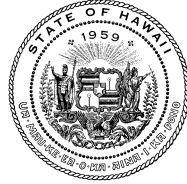


DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
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To: The Honorable Mark M. Nakashima, Chair
and Members of the House Committee on Economic Development & Business

Date: Wednesday, February 1, 2017

Time: 9:00 A.M.

Place: Conference Room 309, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 626, Relating to Urban Redevelopment

The Department of Taxation (Department) appreciates the intent of H.B. 626 and provides the following comments for your consideration.

H.B. 626, which is effective upon approval, creates a State Transit Oriented Development Authority (Authority) to plan and develop infrastructure capacity at rail transit stations. The bill includes various tax-related provisions, including (1) a provision that would give priority to assessments against real property to fund the cost of providing public facilities over all other liens; (2) a provision that exempts income from bond issues to fund public facilities from all State and county taxes, except transfer and estate taxes; (3) and a provision that exempts the Authority from all State and county taxes.

First, the Department notes that the provision giving priority to assessments to fund public facilities over all other liens may conflict with section 231-33(b), Hawaii Revised Statutes (HRS). New section __-9 provides that if the authority undertakes a public facility (defined as including streets, utility and service corridors, utility lines, public highways, storm drainage systems, water systems, street lighting systems, off-street parking facilities, and sanitary sewerage systems), the cost of providing the public facilities shall be assessed against the real property in the district specially benefiting from the public facilities. The assessments are deemed to be statutory liens against each parcel from the date of notice of the assessment and shall have priority over all other liens, except liens of property taxes.

Section 231-33(b), HRS, provides that a tax lien, which arises at the time the tax is assessed, the time a return is filed, or the time a certificate of State tax lien is recorded by the Department, whichever is earlier, "is a paramount lien upon the property and rights to property against all parties, whether their interest arose before or after that time." An exception is made, however, for a mortgagee or purchaser of real property, or the lien of a judgment creditor upon real property, whose interest arose prior to the recording by the Department of the certificate of

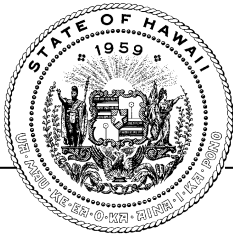
the State tax lien. HRS § 231-33(c)(1). Since property tax liens are exempted from this new lien priority provision, it seems that State tax liens were inadvertently omitted.

To avoid ambiguity, the Department suggests the following amendment to section __-9(b):

All assessments made pursuant to this section shall be a statutory lien against each lot or parcel of land assessed from the date of the notice declaring the assessment until paid and the lien shall have priority over all other liens, except the lien of property taxes[-] and except as provided in section 231-33.

With respect to the provisions that make the Authority and income from bonds exempt from State taxes, the Department notes that these provisions will require changes to form instructions. Accordingly, the Department requests that the bill is made effective for tax years beginning after December 31, 2017.

Thank you for the opportunity to provide comments.



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DAVID Y. IGE
GOVERNOR

LEO R. ASUNCION
DIRECTOR
OFFICE OF PLANNING

Statement of
LEO R. ASUNCION
Director, Office of Planning
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Wednesday, February 1st, 2017
9:00 AM
State Capitol, Conference Room 309

in consideration of
HB 626
RELATING TO URBAN REDEVELOPMENT

Chair Nakashima, Vice Chair Keohokalole, and Members of the House Committee on Economic Development and Business.

The Office of Planning (OP) offers comments on HB 626, which would establish a Transit Oriented Development (TOD) Infrastructure Authority within the Department of Business, Economic Development, and Tourism (DBEDT) to oversee and manage development of infrastructure on State lands within a one-half mile radius of one of the following rail stations:

1) the UH West Oahu Station, 2) Leeward Community College Station, 3) Aloha Stadium Transit Station, 4) Kalihi Transit Station, and 5) Iwilei Transit Station.

The coordination and financing of infrastructure improvements in planned growth areas, such as along the Honolulu rail corridor, is a major impediment to realizing the potential of TOD in providing needed housing and creating vibrant and sustainable mixed-use communities. The State has identified infrastructure development and implementation as priority for State TOD.

