓	✓
Incorporation of financing into contractual model	• Takes advantage of the efficiencies of the DB approach and allows the project sponsor to defer financing either completely or partially during the construction period. • To a public agency with stretched financial demands, the ability of the private sector to assemble financing for a single, critical project can spell the difference between action and delay.		✓	✓
Incorporation of operations and maintenance into contractual model	• Reduces the potential for cost increase and/or change orders. • Places financial incentives and performance requirements on the P3 partner to meet pre-established budget, scope, and schedule. • Confirms adherence to the schedule and provides substantial contractual requirements and associated financial penalties to the developer if delays occur. • Promotes incorporation by the developer of technical innovation and best practices by optimizing the developer's opportunities to connect design and construction with long-term O&M.	✓		✓

Summary of Responsibilities By Contractual Model

The table below summarizes the split of responsibilities between government and private parties for each category of contractual model.

Role	Design-Build-Build	Design-Build	P3 with no private financing *Design-Build-Maintain* *Design-Build-Operate-Maintain*	P3 with private financing *Design-Build-Finance* *Design-Build-Finance-Maintain* *Design-Build-Finance-Operate-Maintain*
Design & Build	**GOVERNMENT** bids separately for the design and build components.	**PRIVATE DEVELOPER** assumes responsibility for design and construction activities, together with the risks associated with providing these services, for a fixed fee.	**PRIVATE DEVELOPER** assumes responsibility for the design, construction and either or both operations and maintenance in one single contract, together with the risks associated with providing these services.	**PRIVATE DEVELOPER** assumes responsibility for the design, construction, financing, and either or both operations maintenance in one single contract, together with the risks associated with providing these services.
Operations & Maintenance	**GOVERNMENT** responsible for operation and maintenance.	**GOVERNMENT** responsible for operation and maintenance.	**PRIVATE DEVELOPER** Either or both operations and maintenance included in contract.	**PRIVATE DEVELOPER** Either or both operations and maintenance included in contract.
Financing	**GOVERNMENT** provides financing for capital expenses.	**GOVERNMENT** provides financing for capital expenses.	**GOVERNMENT** provides initial financing for capital expenses.	**PRIVATE DEVELOPER** provides debt or equity funding to cover costs partly or fully.
Funding	**GOVERNMENT** provides funding for all capital expenses.	**GOVERNMENT** provides funding for all capital expenses.	**GOVERNMENT** compensates contractor for either or both operations and maintenance services.	**GOVERNMENT** may contribute with initial funds if funding structure is hybrid. In the long-term, it funds the project either by providing availability payments and/or allowing developer to keep the asset's revenue streams.

Context of Contractual Models in Hawai‘i

Context for Delivery Models in Hawai‘i

The Consultant Team has evaluated the context for contractual models in Hawai‘i using the dimensions presented below, in view of evaluating their implementation in the TOD Pilot Areas. The Consultant Team evaluated dimensions 1 through 3 for the preliminary availability analysis of the present phase and will evaluate dimensions 4-5 during Phase 4.

#	Dimension	
1	**Regulatory framework**	Is there an existing regulatory framework in the State that allows for all contractual models? Are there proposals concerning new regulations around contractual models? Is regulation impeding the implementation of certain contractual models?
2	**Community and political support**	Is the implementation of certain contractual models being affected, positively or negatively, by actions of the Governor, County or State agencies? Is the implementation of certain contractual models being affected, positively or negatively, by actions of the State legislature? Is the implementation of certain contractual models being affected, positively or negatively, by actions of groups such as unions or industry associations?
3	**Track Record of Implementation**	To what extent have different contractual models been implemented in the State?
4	**Private sector interest**	What is the landscape of developers and infrastructure contractors interested in entering procurement contracts with the State?
5	**Capacity to take on risks**	What changes are required so that State and County agencies can manage complex contractual models?

Regulatory Framework

Regulatory framework	
Is there an existing regulatory framework in the State that allows for all contractual models?	**Hawai'i's State Procurement Code (HRS Chapter 103D) regulates government contracting. State agencies and counties have discretion in choosing their project delivery methods**. HRS Chapter 103D does not preclude the use of alternative delivery methods such as DB or P3s, but does not define them explicitly either.
Is regulation impeding the implementation of certain contractual models?	**The State Procurement Code is flexible and does not explicitly prevent the application of any of the procurement models outlined in this document. However, DB and P3s are not explicitly addressed in the code.** Therefore, for more complex P3 contractual models, infrastructure developers are required to match each section of potential agreements to relevant provisions of the code and conduct meetings with State and County attorney offices to ensure their proposed procurement structure is compliant. In the case of HART, the developer underwent a lengthy process working closely with County attorneys to make sure the P3 satisfied construction contracts and requirements for multi-term and operating service contract and had to seek interpretations from the Attorney General around bonding matters. This process might not be easy to replicate for other contractors. **Moreover, P3s including an Operations component might present setbacks given the requirement to treat certain employees as State civil servants**. In Konno v. County of Hawai'i, 937 P.2d 397 (1997), the Hawai'i Supreme Court held that public landfill worker positions were "civil service" positions governed by merit principles.
Are there proposals concerning new regulations around contractual models?	**Proposed House Bill HB 1212 HD1 from 2021 adds definitions of DBFM, DBOM, and DBFOM to the State's procurement code**. On Dec-2021, House Committee on Government Reform (GVR) recommended that the measure be passed. The measure has been carried over to the 2022 Regular Session.

Key Takeaways on Regulatory Framework

The State procurement code is flexible with regards to the implementation of different contractual models. However, this flexibility is due to the code not defining some of these methods, including P3s, explicitly. While P3s are allowed, in order to enter such contracts the developer is required to undergo through multiple opinions and interpretations of whether their proposed terms are compliant with the State Procurement Code, and to seek extensive guidance from State and county stakeholders.

Political and Community Support

Stakeholders	
Legislature	**The House Government Reform (GVR) Committee has partly supported the use of alternative delivery models**. The House GVR Committee has Stated that Hawaiʻi is faced with limited government funding, making it more important to partner with the private sector and reform limited governmental resources. The Committee has also Stated in its report for Proposed HB 1212 SHL 2021 that P3 projects will help the State in reforming certain capital improvement projects in a more cost-effective and efficient manner. However, prior attempts to define P3s in the procurement code have failed. The proposed HB889 SHL 2020 failed to gather support and were ultimately discharged of all State House and Senate committees.
Governor / State Agencies	Most State agencies conduct their procurement through a traditional DBB model. **Among State Agencies, the Department of Accounting and General Services (DAGS) has been particularly supportive of the use of alternative delivery methods**. For instance, DAGS pursued DBFM for the New Aloha Stadium Entertainment District.
Other Groups/Entities/Community	**The Hawaiʻi Government Employees Association has expressed concerns over Proposed House Bill HB 1212** enabling the private operation of any State facilities.

Key Takeaways on Community and Political Support

DBB continues to be the most favorable contractual model used by government agencies. From informal outreach conducted by the Consultant Team, there seems to be skepticism among some agency stakeholder over the costs and benefits of P3s, and a lack of internal executive level champions. However, there has been support from certain stakeholders in the legislature and among State agencies to allow for the implementation of alternative delivery models.

