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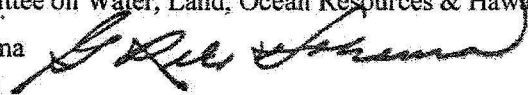
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TO: Honorable Ken Ito, Chair
House Committee on Water, Land, Ocean Resources & Hawaiian Affairs

FROM: G. Riki Hokama
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 4, 2008; TESTIMONY IN SUPPORT OF HB 3022, PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND 13, OF THE CONSTITUTION OF THE STATE OF HAWAII, RELATING TO TAX INCREMENT BONDS**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to amend the State Constitution to clearly authorize the Legislature to enable the counties, and other political subdivisions, to issue tax increment bonds which would be repaid from real property taxes resulting from a county action, including a zoning change.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. The State and the counties face enormous costs in maintaining, upgrading, and extending their infrastructure and facilities. Authorizing tax increment bond financing will give us more flexibility in addressing this public need.
2. It is important to clarify the Legislature's legal authority in this area, because doing so will reassure bond rating agencies and bond underwriters, and help us maintain high bond ratings and low interest rates.
3. The cost of a county-funded project is typically paid by all taxpayers, even if the project primarily benefits property owners in a specific area. Because there are so many competing demands, costly improvements are sometimes deferred until the need becomes painfully obvious to all, or until the project is undertaken by the private sector in the process of a real estate development. With tax increment financing, we may be able to address this kind of need sooner, and in a more equitable way.
4. This amendment would require the Legislature to enact enabling legislation before the counties can issue tax increment bonds. If there is any doubt that the counties will use the additional financing authority prudently, the Legislature can and will impose appropriate controls and safeguards.

For the foregoing reasons, I support this measure.

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