While this proposal could potentially expedite TOD on State lands, OP has a number of concerns related to the bill as it is currently written:

- Many of the proposed duties of the Authority, including coordination and planning, currently overlap with the Hawaii Interagency Council for TOD (TOD Council) recently established pursuant to Hawaii Revised Statutes (HRS) § 226-64 (Act 130, SLH 2016). Any comprehensive planning efforts delegated to the Authority, including identifying TOD infrastructure needs and financing and long-range planning, would be duplicative of the tasks already mandated to the TOD Council, including the development of a State strategic plan for TOD.
- The effective delivery of infrastructure system capacity to accommodate planned and future State agency projects with those of other public and private developers requires a much broader and coordinated regional geographic approach to State agency land use planning and development along the rail corridor than the assignment of powers granted to a single development authority.
- The redevelopment potential of many State-owned properties along the rail corridor has yet to be assessed by the TOD Council. The language on page 2, lines 15-17 identifies potential infrastructure investment priorities for State-owned lands at five main station areas: 1) the UH West Oahu Station, 2) Leeward Community College Station, 3) Aloha Stadium Transit Station 4) Kalihi Transit Station and 5) Iwilei Transit Station. Specific station-areas designated for infrastructure investment priorities still need further review before they are determined to be ready for development.
- The Hawaii Community Development Authority (HDCA) may have the capacity to perform many of the duties prescribed to the proposed authority, especially those

related to infrastructure implementation, district-wide improvements, permitting, and acquisition. Creating a new State TOD Authority under DBEDT does not optimize the State's existing development authority.

- The Authority responsible for State TOD implementation should take into consideration the existing City and County of Honolulu Neighborhood TOD Plans, including the boundaries for designated State TOD districts, and current and proposed zoning designations.
- The language on page 9, lines 15-16 should clarify and make explicit that member (c)(3) should be a “private housing developer with experience in developing affordable housing projects in Hawaii.” Similarly, page 8, lines 18-19 should also clarify that the private developer must have some experience in developing affordable housing projects.

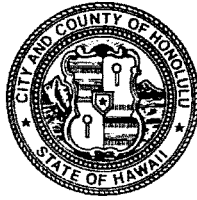
OP would prefer that the existing TOD Council be given the opportunity to proceed with planning for projects on State lands, including long-range planning and identifying TOD infrastructure needs and financing. OP also notes that the TOD Council may have an opportunity to work closely with HCDA as a potential existing authority for TOD implementation.

Thank you for the opportunity to testify on this matter.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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ACTING DEPUTY DIRECTOR

February 1, 2017

The Honorable Mark M. Nakashima, Chair
and Members of the Committee
on Economic Development & Business
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Nakashima and Committee Members:

Subject: House Bill No. 626
Relating to Urban Development

The Department of Planning and Permitting (DPP) **strongly opposes** House Bill No. 626, which would establish the State Transit Oriented Development Authority. This Bill is unnecessary, premature, duplicative, usurps home rule, and will be costly to the taxpayers of Hawaii.

The DPP supports the role of the State in developing State-owned lands near rail transit stations. From the beginning, more than ten years ago, we have invited State agency participation in our transit-oriented development (TOD) planning. State agencies have responded, and have influenced our TOD plans and strategies. We would be happy to share with you all of our collaborative efforts with State agencies and others in developing our TOD program.

We are well aware that the State owns lands that can take advantage of their proximity to rail stations. Our draft TOD Plan for the Halawa area demonstrates the input of the Department of Accounting and General Services and the Stadium Authority. Moreover, we have been active participants in meetings convened by Senators Chun-Oakland and Dela Cruz in 2015 that began the consolidated discussion on redevelopment of State lands near rail stations.

By creating a new Authority, this Bill ignores these investments in collaborative planning by taking over the City's role in planning, zoning and permitting TOD projects. This new authority would also be in charge of planning and implementing infrastructure improvements. Rather than accelerate action on TOD and affordable housing,

The Honorable Mark M. Nakashima, Chair
and Members of the Committee
on Economic Development & Business
Hawaii House of Representatives
Hawaii State Capitol
House Bill No. 626
February 1, 2017
Page 2

establishing this new authority – and the extensive new rules, procedures and staffing it would require – could set back progress by several years.

