

TOD Infrastructure Finance and Delivery Strategy
Office of Planning and Sustainable Development (OPSD)
Maui Permitted Interaction Group (PIG)
Maui 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 Maui 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.

Maui PIG tasks and activities completed are summarized below.

I. Maui PIG Meeting, November 10, 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 Pilot Area and next steps.

A. PIG Co-chairs

Pam Eaton and Mary Alice Evans agreed to serve as co-chairs.

B. Pilot Area for Maui

The County selected the Ka‘ahumanu Avenue Community Corridor (KACC) as their pilot area. The KACC project was launched in June 2020 at the beginning of the COVID-19 pandemic. The KACC website has technical resource papers that are key to the study, such as the community profile which includes a housing and market analysis. The area has already seen a lot of activity including more art in public places, Wells Park improvements, new housing, and the future Wailuku Courthouse expansion. On Maui, TOD or TOC (Transit-Oriented Communities) is centered on bus and multi-modal transportation. At the time, the Central Maui Transportation Study was updating the plan’s land use designations. The intent is to make these communities less vehicle dependent.

II. Maui Site Visit and PIG Meeting, June 14, 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, his staff, and key department leaders to get input on the KACC 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. Maui PIG Meeting, October 11, 2022-Project Reconnaissance and Initial Review

A Zoom meeting was convened for Maui 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. Maui PIG Meeting, February 7, 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 funding needs identified in the Ka'ahumanu 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). There is minimal real estate development pipeline in the Ka'ahumanu Avenue Community Corridor. Tax increment and assessments on new real estate development might bring limited revenue. As a result, this limits opportunities for cross subsidizing needed affordable housing and social infrastructure.

IV. Maui PIG Meeting, August 8, 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 considered in formulating an implementation strategy.

Key Takeaways

Greater market demand is needed to make most value capture instruments viable in the Kaahumanu Avenue Community Corridor. 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 pilot and other parts of Maui with softer real estate markets would increase with measures to increase market demand for residential and commercial development, including through the creation of a Business Improvement District (BID) or several BIDs in Wailuku and/or Kahului. 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 acknowledged the need for additional tools and revenues sources and reflected on public officials reluctance to raise residents property taxes. One concern raised was the issue of how to organize County support for a coordinated and sustained TOD infrastructure investment strategy for the pilot area, who would need to be involved and what agency or office would lead the coordination effort.

V. Maui 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. Members suggested that while the financial analysis was limited to the Pilot Area, the study recommendations might also apply to financial tools and implementation strategies for the recovery and rebuilding of West Maui.

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 in moving forward on the recommendations. The Maui 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 State-County collaboration on funding and financing of critical infrastructure in the TOD Pilot Area.

Members of the Maui Permitted Interaction Group

Attachment 1 lists agency representatives that participated in the study.

County of Maui (COM)
Office of Planning and Sustainable
Development (OPSD)
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. Maui PIG Participants

County and County Invitees

Pam Eaton (Maui MPO), Maui PIG Co-Chair
Dan Shupack (Management)
Jacky Takakura (Planning)
Scott Forsythe (Planning)
Michele McLean (Planning)
Brendon Conboy (Planning)
Steve Tesoro (Finance)
David Yamashita (Parks and Recreation)
Michael DuPont (Transportation)
Wendy Taomoto (Public Works)
Rowena Dagdag-Andaya (Public Works)
Dave Taylor (Water Supply)
Kristina Cabbat (Budget Office)
Scott Curran (Planning)
Herbert Foster (Planning)
Jordan Molina (Public Works)
Josiah Nishita (Management)
Garrett Smith (Planning)
Scott Teruya (Finance)
Nolly Yagin (Transportation)
Maria Zielinski (Budget Office)
Council Member Tasha Kama (County Council)
Evan Dust (Council Member Tasha Kama)
Lauren Armstrong (Maui MPO)
Lauren Loor (Healthy Eating, Active Living,
HEAL Coalition)

State and Other Invitees

Mary Alice Evans (OPSD), Maui PIG Co-Chair
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)
Annetee Matsuda (DOT)
Michael Shibata (UH)
Dean Minakami (HHFDC)
Melissa Miranda-Johnson (DOT)
Craig Nakamoto (HCDA)
Sabrina Nasir (B&F)
Pradip Pant (DOT)
Benjamin Park (HPHA)
Randall Tanaka (DOE)
Harrison Rue (OPSD)
Robin Shishido (DOT)
Ed Sniffen (DOT)
Ryan Tam (HCDA)
David Tamanaha (UH-Maui Community College)
Andrew Tang (HPHA)
Russell Tsuji (DLNR)
Derek Wong (DLNR)
Lauren Yasaka (DLNR)
Garret Yoshimi (UH)
Kevin Auger (HPHA)
Rachel Roper (DOT)
Lauren Primiano (DBEDT)

OPSD Staff

Ruby Edwards
Carl Miura
Lorene Maki