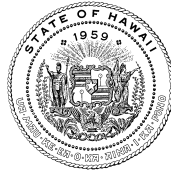


DAVID Y. IGE
GOVERNOR



WRITTEN ONLY

WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2069, H.D. 1**

February 26, 2016
1:00 p.m.

RELATING TO COMMUNITY IMPROVEMENT DISTRICTS

House Bill No. 2069, H.D. 1, establishes community improvement districts and establishes a revolving fund within the State treasury to be known as the Community Improvement District Revolving Fund to be administered by the Department of Accounting and General Services (DAGS). In addition, the bill establishes the Kapalama Community Improvement District Pilot Project.

Revenues of the Community Improvement District Revolving Fund include: funds received by DAGS from the counties from the repayment of loans and interest from the various assessments or fees from community facilities districts, special improvement districts, improvement districts, tax increment financing and other sources; appropriations by the Legislature or counties; federal grants and subsidies to the State or counties; private investor contributions; and grants and donations. Revenues from the fund may be expended by DAGS to make loans to the counties, State agencies, or private developers for the costs of the planning, design, or construction of infrastructure improvements that meet the requirements of a community improvement district. In

addition, revenues from the fund may be used to repay private investors for their investment made into the fund.

The Department of Budget and Finance does not take any position on the proposed community improvement districts or the Kapalama pilot project; however, as a matter of general policy, the department does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4 of the HRS. In regards to House Bill No. 2069, H.D. 1, it is difficult to determine whether the proposed source of revenues will be self-sustaining.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Friday, February 26, 2016 at 1:00 P.M.
Conference Room 308, State Capitol**

**RE: HOUSE BILL 2069 HD 1 RELATING TO COMMUNITY IMPROVEMENT
DISTRICTS**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports the intent of** HB 2069 HD 1, which establishes a community improvement districts program with a revolving fund, and a pilot project in Kapalama.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

We believe that there is a need for government leadership in the redevelopment areas near the transit stations. There is a pressing need to address infrastructure capacity building along the entire transit corridor if we are to realize any of the increased density at the transit stations.

However, we question the need to create another layer of government through the proposed local redevelopment agency. We strongly believe that the appropriate entity to oversee the planning and redevelopment efforts would be an entity attached to the HCDA. HCDA currently has all of the statutory authority to redevelop urban areas, as has been done in Kakaako. Creating an entity within the existing structure of HCDA with the specific role of planning and redeveloping the lands near the transit stations would be a more efficient and effect approach than what is being proposed in the bill.

We understand that there are other bills which would give HCDA authority to plan and redevelop areas around the transit stations.

Thank you for the opportunity to express our views on this matter.

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

2016 OFFICERS

PRESIDENT
CRAIG WASHOFSKY
SERVCO HOME & APPLIANCE
DISTRIBUTION

PRESIDENT-ELECT
EVAN FUJIMOTO
GRAHAM BUILDERS, INC.

VICE PRESIDENT
DEAN UCHIDA
SSFM INTERNATIONAL, INC.

TREASURER
MICHAEL WATANABE
JW, INC.

SECRETARY
PETER ELDRIDGE
RAYNOR OVERHEAD DOORS &
GATES, INC.

SPECIAL APPOINTEE-BUILDER
PAUL D. SILEN
HAWAIIAN DREDGING
CONSTRUCTION CO, INC

SPECIAL APPOINTEE-BUILDER
MARK KENNEDY
HASEKO CONSTRUCTION
MANAGEMENT GROUP, INC.

SPECIAL APPOINTEE-ASSOCIATE
GARY T. OKIMOTO
HONOLULU WOOD TREATING, LLC

IMMEDIATE PAST PRESIDENT
RICHARD HOBSON, JR.
GENTRY HOMES, LTD.

CHIEF EXECUTIVE OFFICER
GLADYS MARRONE
BIA-HAWAII

2016 DIRECTORS

ANTHONY BORGE
RMA SALES

BEAU NOBMANN
HPM BUILDING SUPPLY

DOUGLAS E. PEARSON
CASTLE & COOKE HOMES
HAWAII, INC.