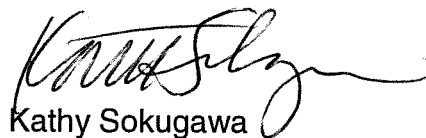
It is unfortunate that the proposed legislation cites “a lack of planning and coordination” and the need for major infrastructure investments. These findings ignore the significant progress made by State agencies and the City, in collaboration with the private sector. Act 130 (2016) established the Hawaii Interagency Council for Transit-Oriented Development, which is moving expeditiously in developing a State TOD Strategic Plan (focused on development of State lands), even though it was convened less than seven months ago. Working collaboratively with the City, it expects the Plan to be completed later this year. The Plan will prioritize proposed CIP projects for recommendation to the Legislature. The Interagency Council has already identified priority TOD areas, and provided master planning funds.

To sum, we support the State in coordinating planning and prioritizing its investments in TOD infrastructure and projects on State lands. The City will continue to collaborate with the State on this effort. We are especially supportive of bills that help fund infrastructure upgrades and stimulate more affordable housing. However, the State should not usurp City land use planning and project approval functions, which are clearly the responsibility of the City under home rule provisions.

Please defer House Bill No. 626.

Thank you for the opportunity to testify.

Very truly yours,



Kathy Sokugawa
Acting Director



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committees on Economic Development & Business
and Committee on Labor & Public Employment
Wednesday, February 1, 2017 at 9:00 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 626 RELATING TO URBAN REDEVELOPMENT

Chairs Nakashima and Johanson, Vice Chairs Keohokalole and Holt, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 626, which proposes to establish the State Transit Oriented Development Authority.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600 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.

In the findings and purpose section of the bill, it correctly states the following:

That the State has a unique opportunity to address economic diversification and affordable housing shortages through transit-oriented development. However, despite being one of the largest landowners along the rail transit stations, the State has yet to formulate a master plan to develop these parcels so that they are transit-ready.

Prior to any redevelopment efforts, it is necessary to increase all infrastructure capacity along the transit corridor, especially around each of the twenty rail transit stations. In preparation for the completion of the Honolulu rail transit project, the State must maximize the opportunities for the development of land around rail transit stations, thereby supporting the local economy, improving access to transportation, and increasing rail ridership.

Recognizing the need for a focused effort on building infrastructure capacity to support redevelopment efforts at each of the rail transit stations and avoiding the need to create another government entity, the purpose of this chapter is to create the state transit oriented development authority, to plan and develop infrastructure capacity, pursuant to this chapter, at each of the rail transit stations that will support the planned growth and density at each of the rail transit stations.

Moreover, the purpose of this bill is to focus on rail transit stations that are adjacent to State-owned lands. The authority shall plan and develop infrastructure to service lands within a half-mile radius from one of the following rail transit stations: University of Hawaii, west Oahu, transit station; Leeward community college transit station; Aloha Stadium transit station; Kalihi



Chamber of Commerce HAWAII

The Voice of Business

transit station; and Iwilei transit station.

Furthermore, in order to facilitate the investment of private capital in public infrastructure, this chapter encourages the authority to enter into public-private partnerships established through a lease-back arrangement between the authority and private investors.

The legislature further finds that there exists within the State vast, unmet state transit oriented development needs. These include but are not limited to a lack of suitable affordable housing; insufficient commercial and industrial facilities for rent; residential areas that do not have facilities necessary for basic livability, such as parks and open space; and areas that are planned for extensive land allocation to a single use, rather than mixed uses.

The legislature further determines that the lack of planning and coordination in such areas has given rise to these state transit oriented development needs and that existing laws and public and private mechanisms have proven either incapable or inadequate to facilitate timely redevelopment.

The legislature finds that a new and comprehensive authority must be created to join the strengths of private enterprise, public development, and regulation into a new form capable of long-range planning and implementation of the improved development of State-owned assets near rail transit stations. The purpose of this chapter is to establish such a mechanism in the state transit oriented development authority, a public entity that shall determine development programs and cooperate with private enterprise and the various components of federal, state, and county governments in bringing plans to fruition.

For such areas designated as state transit oriented development districts, the legislature determines that the planning and implementation program of the state transit oriented development authority will result in communities that serve the highest needs and aspirations of Hawaii's people.

