

TOD Infrastructure Finance and Delivery Strategy
Office of Planning and Sustainable Development (OPSD)
Hawai'i Permitted Interaction Group (PIG)
Hawai'i PIG Summary Report

A budget proviso in Act 88, Session Laws of Hawai'i, Section 39, set aside funding to examine tools and strategies to finance and deliver infrastructure to facilitate Transit-Oriented Development (TOD) and affordable housing in TOD areas. The TOD Infrastructure Financing and Delivery Strategies Study had three primary tasks: 1) find alternative financing tools and cost recovery mechanisms to recapture upfront public infrastructure investments; 2) examine specific financing, cost recovery, and value capture tools that could be used by the State and Counties to pilot in a TOD pilot area in each County; and 3) develop recommendations, including legislation, to implement selected tools in the TOD pilot areas.

The Hawai'i County Permitted Interaction Group (PIG) was formed by the Hawai'i Interagency Council for Transit-Oriented Development (TOD Council) on July 16, 2021 with the objective of aligning State and County budget priorities for a joint TOD investment strategy and identifying necessary actions to implement the TOD strategy. The PIG was the primary forum for discussion and input into the TOD Infrastructure Financing Study on TOD pilot area project and infrastructure needs and potential financing tools that could be used in the pilot area to advance infrastructure and project development.

Hawai'i PIG tasks and activities completed are summarized below.

I. Hawai'i PIG Meeting, November 5, 2021

An organizational meeting hosted by OPSD staff was held via Zoom video teleconference. The consultants were not selected at this point. The meeting included: 1) selection of co-chairs; 2) PIG objective and work timeframe; 3) overview of the TOD Infrastructure Financing Study, selection of the TOD Pilot Area, and information needs for the Study; and 4) general alignment of State and County TOD efforts for the TOD Pilot Area and next steps.

A. PIG Co-chairs

Zendo Kern and Mary Alice Evans agreed to serve as co-chairs.

B. Pilot Area for Hawai'i

The County selected the Ane Keohokalole Highway Corridor in Kona as their pilot area for the Study. It has a lot of opportunities for new development based on Kona's current and planned growth. It will allow the County to apply TOD planning strategies and take advantage of TOD opportunities along the corridor. West Hawai'i Civic Center is right along the transit trunk line on Ane Keohokalole. The Ane Keohokalole Corridor and Kailua core areas have general connectivity to each other. The region has water supply and wastewater system challenges that are impeding development of several affordable housing projects. A new community facilities district is being considered for at least one project in the region.

II. Hawai‘i Site Visit and PIG Meeting, June 16, 2022

The Study consultant team, HR&A Advisors and subconsultants, were selected in May 2022. Members of the HR&A consultant team conducted an in-person site visit of the TOD Pilot Area and met with PIG members in-person and via video teleconference. The site visit was intended to provide the consultant team with a better understanding of the TOD Pilot Area. The primary tasks for the meeting were to: 1) meet with the Mayor (via teleconference), his staff, and key department leaders to get input on the Ane Keohokalole Pilot area; 2) identify priorities in terms of infrastructure development and affordable housing and the stakeholders involved; 3) determine successful outcomes for the study; and 4) next steps for PIG engagement with the Study. State and County agencies were asked to provide the consultant team with data on current and planned projects within the TOD Pilot Area and the associated infrastructure improvements required, cost estimates, and timing of projects. This information will form the buildout/development program for the area and be the basis for the team’s financial analysis of various funding and financing tools that could fill any infrastructure and project funding gaps.

II. Hawai‘i PIG Meeting, October 24, 2022-Project Reconnaissance and Initial Review

A Zoom meeting was convened for Hawai‘i PIG members to review and discuss the consultant’s draft Phase 1 Report. The draft Report summarized documents and studies relating to the pilot area and outlined potential tools and strategies for infrastructure financing and delivery that could be considered in implementation. It also provided a supplemental list of tools and their applicability to the Pilot Area. The meeting included: 1) discussion of the draft report; 2) discussion of data gaps and additional information needed by the consultant team for the Phase 3 financial analysis; and 3) next steps for the Study.

