

**TOD Infrastructure Finance and Delivery Strategy**  
**Office of Planning and Sustainable Development (OPSD)**  
**O‘ahu Permitted Interaction Group (PIG)**  
**O‘ahu 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 O‘ahu Permitted Interaction Group (PIG) was formed by the Hawai‘i Interagency Council for Transit-Oriented Development (TOD Council) on November 19, 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.

Note: The O‘ahu PIG was initially approved at the July 16, 2021 TOD Council meeting, but it was dissolved and reconstituted to remove OPSD and replace it with the Department of Transportation (DOT) as a member.

O‘ahu PIG tasks and activities completed are summarized below.

**I. O‘ahu Site Visit and PIG Meeting, June 13, 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 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.

**A. PIG Co-chairs**

Representative Nadine Nakamura and Denise Iseri-Matsubara, in her capacity as TOD Council Co-Chair and Executive Director of the Hawai‘i Housing Finance and

Development Corporation (HHFDC), agreed to serve as co-chairs. OPSD staffed the O‘ahu PIG.

**B. Pilot Area for O‘ahu**

Iwilei-Kapālama had been selected as the pilot area for O‘ahu. It has the greatest potential for new affordable and workforce housing due to the higher density anticipated and allowed. There was a lot of data available from a number of different efforts, including HHFDC’s Liliha Civic Center and Iwilei Infrastructure Improvement Master Plan Project, which was well under way. OPSD’s State TOD Planning and Implementation Project in 2020 provided high-level information and analysis of infrastructure capacity, needs, costs, and financing options for infrastructure improvements required for TOD implementation. The City conducted an earlier the Iwilei- Kapālama TOD Infrastructure Needs Assessment. All of these will provide valuable data for this project.

**II. O‘ahu PIG Meeting, October 12, 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. O‘ahu PIG Meeting, February 10, 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 Iwilei- Kapālama TOD Pilot Area is anchored by two Skyline rail stations, Kapālama and Iwilei. It has high potential for TOD. The area can accommodate a significant amount of housing and commercial development. It has numerous infrastructure needs to support proposed new development. The high cost may be challenging. As result, development phasing needs to align with infrastructure investment.

**IV. O‘ahu PIG Meeting, August 11, 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, but potential TIF revenues are tempered due to a large share of affordable rental housing units (80% of development program) and related real property tax exemptions, including on rental affordable units and rental market units within mixed-income projects with a 20% minimum of affordable units. TIF is feasible, but it has several barriers. Other value capture instruments are applicable only to market rate developments; a community facilities district might work for large landowner projects.

The timing of financing capacity should inform the timing of infrastructure requirements set by the Iwilei Infrastructure Improvement Master Plan Project.

PIG members discussed a number of issues related to implementation, including: the difficulty of using a community facilities district except for major landowners; TIF potentially diverting tax revenue needed to provide additional City services and the potential administrative needs for using TIF; a preference for using lower cost general obligation bond financing; and concerns that earmarking revenues could impact City flexibility in using the revenues for ongoing operational needs.

## **V. O‘ahu PIG Meeting, November 28, 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. City-State collaboration on near-term CIP infrastructure in the Pilot Area.
2. Support efforts to pass legislative efforts on TIF Constitutional Amendment, TOD Fund, conveyance tax, and GET and tourism-related surcharges.
3. Study recalibrating the existing Real Property Tax (RPT) abatement for market rate units within mixed-income development.
4. Study a countywide impact fee program.

### **B. Recommendations for Other Actions**

1. Expand infrastructure funding capacity through conveyance tax.
2. Recalibrate property tax exemptions on O‘ahu.
3. Implementation of impact fees.

4. Create Business Improvement Districts (BID) to enhance land value and attract development.

PIG member comments included: the need to prioritize continued State-County collaboration on infrastructure investments in Iwilei; the need to demonstrate the benefits to the State from increasing revenue streams for City infrastructure; clarifying the administrative needs for TIF; and the need for broad-based support for the recommendations. 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 in moving forward on the individual recommendations. The O‘ahu 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 O‘ahu Permitted Interaction Group

Attachment 1 lists agency representatives that participated in the study.

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City and County of Honolulu (City)	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 Land and Natural Resources (DLNR)	House of Representatives
	Others Invited
	Budget and Finance (B&F)

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

## **Attachment 1. O‘ahu PIG Participants**

### **City and City Invitees**

Krishna Jayaram (Mayor’s Office)  
Michael Formby (Mayor’s Office)  
Tim Streitz (Planning and Permitting)  
Craig Hirai (Planning and Permitting)  
Harrison Rue (Planning and Permitting)  
Dean Uchida (Planning and Permitting)  
Andy Kawano (Budget and Fiscal Services)  
Carrie Castle (Budget and Fiscal Services)  
Steven Takara (Budget and Fiscal Services)  
Denise Iseri-Matsubara (Office of Housing)  
Kevin Auger (Office of Housing)  
Jaylen Murakami (Office of Housing)  
Randy Chu (Land Management)  
Warren Mamizuka (Facilities Maintenance)  
Tyler Sugihara (Facilities Maintenance)  
Dawn Szewczyk (Facilities Maintenance)  
Haku Miles (Design and Construction)  
Walter Billingsley (Design and Construction)  
Roger Babcock (Environmental Services)  
Mike O’Keefe (Environmental Services)  
Lisa Kimura (Environmental Services)  
Jack Pobuk (Environmental Services)  
Ernie Lau (Board of Water Supply)  
Dominic Dias (Board of Water Supply)  
Marc Chun (Board of Water Supply)  
Erwin Kawata (Board of Water Supply)  
Dori Amano-Mitsui (Parks and Recreation)  
Roger Morton (Transportation Services)  
Chris Clark (Transportation Services)  
Aedward Los Banos (Community Services)  
Darrell Young (Community Services)  
Ailina Laborte (Office of Housing)  
Sandra Kunioka (Design and Construction)  
Adam LeFebvre (Community Services)  
Deborah Miyagi  
Dawn Takeuchi-Apuna (Planning and Permitting)  
Gene Albano (Facility Management)  
Catherine Taschner (Land Management)

### **State and Other Invitees**

Representative Nadine Nakamura (House of Representatives), O‘ahu PIG Co-Chair  
Dean Minakami (HHFDC), O‘ahu PIG Co-Chair  
Randy Chu (HHFDC)  
Seth Colby (DoTAX)  
David DePonte (DAGS)  
Mark Hakoda (HCDA)  
Ian Hirokawa (DLNR)  
Roy Ikeda (DOE)  
Neal Imada (HCDA)  
Derek Inafuku (UH-HCC)  
Darrell Ing (DHHL)  
Nicholas Ing (DLNR)  
Norman Jimeno (HHFDC)  
Blue Kaanehe (DLNR)  
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Michael Shibata (UH)  
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Sabrinna Nasir (B&F)  
Pradip Pant (DOT)  
Benjamin Park (HPHA)  
Randall Tanaka (DOE)  
Garet Sasaki (HCDA)  
Ed Sniffen (DOT)  
Ryan Tam (HCDA)  
Andrew Tang (HPHA)  
Russell Tsuji (DLNR)  
Brooke Wilson (Office of the Governor)  
Derek Wong (DLNR)  
Katie Roth (DLNR)  
Lauren Yasaka (DLNR)  
Lauren Primiano (DBEDT)  
Garrett Yoshimi (UH)  
Kevin Carney (Housing Advocate)  
David Rodriguez (DOT)  
Curt Otaguro (DAGS)

### **OPSD Staff**

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