

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
INTERIM EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

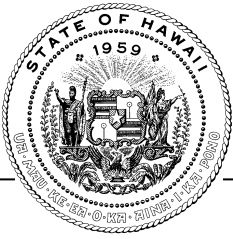
SENATE COMMITTEE ON WAYS AND MEANS

February 28, 2020 at 1:30 p.m.
State Capitol, Room 211

In consideration of
S.B. 2054, S.D. 1, Proposed S.D. 2
RELATING TO INFRASTRUCTURE IMPROVEMENT DISTRICTS.

HHFDC supports the Proposed S.D. 2 to S.B. 2054, S.D. 1, which amends §201H-191.5, HRS, by authorizing the HHFDC to assess transit-oriented development projects for the cost of regional infrastructure improvements from which they benefit. The Proposed S.D. 2 also specifically adds the Hawaii Interagency Council on Transit-Oriented Development as a state agency body from which approval of a capital improvement loan or grant can be obtained.

Thank you for the opportunity to provide written comments on this bill.



**OFFICE OF PLANNING
STATE OF HAWAII**



DAVID Y. IGE
GOVERNOR

MARY ALICE EVANS
DIRECTOR
OFFICE OF PLANNING

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Statement of
MARY ALICE EVANS
Director, Office of Planning
before the
SENATE COMMITTEE ON WAYS AND MEANS
Friday, February 28, 2020
1:30 PM
State Capitol, Conference Room 211

in consideration of
SB 2054, PROPOSED SD 2
RELATING TO INFRASTRUCTURE IMPROVEMENT DISTRICTS.

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means.

The Office of Planning (OP) **supports** the Proposed SD 2 of SB 2054 and offers comments below for your consideration. SB 2054, Proposed SD 2 would amend Hawaii Revised Statutes (HRS) Section 201H-191.5, regional state infrastructure subaccounts, to allow the Hawaii Housing Development and Financing Corporation (HHFDC) to assess the cost of regional infrastructure improvement projects undertaken by HHFDC to transit-oriented development (TOD) projects that benefit from the improvements. Proposed SD 2 would also allow the Hawaii Interagency Council for Transit-Oriented Development (TOD Council) to approve grants and loans for capital improvement program (CIP) projects.

OP supports the new subsection that would enable HHFDC to recover the cost of State investment in regional infrastructure. The language is silent on whether projects would be assessed on a pro rata basis. One aim for cost-recovery would be that assessments would be proportionate or at least fair and reasonable for the parties.

As co-chair of the TOD Council, OP is concerned with the amendment requiring TOD Council approval of CIP projects, since the TOD Council is constituted as an advisory body. We suggest the following language be used to provide for TOD Council review of applications for subaccount funds:

“(e) Grants and loans shall be made only for capital improvement projects approved by the respective county council and mayor, or state agency, as applicable, with a view towards planned growth rather than upkeep and maintenance. The Hawaii interagency council for transit-oriented development

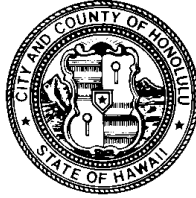
shall review and make recommendations on applications for subaccount funds for infrastructure projects related to transit-oriented development.”

Thank you for the opportunity to testify on this measure.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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ACTING DIRECTOR

TIMOTHY F. T. HIU
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

February 28, 2020

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Committee on Ways and Means
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

LATE

Dear Chair Dela Cruz and Committee Members:

**Subject: Senate Bill No. 2054, Proposed SD 2
Relating to Infrastructure Improvement Districts**

The Department of Planning and Permitting (DPP) **supports** Senate Bill No. 2054, Proposed SD 2, which expands the role of the State Dwelling Unit Revolving Fund (DURF) in supporting infrastructure improvements necessary to realize vibrant, successful transit-oriented development (TOD).

Rail is important as a strong tool for increasing mobility across Oahu's southern communities. Equally, if not more importantly, is the ability of rail stations to serve as magnets for new jobs, housing and community revitalization. This is why the City has spent over 10 years developing neighborhood plans to guide TOD projects consistent with the needs and desires of each rail-hosting neighborhood.

However, not surprisingly, we have found that infrastructure deficiencies are hampering the timing and density of TOD. The deficiencies are often at a scale that individual private sector projects cannot be expected to fund. Therefore, we support Senate Bill No. 2054, Proposed SD 2, which broadens the use of DURF to address regional infrastructure needs, and allow those projects directly benefitting from these improvements to contribute their fair share.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in blue ink that reads "Kathy K. Sokugawa".

