

HAWAI'I INTERAGENCY COUNCIL FOR TRANSIT-ORIENTED DEVELOPMENT

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

Mailing Address: P.O. Box 2359, Honolulu, Hawai'i 96804
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Statement of
MARY ALICE EVANS AND DEAN MINAKAMI
Co-chairs
Hawai'i Interagency Council for Transit-Oriented Development

before the
SENATE COMMITTEE ON JUDICIARY

Friday, February 2, 2022, 10:00 AM
State Capitol, Conference Room 016

in consideration of

SB 3008

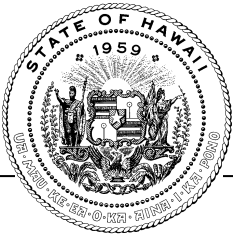
PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND 13, OF THE HAWAII CONSTITUTION TO EXPRESSLY PROVIDE THAT THE LEGISLATURE MAY AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT BONDS AND TO EXCLUDE TAX INCREMENT BONDS FROM DETERMINATIONS OF THE FUNDED DEBT OF THE COUNTIES.

Chair Rhodes, Vice Chair Gabbard, and Members of the Committee on Judiciary.

The Hawai'i Interagency Council for Transit-Oriented Development (TOD Council) **strongly supports** SB 3008. The TOD Council is comprised of 25 members representing state agencies, the counties, the State Senate and House of Representatives, the Honolulu office of the U.S. Department of Housing and Urban Development, and affordable housing, business, and development interest groups. The TOD Council is charged with coordinating and facilitating state agency TOD planning and facilitating consultation and collaboration between the State and the counties in support of State and county TOD and Smart Growth initiatives.

Tax increment financing (TIF) is a useful tool to help finance regional public infrastructure to facilitate transit-oriented development on state and private lands. It allows a portion of property taxes in excess of a base assessed value to be dedicated to finance costs of a project through issuance of bonds. Per the Legislature's direction and funding in Act 88, SLH 2021, Sec. 39, the Office of Planning and Sustainable Development recently completed the *TOD Infrastructure Finance and Delivery Strategy*, which showed that TIF could help fund infrastructure for housing development (see https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf).

Thank you for the opportunity to testify on this measure.



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

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Statement of
MARY ALICE EVANS, Interim Director

before the
SENATE COMMITTEE ON JUDICIARY

Friday, February 2, 2024

10:00 AM

State Capitol, Conference Room 016

in consideration of
BILL NO SB3008

**PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND 13, OF THE
HAWAII CONSTITUTION TO EXPRESSLY PROVIDE THAT THE
LEGISLATURE MAY AUTHORIZE THE COUNTIES TO ISSUE TAX
INCREMENT BONDS AND TO EXCLUDE TAX INCREMENT BONDS FROM
DETERMINATIONS OF THE FUNDED DEBT OF THE COUNTIES.**

Chair Rhoads, Vice Chair Gabbard, and Members of the Senate Committee on Judiciary:

The Office of Planning and Sustainable Development (OPSD) **strongly supports** with comments SB3008, which proposes amendments to the Constitution of the State of Hawaii to expressly provide that the legislature may authorize political subdivisions, such as counties, to issue tax increment bonds and to exclude tax increment bonds in calculating the debt limit of the political subdivisions.

We note that this bill is similar to SB3051, an administration bill, with some minor differences in the definition of tax increment bonds, the descriptions and timing of assessed value, and how the bond exclusions are calculated. There is also a difference in how the proposed ballot question is worded. We suggest conferring on these details and possibly combining the most effective parts of each bill.

Tax increment financing (TIF) is a useful tool to help finance regional public infrastructure to facilitate transit-oriented development on state and private lands. It allows a portion of property taxes in excess of a base assessed value to be dedicated to finance costs of a project through issuance of bonds. Per the Legislature's direction and funding in Act 88, SLH 2021, Sec. 39, OPSD recently completed the *TOD Infrastructure Finance and Delivery Strategy*, which showed that TIF could help fund infrastructure for housing development (see https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf).