Track record of Implementation

Track Record of Implementation	
Design-Bid-Build (DBB)	Traditional delivery method in the State.
Design-Build (DB)	Growing in popularity as a delivery method in the State. Major recent examples include University of Hawaiʻi Life Sciences Building[1] and four water reuse facilities from the State's Department of Aviation.
Design-Build-Maintain (DBM)	Never implemented.
Design-Build-Operate-Maintain (DBOM)	Limited track record. In 2020 the City and County of Honolulu's Board of Water Supply issued an RFP to use DBOM to build the Kalaeloa Seawater Desalination Facility Project[3]. DAGS planned to use DBOM for the New Aloha Stadium but ultimately cancelled these plans.
Design-Build-Finance (DBF)	Not implemented.
Design-Build-Finance-Maintain (DBFM)	Not implemented. HART planned to use DBFM for the Honolulu Rail but ultimately cancelled these plans.
Design-Build-Finance-Operate-Maintain (DBFOM)	Limited track record. Recent examples includes the delivery of housing units as part of the University of Hawaiʻi at Manoa Campus

Key Takeaways on Track Record of Implementation

Public agencies often deliver projects through design-bid-build procurement, although Design-Build has also been successfully used in several projects and is being picked up by certain agencies. Infrastructure needed to pursue large real estate developments is often delivered privately by development sponsors in the context of rezoning agreements.

More complex P3 models have been successfully in the State to a small scale, including a mixed-use affordable housing project at the University of Hawaiʻi at Manoa Campus. However, there have also been setbacks around the use of DBFOM and DBOM for the HART rail line and the Aloha Stadium District, respectively.

Assessment of Contractual Models for Projects in TOD Pilot Areas

Criteria for Suitability of Contractual Models

All the projects in the TOD Pilot Areas could be delivered using traditional procurement methods, including DBB and DB. The criteria presented below can be used to evaluate the viability of contractual models involving P3s.

Project Dimension	Benchmark for P3 Contractual Model
Investment required	**Projects with a capital cost of less than $50M could be too small to attract developer/equity interest for a P3 project**, unless bundled with other similar projects, because the return on equity is minimal. Moreover, there are some fixed costs in assessing and structuring any opportunity, regardless of size, and amortizing those fixed costs over a small investment is harder. Lastly, the opportunity to capitalize on private sector innovation and cost efficiencies (for example, by including O&M and lifecycle responsibilities) or cost containment (for example, through investor oversight) is less for smaller projects.
Availability of public funding	The case for a P3 is stronger when either: a) A project sponsor has cash flow constraints, and therefore needs funding for the project at the time the procurement is released and require the private entity to finance development costs; or b) the sponsor wishes to defer payment for the project due to lack of current funding or the desire to use the deferred payment to incentivize the contract to accelerate the construction of the project. Either way, private financing will always be more expensive than public financing. For this reason, private capital is likely more expensive in the long-run for government entities. The public owner, then, must decide whether the extra cost buys extra benefits, which could include design and construction innovations that deliver operational and maintenance benefits. **If the projects is already fully funded with public sources, a P3 model involving private financing will not be as helpful (for example, in accelerating the project schedule) and may be more expensive in the long-run for the project sponsor**.
Complexity of project execution	**Complex projects and asset types (for example, a wastewater system) are more suitable for P3 contractual models**, as they can benefit greatly from life-cycle efficiencies brought by the private sector, private sector innovation, and risk-sharing.
Type of project	**Greenfield projects are more suitable for P3 than brownfield projects** (i.e., improvements to an existing asset). This is because a P3 structure for a brownfield project may need to address integration of existing infrastructure with the improvements, which adds complexity and uncertainty for the private sector counterpart.
Agency objectives	A P3 structure likely comes with a transfer of project control from the agency to the contractor. The degree to which agencies might be willing to cede control over an asset will be larger over critical pieces of infrastructure or certain assets that are sensitive from a public opinion perspective. Therefore, **P3 contractual models are more suitable for less sensitive assets from a government and public opinion perspective.**

Evaluation of Suitability of Traditional Versus P3 Models for Tod Pilot Area Projects

The table below presents an assessment of the applicability of contractual models for the TOD Pilot Areas. The assessment is grouped by category of project and its suitability for a P3 contractual model.

TOD Pilot Area	Project	Investment Required	Availability of Public Funding	Complexity of Project Execution	Type of Project	Sensitivity	P3 Suitability
IWILEI-KAPALAMA *(City and County of Honolulu)*	Cured in Place Pipe for Sea Level Rise	**$150** (>$50M in capital cost)	**UNFUNDED**	**HIGH**	**INFILL**	**HIGH**	**YES**, mainly due to investment required and contingent on County willing to cede some control
	All other projects	All projects require <$50M in capital cost	**UNFUNDED**	**LOW** as all projects are typical districtwide networks or improvements built by utilities	**INFILL**	**LOW**	**NO**, given size of investments. P3 model applicable only if projects are bundled.
Ka'ahumanu Avenue Corridor *(Maui County)*	All projects	All projects require <$50M in capital cost	**FULLY FUNDED** except for Waihee Aquifer (~50% funded through public sources)	**LOW**	**INFILL**	**LOW** Mainly social infrastructure projects, except for Waihee Aquifer	**NO**, given size of investments and availability of public funding. No potential to bundle projects either.

Evaluation of Suitability of Traditional Versus P3 Models for Tod Pilot Area Projects (cont.)

TOD Pilot Area	Project	Investment Required	Availability of Public Funding	Complexity of Project Execution	Type of Project	Sensitivity	P3 Suitability
Līhu'e Town Core *(Kaua'i County)*	Water and wastewater hook-up fees; Water Capacity Improvements	Projects require <$50M in capital cost	**UNFUNDED**	**LOW**	**INFILL**	**LOW**	**NO**, given small size of investments and low complexity of infrastructure.
Ane Keohokalole Highway Corridor *(Hawai'i)*	Kealakehe Wastewater Transmission Projects	**$44.5** (>$50M in capital cost)	**UNFUNDED**	**HIGH**	**GREENFIELD**	**HIGH**	**YES**, mainly due to investment required and contingent on county willing to cede some control
	Highway improvements	**$133.7** (>$50M in capital cost)	**UNFUNDED**	**HIGH**	**GREENFIELD**	**LOW**	**YES**, if bundled together as a single project with a common owner
	All other projects	All projects require <$50M in capital cost	**MOSTLY UNFUNDED**	**LOW** as most projects are typical districtwide or project-specific utility networks built by utilities or private developers	**MIXED**	**HIGH**	**NO**, given size of investments and little potential to bundle projects.

4.2

Governance Models

Overview of Governance Models

Overview of Governance Models

The spectrum of governance models sit on a continuum of complexity where responsibilities and risks are progressively passed from a sole pre-existing agency towards groups of coordinated parties, new public entities, or new private parties

Pre-existing Public Agency

Project is led by a primary governmental entity

Formal Agreement Among Agencies

Multiple governmental entities collaborate with binding obligations

Dedicated Public Entity

A new public entity is established with infrastructure project as its essential purpose

Cost of initiation and required degree of coordination between entities

Private Entity

All aspects of infrastructure and management are led by a non-governmental entity

Public/Private Entity

Private and governmental entities share responsibility, funding, and risk

Pre-Existing Public Agency

Project is led by a primary, pre-existing governmental entity

Dimension	Ranking	Details
Public Control	High	▪ Governance controlled by one public agency. ▪ Agency retains full ownership and influence over the facility's design and operations.
Formation Cost	Low	▪ Activities can be conducted with staff and structures existing within existing agency.
Political Buy-in Needed	Low	▪ Agency responsibilities likely to be decided by executive order or constitution or ordinance.
Ability To Secure Financing	Low	▪ Needs to go through appropriation process.
Incentives for Efficiency & Effectiveness	Low	▪ No incentives for entrepreneurship unless strong leadership is installed.
Local Precedents		▪ Hawaii Department of Transportation

Formal Agreement Among Agencies

Multiple governmental entities collaborate with binding obligations

Dimension	Ranking	Details
Public Control	High	▪ Governance controlled by several public entities.
Formation Cost	Medium	▪ Some activities can be conducted with staff and structures existing within the collaborating agencies.
Political Buy-in Needed	Medium	▪ Likely requires executive or legislative approval and agencies agreeing to share competencies.
Ability To Secure Financing	Medium	▪ Likely able to obtain its own debt, contingent to certain rules and regulations overseeing the entity.
Incentives for Efficiency & Effectiveness	Low	▪ No incentives for entrepreneurship unless strong leadership is installed. ▪ Strong coordination system and division of responsibilities needed to avoid disagreements over duties from each public counterpart.
Local Precedents		▪ Honolulu's Joint Traffic Management Center.