CHRIS CHEUNG
CC ENGINEERING &
CONSTRUCTION, INC.

CLIFTON CRAWFORD
C&J CONTRACTING, INC.

CURT KIRIU
CK INDEPENDENT LIVING BUILDERS

DWIGHT MITSUNAGA
DM PACIFIC, INC.

JACKSON PARKER
D.R. HORTON, SCHULER DIVISION

JENNIFER ANDREWS
COLDWELL BANKER PACIFIC
PROPERTIES

MARK HERTEL
INTER-ISLAND SOLAR SUPPLY,
OAHU-MAUI-HAWAII-KAUAI

MARSHALL HICKOX
HOMEWORKS CONSTRUCTION, INC.

SARAH LOVE
BAYS LUNG ROSE & HOLMA

MAILING
P.O. BOX 970967
WAIPAHU, HAWAII
96797-0967

STREET
94-487 AKOKI STREET,
WAIPAHU, HAWAII 96797

P 808.847.4666
F 808.440.1198
E INFO@BIAHAWAII.ORG

WWW.BIAHAWAII.ORG

Testimony to the House Committee on Finance Friday, February 26, 2016 1:00 PM. State Capitol - Conference Room 308

RE: HB 2069 HD1: Relating to Community Improvement Districts.

Dear Chair Luke, Vice-Chair Nishimoto, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-HAWAII supports the intent of H.B. 2069, which would establish a community improvement districts program with a revolving fund, and a pilot project in Kapalama.

We believe that there is a need for government leadership in the redevelopment areas near the transit stations. There is a pressing need to address infrastructure capacity building along the entire transit corridor if we are to realize any of the increased density at the transit stations.

However, we question the need to create another layer of government through the proposed local redevelopment agency. We strongly believe that the appropriate entity to oversee the planning and redevelopment efforts would be an entity attached to the HCDA. HCDA currently has all of the statutory authority to redevelop urban areas, as has been done in Kakaako. Creating an entity within the existing structure of HCDA with the specific role of planning and redeveloping the lands near the transit stations would be a more efficient and effect approach than what is being proposed in the bill.

We understand that there are other bills which would give HCDA authority to plan and redevelop areas around the transit stations.

Thank you for the opportunity to express our views on this matter.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honolulu.dpp.org • CITY WEB SITE: www.honolulu.gov

KIRK CALDWELL
MAYOR



GEORGE I. ATTA, FAICP
DIRECTOR

ARTHUR D. CHALLACOMBE
DEPUTY DIRECTOR

February 26, 2016

LATE

The Honorable Sylvia Luke, Chair
and Members of the Committee on Finance
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Luke and Committee Members:

Subject: House Bill No. 2069, HD 1
Relating to Community Improvement Districts

The Department of Planning and Permitting (DPP) **supports the intent** of House Bill No. 2069, HD 1, which would create new Community Improvement Districts (CID) under the State Department of Accounting and Services (DAGS). The Bill further designates the Iwilei-Kapalama area as the first CID. It also assigns housing production goals for July 1, 2022.

We applaud the Legislature in its commitment to continue working collaboratively with the City on Transit-Oriented Development (TOD) initiatives, and its support for developing walkable, bikable communities around the rail stations. We support the Bill's intent to create a new infrastructure-funding source and cross-jurisdictional framework to address our pressing housing needs and revitalize people-friendly, in-town communities.

Although we are not taking a position on the appropriateness of DAGS as the administering agency of the CID program, we do want to note that we enjoy a cordial, collaborative relationship with its staff as we develop plans and projects of mutual interest, most notably our TOD neighborhood plans and projects.

We also are delighted that the Legislature would designate the Iwilei-Kapalama area as the first CID. The City is already studying the area's infrastructure needs in depth in the Iwilei-Kapalama infrastructure master plan, which was initiated at the request of legislators, City Council members, and the development community. This project will also explore district financing tools to accelerate infrastructure improvements

The Honorable Sylvia Luke, Chair
and Members of the Committee on Finance
Hawaii House of Representatives
Hawaii State Capitol
House Bill No. 2069, HD 1
February 26, 2016
Page 2

to reinvigorate the area as a housing and job center. We respectfully suggest waiting until we finalize those recommendations to decide on the best approach to establishing an infrastructure finance district. But we do recommend allocating funding to be used for State agency contributions to such a district, once established.