Thank you for the opportunity to testify on this measure.



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097
February 2, 2024
10:00 a.m.
State Capitol, Conference Room 016

S.B. 3008
PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12
AND 13 OF THE HAWAII CONSTITUTION TO EXPRESSLY PROVIDE THAT THE
LEGISLATURE MAY AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT
BONDS AND TO EXCLUDE TAX INCREMENT BONDS FROM DETERMINATIONS
OF THE FUNDED DEBT OF THE COUNTIES

Committee on Judiciary

The Department of Transportation (DOT) **supports** this measure that proposes amendments to the Constitution of the State of Hawaii to expressly provide that the legislature may authorize political subdivisions, such as counties, to issue tax increment bonds and to exclude tax increment bonds in calculating the debt limit of the political subdivisions.

The DOT receives Federal Highway Administration (FHWA) federal funds for its Capital Improvement Projects (CIP). Additionally, the DOT issues Revenue Bonds for the State match to the FHWA federal funds in support of its CIP program. Tax Increment Financing (TIF) and Tax Increment Bonds differs greatly from Revenue Bonds and the DOT is interested in TIF as an innovative financing strategy to complement federal funds, and Revenue Bond proceeds as appropriate.

The DOT understands that implementing Tax Increment Financing (TIF) and Tax Increment Bonds is complicated, however, this innovative financing may be another financing tool to provide for infrastructure improvements under the purview of the DOT as guidance from the FHWA states, "Although TIF has not been used extensively to fund transportation infrastructure, some state laws specifically authorize the use of TIF for transportation purposes."¹

The DOT supports housing and have been working with developers to fulfill our infrastructure requirements and see TIF as an opportunity for the State and Counties to collaborate on areas that have been historically difficult to develop.

Thank you for the opportunity to provide testimony.

¹ https://www.fhwa.dot.gov/ipd/value_capture/defined/tax_increment_financing.aspx

OFFICE OF HOUSING
KE KE'ENA HO'OLĀLĀ KŪKULA HALE
CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
MAYOR
MEIA



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR
PO'O HO'OKO

KEVIN AUGER
DEPUTY DIRECTOR
HOPE PO'O

January 31, 2024

2024-HOU-003

The Honorable Karl Rhoads, Chair
The Honorable Mike Gabbard, Vice Chair
and Members of the Senate Committee on Judiciary
State Capitol
415 South Beretania Street
Honolulu, Hawaii'i 96813

Dear Chair Rhoads, Vice-Chair Gabbard, and Committee Members:

SUBJECT: Testimony in **Support of Intent** of SB3008 – Relating to Tax Increment Bonds
Hearing: Friday, February 2, 2024 at the Hawai'i State Capitol, Room 016

The Blangiardi Administration supports the intent of SB3008. The proposed bill would expressly provide that the Legislature may authorize political subdivisions, such as counties, to issue tax increment bonds.

Thoughtfully structured, Tax Increment Financing (TIF), originated as a vehicle for issuing bonds to fund the redevelopment of TIF designated districts, can be a useful tool in the development and preservation of affordable housing and the infrastructure required to support it.

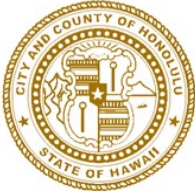
While we have some concerns regarding implementation of TIF bonds, we strongly support and encourage all efforts that provide counties additional powers to facilitate, finance and expedite the development and delivery of desperately needed affordable housing for our residents.

Thank you for the opportunity to testify in support of this measure and we will be available for any questions regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Formby".