Kathy K. Sokugawa
Acting Director

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: REAL PROPERTY; Infrastructure Improvement District Surcharge

BILL NUMBER: SB 2054, SD-1

INTRODUCED BY: Senate Committee on Energy, Economic Development, and Tourism

EXECUTIVE SUMMARY: Establishes a \$7.50 per \$1000 value in annual surcharge on property taxes on parcels within an infrastructure improvement district that are sold or developed after an appropriation is made to improve the infrastructure of that district. Authorizes the counties to retain a portion of the surcharge for administrative expenses.

SYNOPSIS: Adds a new part to chapter 206E, HRS, to be titled "Infrastructure Improvement Districts."

Defines an "infrastructure improvement district" as land within 2,000 feet of a transit station.

Defines "transit-oriented development property" as a parcel completely or partially within two thousand feet of a transit station; provided that the entire parcel shall be within one mile of the transit station.

Imposes the surcharge on transit-oriented development property. Provides that any transit-oriented development property that does not change ownership shall not be subject to surcharge.

Establishes the amount of surcharge at \$7.50 per \$1,000 of net taxable value. Directs each county to by ordinance permit an owner to pay the surcharge in the same manner provided for real property tax. Allows the county to require the owner to file a return declaring the value of a property whenever the county does not have sufficient evidence to come up with a sound appraisal of the property.

Adds other usual and customary administrative provisions. Provides for appeals. Provides that the counties may keep \$1.50 per\$1,000 and remit the balance to the general fund.

Provides exemptions for property that is:

- (1) Not subject to real property taxation;
- (2) Leased, purchased, or otherwise obtained by a lessee, tenant, purchaser, or homesteader under the Hawaiian Homes Commission Act of 1920, or as amended, a lease of land made for a term of nine hundred ninety-nine years under provisions of law that were repealed by section 3 of Joint Resolution 12, Session Laws of 1949, ratified by the Congress of the United States by the Act of September 1, 1950;
- (3) Used exclusively for charitable, including property used for church purposes and cemeteries that are maintained by a religious organization;

- (4) Used for school purposes;
- (5) Owned by a nonprofit corporation to which admission is restricted by corporate charter to members of a labor union or government employees' association, one of the primary purposes of which is to improve employment conditions of its members;
- (6) Dedicated to public use by the owner, which dedication has been accepted by the State or any county, reduced to writing, and recorded in the bureau of conveyances;
- (7) Set aside for public use; provided that any exemption pursuant to this paragraph shall not be for a period of less than ten years after enactment of Act , Session Laws Hawaii 2020; and
- (8) Owned by any entity granted a transient accommodations tax exemption under section 237D-3.

EFFECTIVE DATE: Upon ratification of the constitutional amendment proposed in S.B. No. 2074.

STAFF COMMENTS: A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

As a technical matter, the list of proposed exemptions needs to be rethought. Exemption (1) should include property "subject to minimum tax" rather than "not subject to real property taxation". Exemptions (3), (4), and (5) are already exempt from property tax (or, subject only to minimum tax) in all counties. Exemption (8) is inaccurate because the State does not "grant" an exemption under the TAT, people claim the exemption (or don't report the associated revenue). Partial exemptions also need to be dealt with, for example a charitable nonprofit leasing one of several office suites in a building.

Digested 2/21/2020



**SENATE COMMITTEE ON WAYS AND MEANS
State Capitol, Conference Room 211
415 South Beretania Street
1:30 PM**

February 28, 2020

RE: SENATE BILL NO. 2054, SD 2 (PROPOSED) RELATING TO INFRASTRUCTURE IMPROVEMENT DISTRICTS

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee:

My name is Dwight Mitsunaga, 2020 President 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. Our members build the communities we all call home.

BIA-Hawaii supports S.B. 2054 S.D. 2 (proposed), which specifies that the cost of regional infrastructure improvements made by the Hawaii Housing Finance and Development Corporation (HHFDC) may be assessed against transit-oriented development projects specifically benefiting from the improvements.

We understand the intent of the bill is to assess, on a pro-rata basis, parcels that would benefit from access to the States' investment to increased infrastructure capacity within 2,000 feet of a transit station. The legislature seems to be filling the void left by the City and County of Honolulu's inability to have infrastructure capacity available within the planned Transit Oriented Development (TOD) areas around the transit stations.

Having the Hawaii Interagency Council for TOD work with HHFDC on determining investments in infrastructure is a step in the right direction to ensure the State funds are used efficiently and effectively. The assessment would be imposed on any parcel that is up-zoned and redeveloped for higher density.

In the 2020 legislative session, both chambers of the Hawaii State Legislature, and Governor Ige's Administration put forward a comprehensive package of bills to improve the quality of life for Hawaii's middle class families. A large part of the package attempted to address housing affordability. Having the state take the lead on infrastructure, especially in TOD areas with state-owned lands would expedite the redevelopment process.

We appreciate the opportunity to express our support of S.B. 2054 SD 2.