Dedicated Public Entity

A new public entity is established with an infrastructure project as its essential purpose

Dimension	Ranking	Details
Public Control	High	▪ Governance is fully controlled by public entity.
Formation Cost	High	▪ Requires staffing costs and all other costs associated with creating a separate government body.
Political Buy-in Needed	High	▪ Likely requires executive or legislative approval and reducing the competencies of other agencies, which are transferred to the new entity.
Ability To Secure Financing	Medium	▪ Likely able to issue its own debt, contingent to certain rules and regulations overseeing the entity.
Incentives for Efficiency & Effectiveness	Medium	▪ Less incentives for entrepreneurship than in private arrangements, but independence of the entity makes an enforcement and accountability system easier to facilitate than in other arrangements involving government stakeholders. ▪ Larger likelihood of accountability in comparison to the other public agencies given narrower mission of the entity.
Local Precedents	N/A	▪ Hawai‘i Development Corporation Authority.

Public/Private Entity

Private and governmental entities share responsibility, funding, and risk.

Dimension	Ranking	Details
Public Control	Medium	▪ Governance is shared with public sector. ▪ Public sector keeps ownership of asset. ▪ Control over design and operations partly or fully transferred to the private sector.
Initiation Cost	Medium/ High	▪ Costs for public sector are likely related to transaction; ▪ If creation of a Special Purpose Vehicle (SPV) for the governance asset takes place, this would represent an additional costs for the private party, as well as for the public sector if the agency participates in the SPV.
Political Buy-in Needed	High	▪ Public party can decide to partner with private sector and likely does not necessitate approval from legislative bodies. However, other stakeholders could influence the margin for public-private partnerships
Ability To Secure Financing	High	▪ Partnerships allow for the combination of public and private sources, which helps maximize the amount of funding and financing for the asset. ▪ Private partner can fill the funding/financing gaps from public sources.
Incentives for Efficiency & Effectiveness	High	▪ If public-private agreement is structured with appropriate incentives, private partner has incentives to provide adequate service cost-effectively. ▪ There is flexibility to establish rules and standards for different roles
Local Precedents		▪ Graduate Housing Project at the University of Hawai‘i at Mānoa.

Private Entity

All aspects of infrastructure and administration are led by a non-governmental entity.

Dimension	Ranking	Details
Public Control	Low	▪ Project must be funded wholly by private party, who retains all revenue streams. ▪ Private party assumes all financial risks (cost overruns, delays, market downturn, etc.). ▪ Private party has the full ownership and influence over the facility's design and operations.
Initiation Cost	Low	▪ Initiation cost born only by private party.
Political Buy-in Needed	Low	▪ Fully private parties do no need political approval for formation. However, they would need high political approval to control infrastructure projects that are large or that provide benefit to the public and not a specific development or landowner.
Ability To Secure Financing	Medium	▪ Not constrained by debt limit rules like State agencies and other government bodies can obtain. ▪ Financing and overall financial position subject to cycles in capital markets.
Incentives for Efficiency & Effectiveness	High	▪ Private funding and real estate development can facilitate quick delivery and cost-effective governance of project.
Local Precedents		▪ Hawaiian Electric Industries.

Assessment of Governance Models for Projects in TOD Pilot Areas

Framework for Applicability of Governance Models In TOD Pilot Areas

The table below describes the factors determining the viability of governance models for each TOD Pilot Areas, including the complexity in the governance structure, potential for private involvement, and potential for interagency coordination or centralization of operations.

Indicator	Benchmark	**Iwilei-Kapalama** City And County of Honolulu	**Kaʻahumanu Avenue Corridor** Maui County	**Līhuʻe Town Core** Kauaʻi County	**Ane Keohokalole Highway Corridor** Hawaiʻi County
Potential for overall complexity of governance model	Complex governance models such as a Dedicated Public Entity or a Formal Agreement among entities are more suitable in areas with large-scale infrastructure requirements and populations serviced.	**HIGH** Significant districtwide pipeline of infrastructure projects spanning different sectors (drainage, electricity, roadways, etc.) and one compact urban area.	**LOW** Targeted investments in transit, water, affordable housing, and social infrastructure. Only complex project is the Waihee Aquifer.	**LOW** Targeted investments in water transmission and connection.	**HIGH** Significant pipeline of water, wastewater, solid waste, and road projects that benefit the entire district as well as the development of La'i 'ōpua Villages, Kamakana villages, and the Makalapua project district.
Potential for private sector involvement	Complex operations and/or revenue potential renders projects more valuable for models with private sector participation, as they can bring funding and expertise.	**HIGH** Large funding needs and variety in complexity of project operations.	**LOW** Funding mostly achieved through public sector sources. Operations model relatively straightforward.	**LOW** Funding mostly achieved through public sector sources. Operations model relatively straightforward	**HIGH** Area-wide infrastructure has potential for private sector involvement given potential for revenue generation and the targeted areas served; other projects are clearly within jurisdiction of specific agencies.
Potential for coordination among entities or centralization of Functions in one new entity	In areas with a diversity of projects whose coordinated development is necessary for projects to serve their purpose, there is a case to coordinate agencies through a Formal Agreement, or to centralize their development and management around a Dedicated Public Entity	**HIGH** High diversity within pipeline of projects, large number of stakeholders responsible for development, and high interconnections between projects.	**MEDIUM** Limited number of parties involved and clear delineation of responsibilities within agencies.	**MEDIUM** Limited number of parties involved and clear delineation of responsibilities within agencies.	**MEDIUM** For area-wide infrastructure, there is moderate diversity within pipeline of projects, large number of stakeholders responsible for development, and high interconnections between projects.

Applicability of Governance Models In Iwilei-Kapalama

Based on the criteria established prior, the table below summarizes the applicability of each governance model for the infrastructure pipeline of Iwilei-Kapalama, as well as the rationale for feasibility of each model.

Governance Model	Iwilei-Kapalama *City And County of Honolulu*	Rationale for Viability of Governance Model
Pre-Existing Public Agency	✓	Projects in the pipeline are districtwide projects and currently the responsibility of utilities and county agencies, which could take charge.
Formal Agreement Among Agencies	✓	<u>Relevant benchmark</u> • Potential for overall complexity of governance model – **HIGH** • Potential for coordination among entities or centralization of Functions in one new entity – **HIGH** Large funding needs and complex project operations make governance suitable for either private ownership or for public ownership with private sector participation. In the case of a public/private model, the private partners can help bridge public funding gaps and, with O&M agreement with the right incentives, bring operational efficiencies in the management of the asset.
Dedicated Public Entity	✓	
Public/Private Entity	✓	<u>Relevant benchmark</u>: • Potential for private sector involvement – **HIGH** Large funding needs and complex project operations make governance suitable for either private ownership or for public ownership with private sector participation. In the case of a public/private model, the private partners can help bridge public funding gaps and, with O&M agreement with the right incentives, bring operational efficiencies in the management of the asset.
Private Entity	✓	

Applicability of Governance Models In Kaʻahumanu Avenue Corridor

Based on the criteria established prior, the table below summarizes the applicability of each governance model for the infrastructure pipeline of Kaʻahumanu Avenue Corridor, as well as the rationale for feasibility of each model.