Michael Formby
Managing Director
City & County of Honolulu



HONOLULU CITY COUNCIL

KE KANIHELA O KE KALANA O HONOLULU

530 S. KING ST. STE. 202, HONOLULU, HI 96813

TOMMY WATERS
CHAIR & PRESIDING OFFICER
LUNA HO'OMALU
HONOLULU CITY COUNCIL
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The Honorable Karl Rhoads, Chair
and Members of the Senate Judiciary Committee
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Rhoads and Committee Members:

Subject Senate Bill 3008 – PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND 13, OF THE HAWAII CONSTITUTION TO EXPRESSLY PROVIDE THAT THE LEGISLATURE MAY AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT BONDS AND TO EXCLUDE TAX INCREMENT BONDS FROM DETERMINATIONS OF THE FUNDED DEBT OF THE COUNTIES.

I wish to submit my **STRONG SUPPORT** for SB3008.

Tax Increment Financing (TIFs) is a tool that has been successfully utilized in jurisdictions across the nation as they have also worked to expand their infrastructure development. As both the State and Counties continue to work diligently to address the statewide affordable housing crisis, it is important that we assess all potential tools that may help us to solve these critical issues.

Insufficient infrastructure capacity is one of the least discussed and yet most significant barriers to the development of additional affordable housing. While the use of TIFs may not be suitable in all instances, I believe it is crucial that we ensure that there is explicit authority to utilize this tool when and if it is appropriate and beneficial.

Of particular importance within this measure will be the question being proposed to the voters. We ask that the legislature take particular care in the crafting of this question to ensure that the impact and value of providing this authority is adequately and understood by the electorate. I truly believe TIFs can potentially play a significant role in our efforts to produce affordable housing for the benefit of all.

I thank you for your favorable consideration of this measure.

Mahalo piha,

A handwritten signature in black ink that reads "Tommy Waters". The signature is written in a cursive, flowing style.

Tommy Waters
Honolulu City Council, Chair



January 31, 2024

Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair
Members of the Senate Judiciary Committee

RE: **SB 3008– PROPOSING A CONSTITUTIONAL AMENDMENT TO
AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT BONDS**
Hearing date – February 2, 2024 at 10:00 AM

Aloha Chair Rhoads, Vice Chair Gabbard and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **SUPPORT of SB 3008– PROPOSING A CONSTITUTIONAL AMENDMENT TO AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT BONDS**. NAIOP Hawaii is the Hawaii chapter of the nation’s leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

SB 3008 proposes amendments to the Constitution of the State of Hawai’i to expressly provide that the Legislature may authorize political subdivisions, such as counties, to issue tax increment bonds, and to exclude tax increment bonds in calculating the debt limit of the political subdivisions.

NAIOP Hawaii supports SB 3008 which will explicitly enable the Legislature to authorize counties to issue tax increment bonds. The proposed amendments allow for the utilization of Tax Increment Financing (TIF), a proven financial tool for supporting district infrastructure and fostering economic growth. Listed below are a few notable facts about TIF:

- (i) The Council of Development and Finance Agencies (CDFA) is a leading national association representing hundreds of public, private, and non-profit development entities. According to the CFDA, TIF is the most popular form of public finance today for economic development projects.
- (ii) TIF began in 1952 in California and has spread throughout the county. Today, 48 States and the district of Columbia have accepted TIF through TIF enabling legislation, excluding only Arizona and Hawaii.
- (iii) The State of Hawaii commissioned the TOD Infrastructure Financing Study, a four-phase study which took eighteen months to complete (June ’22 – Dec ’23) and included

input from a multitude of consultants, State and City offices, and stakeholders. According to the Study:

- a. Existing County and State funding for infrastructure is not sufficient to meet the needs of Hawaii's long-standing affordable housing crisis.
 - i. Counties are already investing in infrastructure via existing means such as CIP; however, existing sources, even in good budget years, are not sufficient for the infrastructure needed to support housing production goals. Additional tools, including those explored by this study, are needed to supplement their resources.
 - b. Tax Increment Financing provides the highest financing capacity out of all alternative financing mechanisms, including Community Facilities, One-Time Fees, General Excise Tax Surcharges, Transient Accommodation Taxes Surcharge, and the like.
 - c. Tax Increment Financing, as a value capture tool, provides greater flexibility in eligibility, as opposed to traditional public funding such as GO Bonds, CIP, State grants, or Federal programs).
- (iv) Tax Increment Financing could potentially be exceptionally useful in the rebuilding of Lahaina. Given the loss of improvements to wildfire, it is expected that the overall assessed value of Lahaina will be re-evaluated to a significantly lower figure. This adjustment is anticipated to generate a greater potential incremental rise in real property tax revenue, resulting in a comparatively higher TIF capacity.

Lastly, please note the clarifications outlined in Exhibit A. These are the most common misconceptions about TIF, which have been dispelled in the TOD Infrastructure Study as well as through feedback received from the CDFA, consultants, and other State TIF administrators who have successfully utilized this financing mechanism for decades.

Accordingly, NAIOP Hawaii greatly supports the utilization of TIF to provide the highest financing capacity for projects in specific districts across the State. Empowering counties with the opportunity to issue tax increment bonds will enhance their financial capacity to address the essential infrastructure requirements that are critical to improving our local housing crisis.

Thank you for the opportunity to provide testimony in support of SB 3008.

Mahalo for your consideration,



Reyn Tanaka, President
NAIOP Hawaii

EXHIBIT A
Tax Increment Financing - Common Misconceptions

☒ Misconception

Tax Increment Financing (TIF) will take away funding for City services and the gap in City revenue funding will necessitate compensation from taxpayers outside of the designated district. As the district continues to grow, so will the need for outside taxpayers to cover the cost of government.

💡 Clarification

If a significant portion of the geographic zone of a TIF district includes a large-scale master plan, then the taking of RPT revenue from City services is not a concern as you cannot take away the majority of incremental RPT revenue from City Services if the majority of those revenues do not exist without the funding of district infrastructure in the first place.

The majority of the incremental increase in RPT is driven by higher density, retail amenities and public amenities that come with new master plan developments. Not general inflation.

Additionally, a percentage allocation of the incremental RPT can be designated to continue to fund City services to address the increasing cost of government as it relates to the TIF zone.

☒ Misconception

Tax Increment Financing (TIF) will take away funding for City services and the gap in City revenue funding will necessitate compensation from taxpayers outside of the designated district. As the district continues to grow, so will the need for outside taxpayers to cover the cost of government.

💡 Clarification

Provide for a "net fiscal impact finding" requirement for the use of TIF into TIF ordinances. This requirement establishes that the costs for the County of providing public services to the additional development catalyzed by the TIF-funded works must be covered by taxes produced in the TIF area and not allocated to the TIF fund. In practice, the requirement implies that not all RPT increment revenue can be allocated to TIF.

⊗ Misconception

Hawaii does not need another infrastructure financing mechanism as Counties are already able to utilize GO Bonds.

💡 Clarification

As outlined in the TOD Infrastructure Financing Study:

- Existing County and State funding mechanisms, including GO Bonds, fall short in meeting the infrastructure requirements for housing production goals. Additional tools are needed to supplement current resources.
- While GO bonds may present lower borrowing costs and may be easier to administer than revenue bonds, TIF bonds are able to ring-fence incremental tax revenue from an area – meaning that new development directly helps pay for the cost of that public investment. This is more politically palatable than County GO bonds, which are supported generally by all County taxpayers.

⊗ Misconception

TIF will result in negative impacts to County government bond ratings.

Infrastructure financing and delivery is hobbled by a lack of staffing. Public entities lack the capacity to facilitate the creation or management of new financing mechanisms.

💡 Clarification

Included in the Governor's Bill Package is language which excludes TIF bonds from County debt limits.

HRS Chapter 46 defines "imputed administrative costs" as an eligible expenditure in a TIF plan. In other words, tax increment bond funds can be used to pay for both staffing costs and municipal finance advisors to administer a tax increment district.