III. Hawai‘i PIG Meeting, February 6, 2023-Preliminary Assessment and Prioritization of Funding, Financing, and Delivery

A Zoom meeting was convened for PIG members to review the consultant team’s draft Phase 2 Report. The draft report identified State and County tools, policies, and strategies currently used and evaluated the applicability of a range of other tools that could be used in the TOD area. The meeting included: 1) discussion of the draft report findings and the tools with potential use in the Pilot Area that were proposed for further analysis in the Study; 2) discussion of barriers, opportunities, and interest for the tools being recommended for further analysis; and 3) next steps for the Study.

Key Takeaways

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. The high cost of water, wastewater, and road infrastructure is a major roadblock for planned and proposed projects in the TOD Pilot Area. The County Planning Department is envisioning mid- to high-density in certain areas, but current planned development consists of 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 would be challenging.

IV. Hawai‘i PIG Meeting, August 21, 2023-Funding and Financing Analysis

A Zoom meeting was convened to review the findings from the financial analysis performed in Phase 3. The draft Phase 3 Report outlined the funding and financing capacity of various funding and financing instruments based on the development program from Phase 1. The meeting included: 1) review and discussion of the Phase 3 real estate and financial analysis methodology and initial findings on revenue generated by the various tools and the timing of those revenue streams; and 2) an initial discussion of how the various tools might be implemented and considerations that would need to be taken into account in formulating an implementation strategy.

Key Takeaways

Tax Increment Financing (TIF) is viable in the Ane Keohokalole Pilot Area, but revenues face a slow ramp-up period given the scattered nature of existing buildout, which limits the base of property values over which real property taxes (RPT) can be charged. Most other value capture instruments are viable but are only applicable to market-rate developments. Despite the potential of some value capture tools, a districtwide financing strategy will need to be layered with other resources to cover the required infrastructure costs. There are limitations in the use of value capture tools given the existing buildout in the area, the scale of anticipated development, and the limited excess values in market-driven uses. New streams of funding at the State- and County-level can complement local value capture tools that would be needed to undertake required infrastructure works.

PIG members discussed a number of issues related to implementation, including: concerns about increases in real property taxes; the difficulty of using a community facilities district where majority landownership agreement is required and uncertainty about development of projects as planned; TIF potentially diverting tax revenue needed to provide additional County services and the potential for more communities wanting to use TIF; the difficulty of developing an equitable impact fee system; and concerns that earmarking revenues could impact County general fund flexibility and the County’s ability to meet its ongoing operational needs.

V. Hawai‘i PIG Meeting, November 30, 2023-Implementation Strategy

A Zoom meeting was convened to discuss the draft Phase 4 Report. The draft report discussed each of the tools that appear to be most promising, identified the risks and barriers of each, and provided recommendations for actions and a flowchart for agencies to consider in implementing the recommendations developed to improve infrastructure funding and financing for the TOD Pilot Area. The meeting included: 1) a discussion of the barriers to TOD infrastructure funding and delivery; 2) discussion of the specific policy recommendations contained in the draft report; and 3) discussion of implementation strategies and next steps.

The Study recommendations included the following for the TOD Pilot Area.

A. Recommendations for Short-Term Actions

Several short-term actions were recommended to the PIG:

1. Prepare a joint State-County Development and Infrastructure Needs Assessment and Infrastructure Master Plan for the pilot area.
2. Prepare a joint Pilot Area CIP Plan.

3. Support efforts to pass State bills related to TIF, TOD Infrastructure Revolving Fund, conveyance tax revenue for infrastructure, general excise tax (GET), and tourism-related surcharges that could be directed to infrastructure.
4. Study a countywide impact fee program.

B. Recommendation for Other Actions

1. Create Business Improvement Districts to enhance land value and attract development.

Comments from PIG members on the draft Phase 4 report will be reflected in the final report, which will be distributed to PIG members the week of December 20, 2023.