One concern is that the proposed district boundaries might be limiting. At the request of public and private property owners, our initial Iwilei-Kapalama study area is a bit larger. It extends mauka of North King Street to include Mayor Wright Homes and other properties, and some of the property along Nimitz Highway (ewa of Waiakamilo Road). Since the actual boundaries of a potential finance district may be adjusted to include or exclude specific properties (per discussions with owners through the study), we suggest allowing some flexibility in the legislation to adjust district boundaries.

Another concern would be to allow slightly more flexibility in how the revenues may be used. As proposed, this is limited to making loans to counties, State agencies, or private developers, or reimbursing private developers for their investments. Since some of the potential district finance tools might require special assessments, contributions, or fees from each property owner, we suggest that the legislation specify that the revenue may be used for this purpose. Of course, any contribution for development on State lands in a finance district would be voluntary.

We are also concerned that the proposed production goals may be overly optimistic. Section 3 of the Bill mandates that 6,000 new housing units must be ready for occupancy by July 1, 2022. At least half of these units must be affordable, and 25 percent must be fee simple affordable units. Developing that many affordable units in such a short time will require significant public investment to subsidize the cost of the units, beyond just the infrastructure funding. There may also be issues with providing that many fee simple units on State lands and on some of the major trust lands (due to preference for leasing lands by both State agencies and trusts).

There are serious infrastructure deficiencies in the district that must be corrected before this many housing permits are issued. Because many of the deficiencies are not small isolated pockets of need, but systemic problems, they will not be resolved quickly. We do have some infrastructure projects in the planning stages that will allow housing construction to begin at Mayor Wright and some other properties in the Kapalama area, but not at the scale to produce 6,000 units in the next six years. The entitlement process for major projects -- from site assessment to environmental review, to timing of funding, and the design and construction phases -- will take several years to complete.

The Honorable Sylvia Luke, Chair
and Members of the Committee on Finance
Hawaii House of Representatives
Hawaii State Capitol
House Bill No. 2069, HD 1
February 26, 2016
Page 3

Therefore, rather than setting unrealistic goals, we recommend setting achievable target goals. A few options include (these dates are speculative and will need input from other State agencies):

- Reset the date for production of 6,000 housing units (July 1, 2026).
- Set a date for the first housing permits to be issued on State lands (July 1, 2020).
- Set a date for regional infrastructure improvements to begin construction (July 1, 2020 or 2021).
- Set a deadline for adoption of a memorandum of understanding and/or infrastructure finance district that would comprehensively outline the schedule for major State, City and utility company improvements (July 1, 2018 or 2019).

Finally, we ask that the Bill be amended to require a public hearing on the specific boundaries and goals of each CID prior to adoption. This will give the public a chance to hear what the State and City plan for the area, and for us to fine-tune the plans and goals.

We are eager to help refine House Bill No. 2069, HD 1, to a version that we can fully support. Thank you for the opportunity to testify.

Very truly yours,



George I. Atta, FAICP
Director

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 25, 2016 9:25 PM
To: FINTestimony
Cc: dylanarm@hawaii.edu
Subject: *Submitted testimony for HB2069 on Feb 26, 2016 13:00PM*

LATE

HB2069

Submitted on: 2/25/2016

Testimony for FIN on Feb 26, 2016 13:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan Armstrong	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 26, 2016 12:26 PM
To: FINTestimony
Cc: mjgonser@gmail.com
Subject: Submitted testimony for HB2069 on Feb 26, 2016 13:00PM

HB2069

Submitted on: 2/26/2016

Testimony for FIN on Feb 26, 2016 13:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew Gonser	Individual	Support	No

Comments: I strongly support this bill. The opportunities provided by such concentrated attention and investments are critical for redevelopment within the urban core of Honolulu and could provide partnership models for other areas of the state.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov