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Subject: *Submitted testimony for HB2069 on Feb 5, 2016 08:30AM*

HB2069

Submitted on: 2/3/2016

Testimony for WAL on Feb 5, 2016 08:30AM in Conference Room 325

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

Comments:

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TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON WATER AND LAND
ON
HOUSE BILL NO. 2069

February 5, 2016

RELATING TO COMMUNITY IMPROVEMENT DISTRICTS

House Bill No. 2069 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.

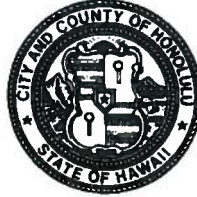
The Department of Budget and Finance does not take any position on the proposed community improvement districts or the Kapalama pilot project; however, as a matter of general policy, the department does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4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

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February 5, 2016

The Honorable Ryan Yamane, Chair
and Members of the Committee on Water
and Land
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Yamane and Committee Members:

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

The Department of Planning and Permitting (DPP) **supports the intent** of House Bill No. 2069, 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, Councilmembers, and the development community. This project

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will also explore district financing tools to accelerate infrastructure improvements to reinvigorate the area as a housing and job center.

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 Housing and other properties, and some of the property along Nimitz (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 what 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, we suggest that the legislation specify that the revenue may be used for this purpose. Of course, any contribution for State properties' share 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 planning 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.

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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 an 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 plans for the area, and for us to fine tune the plans and goals.

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

Very truly yours,



George I. Atta, FAICP
Director