VI. Recommendations to the TOD Council

The PIG members generally welcomed recommendations that would expand revenue and financing tools for the Counties, but also acknowledged that more work is needed to implement the recommendations. The Hawai‘i PIG approved a motion to have the Co-Chairs present this PIG report at the TOD Council meeting on January 19, 2024, and recommended the following for TOD Council Action at its February 16, 2023 meeting:

- A. Accept the PIG report.
- B. Support continued State-County collaboration on funding and financing of critical infrastructure in the TOD Pilot Area.

Members of the Hawai‘i Permitted Interaction Group

Attachment 1 lists agency representatives that participated in the study.

County of Hawai‘i (COH)	Department of Land and Natural Resources (DLNR)
Office of Planning and Sustainable Development (OPSD)	Department of Education (DOE)
Hawai‘i Housing Finance and Development Corporation (HHFDC)	University of Hawai‘i System (UH)
Hawai‘i Community Development Corporation (HCDA)	Department of Transportation (DOT)
Department of Accounting and General Services (DAGS)	Office of the Governor (GOV)
Hawai‘i Public Housing Authority (HPHA)	Housing Advocate
Department of Hawaiian Home Lands	Others Invited:
	Budget and Finance (B&F)

Primary staff support: Katia Balassiano, Harrison Rue, Ruby Edwards, Carl Miura, Rodney Funakoshi, Aaron Setogawa.

Attachment 1. Hawai‘i PIG Participants

County and County Invitees

Zendo Kern (Planning), Hawai‘i PIG Co-Chair
Lee Lord (Mayor’s Office)
Bobby Command (Mayor’s Office)
April Surprenant (Planning)
Natasha Soriano (Planning)
Paka Davis (Planning)
Janice Hata (Planning)
Shannon Arquitola (Planning)
Deanna Sako (Finance)
Diane Nakagawa (Finance)
Kay Oshiro (Finance)
Peter Sur (Environmental Management)
Keith Okamoto (Water Supply)
Kurt Inaba (Water Supply)
Susan Kunz (Housing and Community Development)
Harry Yada (Housing and Community Development)
Steve Pause (Public Works)
Malia Kekai (Public Works)
Melanie DeMello (Public Works)
Ramzi Mansour (Environmental Management)
Eric Takamura (Environmental Management)
Brenda Iokepa-Moses (Environmental Management)
Chris Laude (Environmental Management)
Maurice Messina (Parks and Recreation)
Victor Kandle (Mass Transit Agency)*
Zac Bergum (Mass Transit Agency)
John Andoh (Mass Transit Agency)*
Kelly Hartman, (Environmental Management)
Michelle Hiraishi (Parks and Recreation)
Keone Thompson (Public Works)
Charisse Correa
Kelly Ann Fujii (Mass Transit Agency)
Keith Kato (Hawaii Island Community Development Corporation)

State and Other Invitees

Mary Alice Evans (OPSD), Hawai‘i PIG Co-Chair
Katia Balassiano (OPSD)
Kevin Carney (Housing Advocate)
Randy Chu (HHFDC)
David DePonte (DAGS)
Chad Farias (School Facilities Authority)
Mark Hakoda (HCDA)
Ian Hirokawa (DLNR)
Roy Ikeda (DOE)
Neal Imada (HCDA)
Darrell Ing (DHHL)
Blue Kaanehe (DLNR)
Chris Kinimaka (DAGS)
Tammy Lee (DOT)
Annette Matsuda (DOT)
Michael Shibata (UH)
Dean Minakami (HHFDC)
Melissa Miranda-Johnson (DOT)
Craig Nakamoto (HCDA)
Sabrina Nasir (B&F)
Hakim Ouansafi (HPHA)
Pradip Pant (DOT)
Benjamin Park (HPHA)
Randy Tanaka (DOE)
Harrison Rue (OPSD)
Ed Sniffen (DOT)
Ryan Tam (HCDA)
Andrew Tang (HPHA)
Lauren Yasaka (DLNR)
Sara Okuda (DHHL)
Harry Takiue (DOT)
Shayne Kavanaugh (Government Finance Officers Association)
Ben McAdams (Government Finance Officers Association)

OPSD Staff
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