The legislature finds that the creation of the state transit oriented development authority, the establishment of state transit oriented development districts, and the issuance of bonds pursuant to this chapter to finance public facilities serve the public interest and are matters of statewide concern. In coordinating state transit oriented development, the authority shall plan for mixed-use districts in which industrial, commercial, residential, and public uses may coexist compatibly within the same area.

We applaud the efforts of the legislature to provide some pro-active leadership to ensure the state owned lands are developed properly in order to realize the maximum benefits to the state. Market and affordable rentals in a pedestrian friendly, mixed use environment can be realized when properly planned and implemented.

We strongly support H.B. 626 and look forward to working with the new authority.

Thank you for the opportunity to testify.

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Testimony to the House Committee on Economic Development & Business
Wednesday, February 1, 2017
9:00 a.m.
Conference Room 309

RE: HB 626 – Relating to Urban Redevelopment

Chair Nakashima, Vice-Chair Keohokalole, and members of the committee:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in strong support of H.B. No. 626 which proposes to establish the State Transit Oriented Development Authority.

The State has a unique opportunity to address economic diversification and affordable housing shortages through transit-oriented development. However, despite being one of the largest landowners along the rail transit stations, the State has yet to formulate a master plan to develop these parcels so that they are transit-ready. The purpose of this legislation is to create the state transit oriented development authority, to plan and develop infrastructure capacity, pursuant to this chapter, at each of the rail transit stations that will support the planned growth and density at each of the rail transit stations. The purpose of this bill is to focus on rail transit stations that are adjacent to State-owned lands. The authority would plan and develop infrastructure to service lands within a half-mile radius from one of the following rail transit stations: University of Hawaii, West Oahu transit station; Leeward community college transit station; Aloha Stadium transit station; Kalihi transit station; and Iwilei transit station.

Furthermore, in order to facilitate the investment of private capital in public infrastructure, this chapter encourages the authority to enter into public-private partnerships established through a lease-back arrangement between the authority and private investors.

Transit-oriented development is the future of housing on Oahu. We applaud the efforts of the legislature in providing pro-active leadership to ensure that state-owned lands are developed properly in order to realize maximum benefit to the state. Market and affordable rentals in a pedestrian friendly, mixed-use environment can be realized when properly planned and implemented.

We strongly support H.B. 626 and look forward to working with the new authority.

We appreciate the opportunity to provide our input on this important legislation.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2017 4:20 AM
To: edbtestimony
Cc: margaretwille@mac.com
Subject: Submitted testimony for HB626 on Feb 1, 2017 09:00AM

HB626

Submitted on: 1/31/2017

Testimony for EDB on Feb 1, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Margaret Wille	Individual	Support	No

Comments: I strongly support establishing an Urban Redevelopment Authority to assist in the overall planning of transit oriented programs; however I ask that this be more of a statewide program to address transit oriented design in all counties and not simply an oahu-centric rail related agency. We need to move towards a hub and hublet orientation for mass transit and move away from automobile focused transportation focus.

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.

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keohokalole2 - Anthony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 30, 2017 4:37 PM
To: edbtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HB626 on Feb 1, 2017 09:00AM*

HB626

Submitted on: 1/30/2017

Testimony for EDB on Feb 1, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

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LATE



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 1, 2017
9:00 a.m.
State Capitol, Room 309

HB 626
RELATING TO URBAN REDEVELOPMENT

House Committee's on Economic Development and Business and Labor and Public
Employment

The Department of Transportation (DOT) **supports** the intent of the bill to encourage the State to use Transit Oriented Development (TOD) to address needed economic diversification and affordable housing shortages. However; the DOT does have significant concerns regarding the establishment of a Transit Oriented Development Authority (TODA) that could potentially have authority and/or jurisdiction over Airport, Harbors, or Highways properties.

The lands under the jurisdiction of the DOT are vital to the safe and efficient movement of people and goods throughout the entire State as well as between Hawaii and the mainland and international ports. DOT must plan, administer, and manage such lands to accommodate ever evolving needs and anticipated future demands while ensuring compliance with federal regulations (Federal Transit Administration (FTA), Federal Highway Administration (FHWA), Federal Aviation Administration (FAA), and Maritime Administration (MARAD))

DOT has and continues to work cooperatively and comprehensively with the City and County of Honolulu and with other State agencies in the ongoing development of the Honolulu Area Rapid Transit and surrounding TOD areas.

Thank you for the opportunity to provide testimony.