Governance Model	Kaʻahumanu Avenue Corridor *Maui County*	Rationale for Viability of Governance Model
Summary:	*Targeted investments in transit, water, affordable housing, and social infrastructure already under way under the jurisdiction of specific public agencies and with little potential for revenue generation.*	
Pre-Existing Public Agency	✓	Execution of the projects in the pipeline are already under the responsibilities of State and County agencies, which could take charge of their long-term governance.
Formal Agreement Among Agencies	✓	Relevant benchmark: • Potential for overall complexity of governance model – **LOW** • Potential for coordination among entities or centralization of Functions in one new entity – **MEDIUM** The area's needs are not complex or large enough to require a dedicated entity to centralize the management of the assets. However, moderate degree of diversity of infrastructure requirements and the policy objective to make this a TOD corridor could justify a formal agreement or coordination mechanism among different pre-existing agencies.
Dedicated Public Entity	✗	
Public/Private Entity	✗	Relevant benchmark: Potential for private sector involvement – **LOW** Funding mostly achieved through public sector sources and projects with little potential to generate revenue streams. Potential benefits of bringing in a private sector counterparty does outweigh the costs of ceding control over operations and design. Operation of projects in the pipeline – including social infrastructure facilities, the Kahekili Terrace Housing Complex, Central Maui Transit Hub and the Waihee Aquifer – are relatively straightforward and the clear competency of pre-existing government agencies.
Private Entity	✗	

Applicability of Governance Models In Līhuʻe Town Core

Based on the criteria established prior, the table below summarizes the applicability of each governance model for the infrastructure pipeline of Līhuʻe Town Core, as well as the rationale for feasibility of each model.

Governance Model	Kaʻahumanu Avenue Corridor *Kauai County*	Rationale for Viability of Governance Model
Summary:	*Targeted low-complex investments in water infrastructure traditionally developed by the County Department of Water, with potential for future cash flow generation.*	
Pre-Existing Public Agency	✓	Projects in the pipeline are usually under responsibility of the County Department of Water.
Formal Agreement Among Agencies	✗	Relevant benchmark: • Potential for overall complexity of governance model – **LOW** • Potential for coordination among entities or centralization of functions in one new entity - **LOW** Projects in the area are small in scale and diversity to justify a new dedicated entity or even the transaction costs of a formal coordination agreement among pre-existing government agencies.
Dedicated Public Entity	✗	
Public/Private Entity	✓	Relevant benchmark: Potential for private sector involvement – **MEDIUM** While the targeted investments in water infrastructure concern relatively low funding needs and a simple degree of complexity in operations, this type of project has potential to generate long-term revenue streams for user fees. Therefore, fully or partly private operation of the water facilities could bring modest increments in operational efficiencies and, if tied to a P3 contractual model, fulfillment of the public funding gap in exchange for the private sector keeping the user fees.
Private Entity	✓	

Applicability of Governance Models In Ane Keohokalole Highway Corridor

Based on the criteria established prior, the table below summarizes the applicability of each governance model for the infrastructure pipeline of Ane Keohokalole Highway Corridor, as well as the rationale for feasibility of each model.

<table>
<tr><th>Governance Model</th><th>Ane Keohokalole Highway Corridor
Hawaii County</th><th>Rationale for Viability of Governance Model</th></tr>
<tr><td>Summary:</td><td colspan="2">Substantial and diverse pipeline of interconnected projects related to the construction of two private housing complexes, some of which can generate future cash flows.</td></tr>
<tr><td>Pre-Existing Public Agency</td><td>✓</td><td>Projects in the pipeline are usually under responsibility of the County Department of Water.</td></tr>
<tr><td>Formal Agreement Among Agencies</td><td>✓</td><td rowspan="2"><u>Relevant benchmark</u>:
• Potential for Complexity of Governance Model – HIGH
• Potential for coordination among entities or centralization of functions in one new entity - HIGH

The area would benefit from either a formal coordination agreement among agencies that centralizes operations, given the diversity of projects within the pipeline, the number of stakeholders responsible for development, and the high interconnections between projects. However, the complexity and number of size of projects likely do not justify the costs of creating a dedicated entity.</td></tr>
<tr><td>Dedicated Public Entity</td><td>✗</td></tr>
<tr><td>Public/Private Entity</td><td>✓</td><td rowspan="2"><u>Relevant benchmark</u>: Potential for private sector involvement – HIGH

Relatively large funding needs and a complex project pipeline make governance suitable for either private ownership or for public ownership with private sector participation. The case is enhanced by the development of three master planned communities – Kamakana Villages, Villages of La'i 'Ōpua Makalapua Project District. Therefore, developers of these communities would be natural partner in any public/private model or could take responsibility for development and ownership of entire assets.</td></tr>
<tr><td>Private Entity</td><td>✓</td></tr>
</table>

Appendix 1: Sources

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Appendix 2: Notes from Phase 2 Stakeholder Engagement Meetings

Hawai‘i TOD Infrastructure Financing and Delivery Strategy for TOD Pilot Areas

Produced on January-March 2023

Prepared for:

Hawai‘i Office of Planning and Sustainable Development

Meeting Notes

OPSD TOD InfraFin Study | Kauaʻi County Permitted Interaction Group Meeting

Feb. 2, 2023,10 – 11AM HST

HR&A Presentation – Key Takeaways:

1. Tax increments and assessments on new development implemented in the form of land value capture instruments (including Development Impact Fees, Community Facilities District, Tax Increment Financing, and Sale of Development Rights) are likely not feasible in the TOD Pilot Area given limited market demand and the presence of mostly infill development opportunities.
2. A small-scale Special Improvement District, in the form of a Business or Maintenance Improvement District, may be viable in the TOD Pilot Area to support upkeep and activation of the public realm and minor capital improvements.
3. The area has large government properties with an untapped potential. Monetizing these properties through ground leases or joint development could bring moderate to high revenues for areawide infrastructure projects.
4. At the county level, earmarking revenues from property taxes and county surcharges on the General Excise Tax and the Transient Accommodation Tax could bring revenues for areawide infrastructure projects if proceeds are dedicated to a special fund that can cross-subsidy infrastructure needs across the island, including those of the TOD Pilot Area. Moreover, increasing property taxes can potentially bring additional revenues, part of which could be dedicated to the special infrastructure fund.

Discussion – Key Takeaways by Question

For opportunity sites like the Civic Center and others, Impact Fees, CFDs, and TIF may be applicable only in the long term, once the market is ready. In the short term, is there interest among county agencies to create a small-scale SID/BID to support upkeep/activation of the public realm and minor capital improvements?

- In the past, there has been conversations with business owners in the Līhuʻe Town Core to create a Business Improvement District. The current status of these conversation is unknown. Jodi Higuchi will coordinate with Alan Clinton to provide an update to OPSD/the Consultant Team.

- Key stakeholders for the creation of a Business Improvement District include the Rice Street Business Association and the Lihue Business Association. Both associations currently run programming initiatives in the Līhuʻe Town Core.
- There could be an opportunity to create a property-owner (as opposed to a business-owner) Improvement District with boundaries beyond Līhuʻe Town Core, in the form of a maintenance district that covers a larger area.

We are aware of prior attempts at developing the Civic Center. At present, is there interest in the County to try to monetize this property or other government properties in the area?

- With regards to the Civic Center, the County is about to issue a Request for Proposal (RFP) to study the financial viability of creating a mixed-use development, following a prior RFP for redevelopment that did not attract bidders. Alternatively, the County is considering transforming the Civic Center for community uses, including a childcare center.
- The County has been approached by affordable housing developers for a potential development in the Civic Center, but this idea is still at discussion stages.
- With regards to State-owned property, the Department of Accounting and General Services (DAGS) is currently exploring a partnership with the University of Hawaii to redevelop some of its properties. State-owned property are usually not sold to the private sector and kept in a state land bank. The State agencies partner with the County in order to develop them.
- With regards to private sites in this area, the only ones identified are the Līhuʻe Mill Site and the Central Pacific Bank (CPG) site. The CPB site is currently being developed as 100% residential affordable housing, and the County intends the same for the Līhuʻe Mill Site.

Kauaʻi County has the maximum permitted surcharges on the General Excise Tax (0.5%) and the Transient Accommodations Tax (3%). Is there appetite for a special infrastructure fund with these proceeds that can cross-subsidy infrastructure needs across the island? If so, with what share of the surcharge?

- The County currently uses proceeds from the GET surcharge for roads and transportation investments, not general infrastructure. There is currently no appetite from County agencies and executives to earmark part of these revenues for other investments, which the County intends to continue using to fund roads pavement. According to Steve Hunt, Kauai County finance director, road improvements are funded on a pay-as-you-go basis and the County does not use future GET surcharge revenue to support debt issuance.
- Current revenue projections from the TAT surcharge are fairly aggressive, albeit likely volatile, and not earmarked for any specific purpose. Revenues go to the County's General Fund. While in theory they could be earmarked

for infrastructure funding, there are pressures from certain stakeholders – such as the Hawaii Tourism Authority – to reinvest proceeds in tourism-related works. There could be opportunities in the Līhuʻe Town Core to use these proceeds for amenities that serves both tourists and locals.

- HR&A enquired about the availability of GET projections produced by the County Government and were redirected to consult with Kauai's Budget Director.

Property taxes can be potentially increased to fund infrastructure. Is there any appetite to explore increases in effective tax rates?

- County is of the opinion that there is no appetite to increase property tax rates, given the current public discourse on the high cost of living in the island and the overall high level of tax burden on State residents.

Funding Options for Prioritization – Key Takeaways:

The funding options for prioritization in future discussions and HR&A's quantification of revenues (Phase 3) as well as analysis of barriers and policy recommendations (Phase 4) should be:

- Creation of a Special Improvement District, in the form of a Business or Maintenance Improvement District.
- Ground Leases and Joint Development on government-owned properties, including the Civic Center, Old Police Site, others to be confirmed by DAGS.
- Earmarking a share of TAT surcharge county revenue for infrastructure funding, including for the creation of a special fund that can subsidize infrastructure across the island.

HR&A Analyze. Advise. Act.

Meeting Notes

OPSD TOD InfraFin Study | Hawaiʻi County Permitted Interaction Group Meeting

Feb. 6, 2023,10 – 11AM HST

HR&A Presentation – Key Takeaways:

1. The Ane Keohokalole Highway Corridor has development capacity for over 5,000 new residential units. In the past, developer and landowner interest has been partly hampered by uncertainty of legal and environmental challenges, including the National Parks Service claims on water quality impacts.
2. The high cost of water, wastewater, and road infrastructure is a major roadblock for planned and proposed projects in the TOD Pilot Area, especially for the developments of La'i 'Ōpua Villages and Kamakana Villages. Offsite infrastructure costs to enable these projects represent about half of the total costs for required infrastructure in the Ane Keohokalole Highway Corridor. Moreover, although the County Planning Department is envisioning mid- to high-density in certain areas, current planned development consists in single-family homes and limited retail space. Therefore, even if market demand exists, the ability of new developments to absorb on-site and offsite infrastructure costs could be challenging.
3. Community Facilities Districts and Special Improvement Districts are authorized in the County. They are potential funding sources given the existing redevelopment opportunities, but their funding capacity needs to be validated by the Consultant Team in Phase 3 of the study.
4. If authorized for implementation in the Ane Keohokalole Highway Corridor, Development Impact Fees and Tax Increment Financing could also bring revenues (subject to further analysis by the Consultant Team).
5. If government properties are present in the Ane Keohokalole Highway Corridor, monetizing them through ground leases or joint development could bring revenues for areawide infrastructure projects.
6. Ancillary revenue sources from publicly-owned property would not generate enough revenue for the high costs of infrastructure required to enable development in the area.
7. At the county level, earmarking revenues from property taxes and county surcharges on the General Excise Tax and the Transient Accommodation Tax could bring revenues for areawide infrastructure projects. Moreover, proceeds could be dedicated to a special fund to cross-subsidy infrastructure needs across the island, including those of the TOD Pilot Area.

8. Increasing property taxes can potentially bring additional revenues, part of which could be dedicated to infrastructure funding. However, this is highly contingent on the political appetite for tax increases.

Discussion – Key Takeaways by Question

Funding from utility providers

- The County Department of Environmental Management raised the point that a funding source not contemplated in the Consultant Team's analysis is to explicitly define the service areas for utility providers operating in land adjacent to the Ane Keohokalole Highway Corridor, extending their jurisdiction and responsibility over the TOD Pilot Area. These include, for instance, utilities providing services to the Kona International Airport and Hawaiʻi Community College Pālamanui. These utility providers currently do not desire to expand their services to the TOD Pilot Area, although their required area of service is not explicitly defined.
- If utility providers (such as Hawaii-American Water Company - Mauna Lani Operations) would annex the Ane Keohokalole Highway Corridor as part of their service areas, there is potential to establish a "Utilities District". A Utilities District designation would be a guarantee to potential developers that a fraction of the capital costs of offsite infrastructure – particularly sewer, water supply, and wastewater – could be covered by a utility provider, who would also administer these infrastructure networks in the long term.
- Utility providers can access state funds that private developers are not able to tap into. If a Utilities District were to be created, utility providers could use this funding for initial capital investments that could be later repaid by private developers.
- The County Department of Environmental Management agreed to share with the Consultant Team documentation on the process and approvals needed for creating a Utilities District.

For redevelopment opportunities like the Makalapua Project District, Kamakana Villages, and others, Impact Fees, CFDs and SIDs are available in the Area. Is there interest among County agencies to implement any of these funding options? Are there any factors making their implementation a no-go?

<u>Development Impact Fees</u>:

- Development impact fees are not regulated by the County Code and therefore cannot, at the moment, be implemented in the Ane Keohokalole Highway Corridor or any other part of the County. Moreover, attempts by the Department of Planning to regulate them at the County level have not prospered in the County Council. Lastly, the establishment of Development

Impact Fees has been used in the past as an argument to advocate against growth in certain areas of the County.

- The County does, however, charge "fair share" contributions for new developments, with their amounts negotiated between the County and developers when a property development requires a rezoning. Fair shares are not regulated in the County Code but are still implemented. In practice, fair shares are often small in magnitude and not enough to fund significant infrastructure costs. Moreover, there are compliance and supervision problems affecting their collection over time.
- The Consultant Team agreed to estimate the potential revenue from Development Impact Fees in the Ane Keohokalole Highway Corridor. These estimates would serve as a basis for the County Planning Department to decide whether to pursue a renewed push for the regulation of Impact Fees at the countywide level or as a "pilot program" in the Ane Keohokalole Highway Corridor.

Community Facilities District and Special Improvement District

- The County has a policy of treading carefully when it comes to creating CFDs and SIDs, particularly with regards to making sure that future development revenues are enough to pay back the bonds issued as part of the district's creation.
- The County considers SIDs to have less risks that CFDs, given that in SIDs the payment risk is distributed across multiple lot owners. Conversely, CFDs are initiated by one developer who is responsible for CFD-related taxes until development is completed and units have been acquired. Only then the responsibility over tax payments, as well as the risk of non-compliance with regards to payments, are spread out across multiple landowners.

County authorization for TIF implementation is uncertain and the Sale of Development Rights is not regulated in the County. However, both options might bring revenues to fund infrastructure in the TOD Area. Is there interest among County agencies to make a case for them? Should this study be used to support that goal?

- The County prefers not to implement multiple value capture instruments in the same area (for instance, a CFD/SID plus a TIF District) as they are wary of issuing multiple debt instruments that rely on the same tax base for repayment. The County is opened to TIF implementation in combination with other instruments, but this would be limited to using the increment tax revenue to fund works on as pay-as-you-go basis or to service debt from other value capture instruments. The County excluded the possibility of issuing a TIF bond in combination with either a CFD or a SID bond.

- The County suggested that during Phase 3 of the study, the Consultant Team focuses on the level and pace of absorption that would allow for a CFD or SID to be superseded by a TIF.
- Beyond the uncertainties at the State legislative level with regards to TIF implementation, it is only authorized at the County level for blighted areas, and therefore not applicable to the Ane Keohokalole Highway Corridor.
- Sale and Transfer of Development Rights is a foreign concept to the County. The County Planning Department has only recently started to contemplate the regulation of TDRs. The County suggested that TDRs may work with the Kona open space network program in protecting Natural Cultural Resources and public spaces, but that is likely not an appropriate funding source for the Ane Keohokalole Highway Corridor.

In addition to the State Kailua-Kona Civic Center, for which we understand a site has not yet been identified, and the Hawaiʻi Community College Pālamanui, are there other major government properties in the area that the County or State would be interested in monetizing through joint development or ground leases?

- The County noted no availability of County or State government properties that could be monetized in the TOD Pilot Area for infrastructure funding purposes.
- In practice, State agencies do not sell their properties to monetize them. Instead, they partner with County agencies to redevelop them.

Hawaiʻi County has the maximum permitted surcharges on the General Excise Tax (0.5%) and the Transient Accommodations Tax (3%). Is there appetite for a special infrastructure fund with part of these proceeds that can cross-subsidize infrastructure across the island? If so, with what share of the surcharge?

- As prescribed by State law, the County uses proceeds from the GET surcharge for roads and transportation investments, not general infrastructure. There is currently no appetite from County agencies and executives to earmark part of these revenues for specific investments. The County intends to continue using GET surcharge proceeds to fund roads construction and service debt issued for this purpose.
- Current revenue from the TAT surcharge is being used to fund countywide programs. The County noted no interest to earmark part of TAT surcharge proceeds for infrastructure funding.

In the first County PIG meeting, we heard that County often resorts to a policy of maintaining "net zero change in property tax revenue", adjusting property tax rates down when property assessments increase. Is there any appetite to changing this policy and/or to explore increases in effective tax rates?

- The County noted that there is no policy of “net zero change” in property tax revenue”. In fact, the County Council increased tax rates for second-tier residential units in FY 2020-2021.
- Increases in tax rates are often considered in the context of County bonds’ payments needs. The County is of the opinion that there is currently no appetite to increase property tax rates.
- The County noted continuous proposals at the County Council level to grant exemption for owners of first homes.

Funding Options for Prioritization – Key Takeaways:

The funding options for prioritization in future discussions and HR&A’s quantification of revenues (Phase 3) as well as analysis of barriers and policy recommendations (Phase 4) should be:

- Creation of a Utilities District to fund sewer, water supply, and wastewater works, including the share of infrastructure costs that would be covered with fees collected in the Ane Keohokalole Highway Corridor.
- Development Impact Fees, in views of them serving as a basis for the decision over pursuing or not a renewed push for their regulation at the countywide level or at least as a “pilot program” in the Ane Keohokalole Highway Corridor.
- Creation of a Special Improvement District, a Community Facilities District, and a Tax Increment Financing District, noting that: a) While it is the County’s preference not to implement these instruments simultaneously, the County is interested in an estimate of the pace and volume of absorption needed to implement a SID or CFD that can then transition to a TIF district; and b) The fact that TIF would require changes in County regulation to allow for implementation in non-blighted areas; and c) The County’s preference not to issue TIF-bonds, given perceived financial risks.

HR&A Analyze. Advise. Act.

Meeting Notes

OPSD TOD InfraFin Study | Maui County Permitted Interaction Group Meeting

Feb. 7, 2023, 10 – 11AM HST

HR&A Presentation – Key Takeaways:

1. The funding needs identified in the Kaʻahumanu Avenue Community Corridor are modest ($7.3 million, based on information shared with the Consultant Team). They include the Waihee Aquifer and several affordable housing projects (i.e., Improvements to Kahekili Terrace and Hale Pilina Family Affordable Rental Housing Project).
2. There is minimal real estate development pipeline in the Kaʻahumanu Avenue Community Corridor. There is an important mixed-use redevelopment opportunity of the Queen Kaʻahumanu Mall but, to the extent of the Consultant's Team knowledge, there is currently no interest in the property. Given the apparent limited market demand, tax increment and assessments on new real estate development might bring limited revenue.
3. While the County is focused on producing affordable housing and social infrastructure in the Kaʻahumanu Avenue Community Corridor, the lack of a market-driven real estate development pipeline limits opportunities for cross-subsidizing these uses.
4. Future development could be constrained by restrictions on water supply.
5. The commercial downtown area in Wailuku can help anchor development, together with civic assets such as the UH Maui College, Maui Arts & Cultural Center, and planned social infrastructure facilities that have secured funding.
6. In terms of value capture funding options:
    a. Impact Fees are regulated in the County but restricted to roadway improvements in specific areas (including Wailuku-Kahului, which includes the Kaʻahumanu Avenue Community Corridor). Were the county regulation to change, they could bring moderate revenues to fund areawide projects.
    b. CFDs and SIDs are regulated in the County and applicable in the Kaʻahumanu Avenue Community Corridor, although they would likely bring low revenues given the minimal real estate development pipeline. Tax Increment Financing and Sale of Development Rights would also bring limited revenues and are not regulated in the County.

7. The Kahului Civic Center Mixed Use and Wailuku Courthouse are large government properties with untapped potential. They could be monetized for funding of areawide projects through ground leases or joint development.
8. Ancillary revenue sources from publicly owned property would likely not generate enough revenue for the costs of infrastructure required to enable development in the area.
9. At the county level, earmarking revenues from property taxes and the county Transient Accommodation Tax could bring revenues for areawide infrastructure projects. Moreover, proceeds could be dedicated to a special fund to cross-subsidize infrastructure needs across the island, including those of the TOD Pilot Area. Revenues from a GET surcharge could be allocated for similar purposes, although the County has not exercised the right to charge it.
10. Per the latest study conducted on the subject in 2017, collection of property tax revenue per Equivalent Dwelling Unit in Maui is the lowest among counties in the State. Increasing property taxes could bring additional revenues, part of which could be dedicated to infrastructure funding. However, this is highly contingent on the political appetite for tax increases.

Discussion – Key Takeaways by Question

General comments from attendees

- New mayoral administration is taking a proactive approach to identifying funding sources for infrastructure. For example, County Department of Public Works has appointed staff to identify and apply to federal funding programs.
- The TOD planning study on Kaʻahumanu Avenue Community Corridor suggested additional bus stops in the area.
- A recent proposed zoning change over Queen Kaʻahumanu Mall that would have allowed for residential uses and potentially increase the property's appeal to investors did not prosper in the County Council.

For large-scale redevelopment opportunities, Impact Fees are authorized by the County Code in Wailuku-Kahului and other areas but restricted to roadway improvements. Is there interest among County agencies to make impact fees applicable island-wide and for purposes beyond roads?

- County attendees did not provide comment and will forward question to County Finance Department.

For existing opportunity sites, CFDs, large-scale SIDs and TIF may be applicable in the long term, once the market is ready. So far, none of these mechanisms has been implemented in the County. Is there interest among county agencies to implement CFDs and SIDs and to authorize TIF in the County Code?

- County attendees did not provide comment and will forward question to County Finance Department.

In the short term, is there interest among county agencies to create a small-scale SID/BID in the Kaʻahumanu Avenue Community Corridor to support upkeep/activation of the public realm and minor capital improvements, given the concentration of commercial properties on Downtown Wailuku?

- County attendees did not provide comment and will forward question to County Finance Department.

We are aware of existing plans to redevelop the Kahului Civic Center Mixed Use and the Wailuku Courthouse Expansion. At present, are the State and County governments contemplating ground leases or joint development models? If not, how are they planning to monetize these properties?

- The redevelopment of the Wailuku Courthouse is pursued by the State's Department of Accounting and General Services (DAGS). DAGS envisions it solely as a state facility for state programs, with no private development, within the constraints of zoning regulations and requirements of the facility. DAGS is not considering redevelopment plans that could accommodate ground leases. In addition to the Wailuku Courthouse, another State-owned property in the area includes the former post office building, which DAGS intends to rebuild into state offices.
- Existing zoning of state properties restricts the kind of redevelopment that DAGS can pursue. The size of new buildings would not be able to accommodate ground leases, and any uses would need to consider height and other zoning restrictions in the area.

Maui County is authorized by State Law to charge up to a 0.5% surcharge over the General Excise Tax, but the County has not exercised this option. Is it expected that the new Council and Mayor will implement it? What would be the regulatory steps for the surcharge implementation?

- When the Legislature authorized the counties to adopt a surcharge on the general excise tax at a rate of no greater than 0.5%, Maui did not implement it. Now, the County government cannot implement the surcharge unless the legislature allows it again.
- County staff commented that the current mayoral administration could be supportive of implementing the GET surcharge if the State legislature allows it.
- There are a number of proposed bills at the State level that would allow Maui to implement the surcharge and that would allow counties to use proceeds for purposes outside the scope of the original legislation (i.e., public transportation projects). These bills include:

- HB279: would authorize the counties to use the county surcharge on GET revenues and fuel tax revenues for the repair and maintenance of private roadways that are open to the public; and
- HB1363/SB1568: would authorize the use of county surcharge revenues for housing infrastructure in counties having a population of five hundred thousand or less; temporarily authorizes counties that have previously adopted a surcharge on state tax to amend the uses of the surcharge.

Funding Options for Prioritization – Key Takeaways:

The funding options for prioritization in future discussions and HR&A's quantification of revenues (Phase 3) as well as analysis of barriers and policy recommendations (Phase 4) should be:

- With regards to value capture options, County attendees did not provide comment on the applicability of value capture tools and will forward the questions concerning this subject to the County Finance Department. The Consultant Team expects to receive feedback to these questions in about 10 days from this meeting in order to prioritize among these tools. If the Consultant Team does not receive feedback, it will assume it should prioritize those options with potential moderate to high revenues.
- Adoption and earmarking of new GET surcharge.

HR&A Analyze. Advise. Act.

Meeting Notes

OPSD TOD InfraFin Study | Oahu County Permitted Interaction Group Meeting

Feb. 10, 2023,10 – 11AM HST

HR&A Presentation – Key Takeaways:

1. The Iwilei-Kapalama TOD Pilot Area is anchored by two planned Honolulu Rail Transit Project (HART) stations with the Kapalama Station at the north and the Iwilei station south. The stations are part of the fourth and currently final planned HART system segment and are expected to open in 2031. The area is home to about 1,000 residents and over 2,000 jobs.
2. The Iwilei-Kapalama master plan anticipates 27,500 units, 4.3 million SF of commercial and 100,000 SF of light industrial over the next 30-50 years. To accommodate such growth, the area requires areawide infrastructure investments of $667 million, largely in the form of drainage, sea-level rise mitigation works, electrical, and sewage works.
3. Iwilei-Kapalama has high potential for TOD as a result of the HART rail line construction and could accommodate a residential and commercial node, while keeping its light industrial character.

1. Iwilei-Kapalama has over 700 properties and covers approximately 552 acres. The State is a key landholder: several agencies own properties within the area, including office space, open space, educational, and residential uses. There are private landowners with large properties as well, most importantly Kamehameha Schools (KS). A single landowner with large holdings such as KS and State-owned properties can be key elements in catalyzing redevelopment in Iwilei-Kapalama.
2. Iwilei-Kapalama has multiple infrastructure needs (drainage, electrical systems, roads, etc.) to support new development. The high costs of these works could be challenging to be fully absorbed by planned and proposed projects. Moreover, development phasing needs to align with infrastructure investments.
3. New planned affordable housing units will likely require a substantial volume of subsidies, although they could be recipient of cross-subsidies from market-rate development in the area.
4. In terms of value capture funding options:
    a. Impact fees, tax increment revenues and assessment districts are potential funding sources, but their capacity needs to be validated by the Consultant Team. Moreover, they would require coordination of multiple landowners, which can prevent their implementation.

i. Impact Fees are permitted but only in the Ewa region and restricted to traffic and roadway improvement. State Law grants authorization to Counties to regulate island-wide impact fees programs, but this would require action from the City Council to change the County Code.
ii. Community Facilities Districts (CFDs) are regulated in the County Code but have never been implemented in Oahu.
iii. In addition to uncertainties in State Law, there's no County ordinance that would authorize the use of Tax Increment Financing (TIF).
iv. Special Improvement Districts (SIDs) are regulated in the island and have been implemented for infrastructure funding (for example, Waikiki Beach SID) or as Business Improvement Districts to fund ongoing infrastructure improvements and operations.
v. Chapter 21 of Honolulu's Land Use Ordinance limits the sale of development rights to historic structures and would therefore not be applicable in Iwilei-Kapalama. Moreover, there is likely no demand for purchasing development rights in Iwilei-Kapalama, although the Consultant Team will validate this hypothesis in Phase 3.

5. There are large government properties with an untapped potential that could be monetized for funding of areawide projects through ground leases or joint development, most notably the Liliha Civic Center.
6. Ancillary revenue sources from government owned property would likely not generate enough revenue for the high costs of infrastructure required to enable development in the Iwilei-Kapalama.
7. Earmarking revenues collected from property taxes and the county Transient Accommodation Tax (TAT) surcharge in Iwilei-Kapalama could bring revenues for areawide infrastructure projects. Moreover, proceeds could be dedicated to a special fund to cross-subsidy infrastructure needs across the island. Revenues from the county General Excise Tax (GET) surcharge could not be allocated for these purposes as it is fully earmarked for funding of the HART rail line.
8. Per the latest study conducted on the subject in 2017, effective property tax rates for in-state and out-of-state owners are less than half of the nationwide average. Increasing property taxes countywide could bring additional revenues, part of which could be dedicated to infrastructure funding. However, this is highly contingent on the political appetite for tax increases.

Discussion – Key Takeaways by Question

Impact Fees are authorized by the County Code only in the Ewa area and are restricted to roadway improvements. Is there interest among County agencies to make impact fees applicable island-wide and for funding infrastructure other than roads?

- City and County of Honolulu (County) attendees did not provide comment to Impact Fees specifically but mentioned they would be open to consider the full array of value capture funding options for Iwilei-Kapalama.

For existing opportunity sites in Iwilei-Kapalama, CFDs, large-scale SIDs and TIF may be applicable. However, so far, only SIDs have been implemented in the County. Is there interest among county agencies to implement either a CFD or a SID in Iwilei-Kapalama, and to authorize TIF in the County Code?

- The County mentioned they would be open to consider the full array of value capture funding options for Iwilei-Kapalama. The County noted that while engaging KS and State agencies to participate in these funding schemes is feasible, there could be difficulties in getting other property owners to contribute.
- Iwilei-Kapalama has multiple and distinctive infrastructure needs. Therefore, several assessment districts may be needed, depending on the needs for each area of Iwilei-Kapalama, which would be tailored to the party that benefits from each improvement.
- Attendees noted the difference in timing required among works in the area. Costs of areawide improvements would need to be faced upfront, while more targeted works that benefit and/or enable specific developments could be built over time. The Infrastructure Plan for Iwilei-Kapalama – which should be completed by end of February – could shed light on timing aspects. HHFDC agreed to share the latest draft of the plan once it is completed.
- The County noted that revenues from value capture funding instruments would come over time and that the County could not be able to face upfront costs of infrastructure. In that case, State appropriations should be considered as an option to fill in the initial funding gap.
- With regards to assessment districts, attendees noted the precedent of Kakaako as an example that could bring lessons for their implementation in Iwilei-Kapalama. In Kakaako, KS paid a share of funding upfront and the State appropriated funds to be deployed upfront as well, while small properties got assessed over time. Attendees also noted potentially larger problems of coordinating landowners in Iwilei-Kapalama, which were less present in Kakaako. However, coordination efforts could be minimized by the presence of large landholding from State agencies and KS.

We are aware of existing plans to redevelop multiple government properties. We understand the Liliha Civic Center and Mayor Wrights Homes are the most advanced plans, currently on a HPHA RFQ. Is this correct? What government properties should be considered for monetization?

- Attendees from state agencies noted that while there could be opportunities for ground leases in state-owned properties, revenues generated would be fairly small.

The City and County of Honolulu is authorized to use its GET surcharge only for funding related to the HART rail line. Are there talks among agencies or from new elected authorities to implement a new surcharge?

- The County noted the lack of viability to extend the destination of GET surcharge proceeds to infrastructure works in Iwilei-Kapalama, citing that the County intends to use all proceeds to complete the truncated HART rail project.
- With regards to proposed legislation HB1363/SB1568 that would authorize the use of GET surcharge revenues for housing infrastructure, the County noted that Honolulu would probably not be able to do this as easily as neighboring islands, given that all proceeds are allocated to HART.

With regards to proceeds from property taxes and from the county surcharge on the Transient Accommodations Tax (3%), is there appetite to create a special infrastructure fund with these proceeds that can cross-subsidize infrastructure needs across the island or across counties?

- The County noted the lack of viability to extend the destination of TAT surcharge proceeds to infrastructure works in Iwilei-Kapalama, citing that the County already assigns a third of this revenue to the HART rail line and the remaining to other county projects.
- The County noted no appetite to increase the surcharge, even if the Legislature allows for it, given the already high level of charges over visitors.

The last study done on effective property tax rates (2018) showed that rates for in-State and out-of-state owners are less than half of the nationwide average. Is there any appetite to explore increases in effective tax rates?

- The County noted the lack of viability of increasing property tax rates given the current political environment and the concerns of the public over the high cost of living in the State.

Funding Options for Prioritization – Key Takeaways:

The funding options for prioritization in future discussions and HR&A's quantification of revenues (Phase 3) as well as analysis of barriers and policy recommendations (Phase 4) should be:

- Land value capture funding options, including impact fees, tax increment revenues, community facilities districts, and special improvement districts.
- Monetization of government-owned real estate through ground leases, recognizing these may be limited.

Meeting Notes

OPSD TOD InfraFin Study | Project Advisory Group Meeting

March 10, 2023, 10 – 11AM HST

HR&A Presentation – Key Themes:

1. Study Overview, including objectives, expected outcomes, progress to date, and future phases of work.
2. Overview of TOD Pilot Areas, including infrastructure needs, opportunities for redevelopment, and development constraints.
3. Preliminary conclusions on funding options, including:
    a. Medium to high revenue potential expected for district-based funding tools in Iwilei-Kapalama (Oʻahu) and Ane Keohokalole Highway Corridor (Hawaiʻi County), and low expected potential in Kaʻahumanu Avenue Community Corridor (Maui County), and Līhuʻe Town Core (Kauaʻi County);
    b. Medium revenue potential expected from ground leases on government-owned real estate properties in Iwilei-Kapalama, Kaʻahumanu Avenue Community Corridor, and Līhuʻe Town Core;
    c. Medium to high revenue potential expected from funding through utilities fees and creation of utilities districts in Iwilei-Kapalama and Ane Keohokalole Highway Corridor;
    d. Low revenue potential expected from ancillary sources (e.g., lease of assets for digital advertisement, solar, broadband, or digital infrastructure) in all areas;
    e. Medium revenue potential expected in all TOD Pilot Areas from earmarking local tax revenue, specifically from General Excise Tax (GET) and Transient Accommodation Tax (TAT) surcharges, assuming the removal of existing limitations over the use of proceeds from these taxes; and
    f. High revenue potential expected in all TOD Pilot Areas from increasing property taxes, as well as GET and TAT surcharges.

Comments from Attendees:

- Participants from Hawaiʻi County noted several issues that should be considered in the implementation of district-based funding tools, in particular: a) Making sure landowners in the area are equally as committed as the county to implement these funding tools; b) Potential to start with a Community Facilities District (CFD), then Tax Increment Financing (TIF) district, but concerned about how potential absorption might support or impact success of such a strategy; and c) The need to more narrowly target impact fees in the County, which have been discussed at a broader level in the past. Participants interested in how to hedge risk with tools in developing area where potential absorption is uncertain.

- With regards to the implementation of assessment districts, participants from the Hawaiʻi Housing Finance & Development Corporation (HHFDC) noted the need to define which agency would lead an assessment district if it were implemented in Iwilei-Kapalama. HHFDC has authority to lead this process but capacity is likely to be an issue. The Hawaiʻi Community Development Authority (HCDA) and the City also have the authority to take the lead on this.
- With regards to State or cross-subsidization of infrastructure funding, HHFDC can and has used Dwelling Unit Revolving Funds to cover infrastructure funding related to housing projects. DURF doesn't require State projects to pay back funds. Value capture for affordable housing is not useful since revenue generation is low. A statewide fund for cross-subsidization might be beneficial. The fund could receive proceeds from impact fees.
- Participants from the Office of the Governor have strong concerns about placing the cost of infrastructure on developers, which will be passed on to homebuyers or renters. Infrastructure investments should be the sole responsibility of government entities and not developers or homeowners. Federal funds should be used to close infrastructure funding gaps. It was suggested that the Consultant Team reach out to Dan Kouchi in the Governor's Office, to continue the conversation on federal funding.
- Participants from Kauaʻi County are concerned about tools targeting real property taxes—mentioned CPACER. They are worried about property values starting to decrease if the housing market were to cool down, which would reduce the revenues from property taxes that the County relies on for its General Fund. The County representatives expressed support for making the GET permanent and providing more flexibility to the use of the proceeds (for example, for affordable housing and infrastructure) as they are currently restricted to transportation purposes. Capacity is also a concern for project/infrastructure delivery.
- Participants from Maui County noted that the County does not have experience in implementation of CFD or TIF, noting that a recent proposal for a CFD was not well-received. Legislation would be needed to allow Maui County to adopt a GET surcharge. The County is exploring infrastructure funding through applications to programs included in the Infrastructure Investment and Jobs Act (IIJA). Congressionally directed spending requests is another federal funding source.

- On Tax Increment Financing, participants from OPSD noted that the Deputy Attorney General has determined there is a "cloud" on the legality of TIF in the State Constitution and thus uncertainty whether counties may issue such bonds. The State Legislature is currently considering a bill for a ballot measure for a constitutional amendment to specifically authorize TIF bonds and exclude such bonds from determinations of the counties' funded debt.
- OPSD noted that Phase 4 of the Study (Aug-Nov 2023) will take place during the period in which bills are being drafted for introduction in the next legislative session. There will be a need to coordinate any study findings/recommendations with any bill-drafting efforts.

Other Issues related to Infrastructure in TOD Pilot Areas

- Need to consider how to make redistricting more streamlined for growth areas (Hawaii) and for critical infrastructure facilities like wastewater treatment plants, e.g., process like 201H for affordable housing (Maui)
- Need to identify and work with landowners on area-specific strategies and tools (Hawaii, City)
- Hawaii County needs State assistance with addressing water issues in Kailua-Kona, including funding to develop water systems for that area