

**TOD Infrastructure Finance and Delivery Strategy**  
**Office of Planning and Sustainable Development (OPSD)**  
**Kaua'i Permitted Interaction Group (PIG)**  
**Kaua'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 Kaua'i 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.

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

**I. Kaua'i PIG Meeting, November 2, 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**

Jodi Higuchi Sayegusa and Mary Alice Evans agreed to serve as co-chairs.

**B. Pilot Area for Kaua'i**

The County selected Līhu'e Town Core as their pilot area for the study. After the Līhu'e Urban Design Plan was adopted and the community plan updated, the town core area is being targeted for infill development. Several projects have already been completed including the transit hub. The area will have improved pedestrian safety, walkability, and bicycle access. Some of these were funded through a TIGER Grant. Private investment has picked up in the area. A major need is going to be water infrastructure, which is at or near capacity. Any additional development will either meet or exceed the amount of water available in the area. Former Līhu'e Police Station site is a State TOD Project; mixed-use residential is being considered for the property. OPSD has also awarded TOD CIP Planning Funds for Līhu'e Civic Center Redevelopment Site Planning and the Līhu'e Civic Center Mobility Plan.

## **II. Kaua‘i Site Visit and PIG Meeting, June 15, 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’s staff, and key department leaders and legislator to get input on the 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. Kaua‘i PIG Meeting, October 10, 2022-Project Reconnaissance and Initial Review**

A Zoom meeting was convened for Kaua‘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. Kaua‘i PIG Meeting, February 2, 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**

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. A small-scale Special Improvement District, in the form of a Business Improvement District (BID), may be viable in the TOD Pilot Area to support upkeep and activation of the public realm and minor capital improvements. Monetizing large government properties through ground leases or joint development could bring moderate to high revenues for areawide infrastructure projects.

**IV. Kaua‘i PIG Meeting, August 17, 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**

Greater market demand is needed to make most value capture instruments viable in the Līhu‘e Town Core. After accounting for current income, costs, and expected returns for development, there is no excess value that can be captured through special assessments/taxes or one-time fees on new development. The viability and revenues of value capture in the Līhu‘e Town Core and other areas in Kaua‘i with soft real estate markets would increase with measures to increase market demand for residential and commercial development, including through the creation of a BID. Various funding and financing tools can be combined to support infrastructure delivery, including districtwide value capture instruments and State- and County-level tools.

PIG members discussed a number of issues related to implementation, including: the need for more education about the various tools; concerns about increases in real property taxes; earmarking revenues potentially diverting tax revenue needed to provide additional County services and potentially affecting the County’s ability to meet its ongoing operational needs; potential interest in examining the formation of a BID in the town core; and the potential utility of putting new revenue streams either from high-value areas or from other tax surcharges into a County revolving fund for infrastructure.

**V. Kaua‘i PIG Meeting, December 1, 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**

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 Kaua‘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 Kaua‘i Permitted Interaction Group**

Attachment 1 lists agency representatives that participated in the study.

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County of Kaua‘i (COK)  
Office of Planning and Sustainable  
Development  
Hawai‘i Housing Finance and Development  
Corporation (HHFDC)  
Hawai‘i Community Development  
Corporation (HCDA)  
Department of Accounting and General  
Services (DAGS)

Hawai‘i Public Housing Authority (HPHA)  
Department of Hawaiian Home Lands  
Department of Land and Natural Resources  
(DLNR)  
Department of Education (DOE)  
University of Hawai‘i System (UH)  
Department of Transportation (DOT)  
Office of the Governor (GOV)  
Department of Health (DOH)

Others Invited:

Budget and Finance (B&F)

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

## **Attachment 1. Kaua'i PIG Participants**

### **County and County Invitees**

Jodi Higuchi Sayegusa (Planning), Kaua'i PIG Co-Chair  
Michael Dahilig (Mayor's Office)  
Alan Clinton (Planning)  
Steven Hunt (Finance)  
Celia Mahikoa (Transportation Agency)  
Judy Hayducksko (Water)  
Adam Roversi (Housing Agency)  
Allison Rettig (Housing Agency)  
Steven Franco (Housing Agency)  
Kaaina Hull (Planning)  
Michelle Lizama (Finance)  
Reiko Matsuyama (Mayor's Office)  
Chelsie Sakai (Finance)

### **State and Other Invitees**

Mary Alice Evans (OPSD), Kaua'i PIG Co-Chair  
Eric Agena (DAGS)  
Katia Balassiano (OPSD)  
Randy Chu (HHFDC)  
Seth Colby (DOTax)  
David DePonte (DAGS)  
Chad Farias (School Facilities Authority)  
Mark Hakoda (HCDA)  
Heidi Hansen-Smith (DOH)  
Ian Hirokawa (DLNR)  
Roy Ikeda (DOE)  
Neal Imada (HCDA)  
Darrell Ing (DHHL)  
Blue Kaanehe (DLNR)  
Chris Kinimaka (DAGS)  
Tammy Lee (DOT)  
Michael Shibata (UH)  
Dean Minakami (HHFDC)  
Melissa Miranda-Johnson (DOT)  
Craig Nakamoto (HCDA)  
Sabrinna Nasir (B&F)  
Alison Neustein (DLNR)  
Hakim Ouansafi (HPHA)  
Pradip Pant (DOT)  
Benjamin Park (HPHA)  
Randall Tanaka (DOE)  
Harrison Rue (OPSD)  
Garet Sasaki (HCDA)  
Ed Sniffin (DOT)  
Ryan Tam (HCDA)  
Andrew Tang (HPHA)  
Russell Tsuji (DLNR)  
Lauren Yasaka (DLNR)  
Dre Kalili (DOT)  
Garrett Yoshimi (UH)  
Carleton Ching (UH)  
Carson Schultz (HCDA)  
Denise Iseri-Matsubara (HHFDC)  
David Rodriguez (DOT)  
Michael Imanaka (Stadium Authority)

### **OPSD Staff**

Rodney Funakoshi  
Ruby Edwards  
Carl Miura