



OFFICE OF PLANNING STATE OF HAWAII

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MARY ALICE EVANS
DIRECTOR
OFFICE OF PLANNING

Statement of
MARY ALICE EVANS
Director, Office of Planning
before the
SENATE COMMITTEE ON JUDICIARY
Tuesday, January 28, 2020
10:00 AM
State Capitol, Conference Room 16

LATE

in consideration of
SB 2074

**PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF
HAWAII TO AUTHORIZE THE LEGISLATURE TO ESTABLISH A SURCHARGE ON
REAL PROPERTY TO FUND INFRASTRUCTURE IMPROVEMENTS NEAR RAPID
TRANSIT STATIONS.**

Chair Rhoads, Vice Chair Keohokalole, and Members of the Senate Committee on
Judiciary.

The Office of Planning (OP) offers the following comments on SB 2074, which proposes
a State constitutional amendment to allow the State Legislature to establish a surcharge on real
property to fund infrastructure improvements around rapid transit stations.

OP supports the underlying intent of this measure to find alternative means to finance the
significant infrastructure improvements that will be needed to support the creation of mixed use,
dense, transit-oriented urban communities on State lands along the Honolulu rail corridor.

Financing options for State investment in TOD-serving infrastructure is one component
of an ongoing OP study of anticipated development of State lands in three transit-oriented
development (TOD) priority areas—East Kapolei, Halawa-Stadium, and Iwilei-Kapalama—and
the infrastructure required to support TOD buildout over the next 30-40 years. The inability to
use tax increment financing (TIF)—already authorized in Hawaii Revised Statutes Chapter 46—
due to a cloud over its constitutionality, removes an important tool from the financing toolbox.
TIF enables public entities to tap the increased real property value created by public investment
in infrastructure to pay for that infrastructure. A proposal to clarify the constitutionality of tax
increment financing would enable the counties, partnering with the State, to access another
source of financing for needed public infrastructure for TOD.

Thank you for the opportunity to testify on this measure.

TAX FOUNDATION OF HAWAII

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SUBJECT: REAL PROPERTY, CONSTITUTIONAL AMENDMENT, Real Property Tax Surcharge to Fund Infrastructure Improvements Near Rapid Transit Stations

BILL NUMBER: SB 2074

INTRODUCED BY: DELA CRUZ, KEITH-AGARAN, KIDANI, Shimabukuro

EXECUTIVE SUMMARY: Allows the legislature to impose a surcharge on real property tax to fund infrastructure improvements near rapid transit stations. Limits should be written into the amendment or the voters should be apprised that they are voting only on granting power to the legislature to impose a state level real property tax surcharge, with no limitations on that power.

SYNOPSIS: Amends Article VIII, section 3, of the Hawaii Constitution to provide that the legislature may establish, as provided by law, a surcharge on real property taxes for real property located near rapid transit stations to fund infrastructure improvements in those areas.

EFFECTIVE DATE: Upon voter approval.

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.

The proposed measure empowers the legislature to establish a surcharge on real property tax "for real property located near rapid transit stations."

The proposed measure does not say "residential," "commercial," or any other class of real property. Therefore, if adopted, any real property may be surcharged.

The proposed measure says it is "for real property located near rapid transit stations," not "upon real property ..." or "with respect to real property" The language chosen does not appear to limit the ability to tax. Therefore, if adopted, it appears that any real property may be surcharged wherever located. Maui property may be surcharged to pay for Oahu rail, for example.

Furthermore, there are no limits to the amount of the surcharge. The surcharge could be less than the current property tax, or it could be many times the current property tax.

In other words, once the amendment passes, the genie is out of the bottle. It may not even be under control of the members now in the legislature, because future legislators (note that this year is an election year) may have different ideas from current members.

Re: SB 2074

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We need to ask ourselves if we want to or need to give the genie that much power. If we do, then we only have ourselves to blame for what happens when the genie does come out. If we don't, then we should either kill the constitutional amendment or write strict limits into it.

Digested 1/26/2020



LATE

**SENATE COMMITTEE ON JUDICIARY
State Capitol, Conference Room 016
415 South Beretania Street
10:00 AM**

January 28, 2020

RE: SENATE BILL NO. 2074, PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF HAWAII TO AUTHORIZE THE LEGISLATURE TO ESTABLISH A SURCHARGE ON REAL PROPERTY TO FUND INFRASTRUCTURE IMPROVEMENTS NEAR RAPID TRANSIT STATIONS

Chair Rhoads, 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. Our members build the communities we all call home.

BIA-Hawaii is in strong support of S.B. 2074, which proposes an amendment to the Constitution of the State of Hawaii to authorize the State legislature to establish a surcharge on taxation of real property near rapid transit stations for the purpose of funding infrastructure improvements in those areas.

The state of Hawaii has significant assets at several of the proposed rail transit stations. In order to support the planned high density developments, which in turn would ensure ridership, investment in infrastructure (i.e. sewer, water, drainage, etc.) would be critical. Without the infrastructure capacity to support higher density, redevelopment of these valuable state owned assets will not occur. In addition, increasing infrastructure capacity will benefit adjacent land owners around transit stations.

We are in strong support of S.B. No. 2074 and appreciate the opportunity to express our views on this matter.

January 28, 2020

The Honorable Karl Rhoads, Chair
Senate Committee on Judiciary
State Capitol, Room 016
Honolulu, HI 96813

LATE

RE: S.B 2074 - PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF HAWAII TO AUTHORIZE THE LEGISLATURE TO ESTABLISH A SURCHARGE ON REAL PROPERTY TO FUND INFRASTRUCTURE IMPROVEMENTS NEAR RAPID TRANSIT STATIONS.

HEARING: Wednesday, January 28, 2020, at 10:00 a.m.

Aloha Chair Rhoads, Vice Chair Keohokalole and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its over 10,000 members. HAR **strongly opposes** S.B. 2074 which proposes an amendment to the Constitution of the State of Hawai'i to authorize the State legislature to establish a surcharge on taxation of real property near rapid transit stations for the purpose of funding infrastructure improvements in those areas.

This measure proposes to tax current property owners to fund infrastructure development along the rail transit corridor. HAR believes that this measure is unnecessary as the City and County of Honolulu already has the ability to increase property taxes to develop infrastructure along the rail transit corridor.

Mahalo for the opportunity to testify.

SB-2074

Submitted on: 1/26/2020 1:45:52 PM

Testimony for JDC on 1/28/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Gerard Silva	Individual	Oppose	No

Comments:

The State is Getting to Greedy.

LATE

SB-2074

Submitted on: 1/28/2020 10:24:51 PM

Testimony for JDC on 1/28/2020 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Urasaki	Individual	Oppose	No

Comments:

I oppose this measure.