Additionally, in October '23, OPSD and Gov's Office of Housing applied for HUD funding of infrastructure initiatives, which includes staffing for infrastructure projects.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONSTITUTIONAL AMENDMENT; Tax Increment Bonds; Debt Limit; Counties

BILL NUMBER: SB 3008

INTRODUCED BY: DELA CRUZ, AQUINO, HASHIMOTO, KIDANI

EXECUTIVE SUMMARY: Proposes amendments to the Constitution of the State of Hawai'i to expressly provide that the Legislature may authorize political subdivisions, such as counties, to issue tax increment bonds, and to exclude tax increment bonds in calculating the debt limit of the political subdivisions.

SYNOPSIS: Amends Article VII, Section 12 of the Constitution to authorize the use of "tax increment bonds" by adding the definition of "tax increment bonds" as all bonds, the principal of and interest on which are payable from and secured solely by all real property taxes levied by a political subdivision, such as a county, on the assessed valuation of the real property in a tax increment district that is in excess of the assessed valuation of the real property for the *fiscal year prior to the effective date* specified by resolution of the political subdivision of the specified public works, public improvements or other actions within the tax increment district.

Amends Article VII, Section 13 of the Constitution to exclude tax increment bonds from the debt limit, but only to the extent that the principal of and interest on the bonds are in fact paid from the real property taxes levied by a political subdivision, such as a county, on the assessed valuation of the real property in a tax increment district established by the political subdivision that is in excess of the assessed valuation of the real property for the fiscal year prior to the effective date specified by resolution of the political subdivision of the specified public works, public improvements or other actions by the political subdivision within the tax increment district.

EFFECTIVE DATE: Upon approval by the electorate.

STAFF COMMENTS: A similar bill was introduced in the 2023 Session with a slight variation to the "tax increment bond" definition. SB1295 SD2 HD1, had the same intent as the current session's SB3008, however it included a clearer and more specific definition of "tax increment bonds". SB1295 SD2 HD1 defined "tax increment bonds" as bonds payable from and secured by the amount of real property taxes levied on the difference between (a) the assessed value of the taxable real property in a given year; and (b) the assessed value of the taxable real property during the year the tax increment district was created.

The proposed measure would allow the counties to issue tax increment bonds and utilize the concept of tax increment financing as another means of financing capital improvements. The concept of tax increment financing is based on increased property tax revenue generated from rising property tax assessments which result from the improvements. Under a tax increment

financing plan, a specific geographic area would be designated as a tax increment district for which tax increment bonds would be sold to cover capital improvement project costs within that district.

Upon the designation of a tax increment district an “assessment base” is established, based on the total assessed value of taxable real property in a tax increment district at that time. A “tax increment,” which is the amount by which the current valuation of the real property exceeds the assessment base, is then determined. The revenues derived from the assessment base would be paid into the county’s general fund while the revenues derived from the tax increment would be deposited into the tax increment fund. In addition to the revenues derived from the determination of the tax increment, the proceeds of tax increment bonds are also to be deposited into the tax increment fund. The total revenues in the tax increment fund are then be used to finance capital improvements including debt repayment made to the tax increment district which, in turn, will result in increased property valuations due to renovation and increased capital improvements within the designated district.

While this concept provides another means for the financing of capital improvements, caution should be exercised to ensure that the amount of revenues generated within a tax increment district will be enough to cover the debt service of the tax increment bonds issued. Provisions should be made to ensure that this method of financing is not abused as it has been in other states. Specifically, it should be provided that once a tax increment financing district has been designated and the project costs estimated, such districts may not be enlarged nor shall expenditures exceed projections to include purposes other than originally authorized without specific local government approval.

In other words, in designating such districts, certification of assessment values should be done to ensure that valuations of properties within the tax increment district will increase sufficiently to generate enough revenues to repay the cost of the bonds sold. Conversely, specific provisions should be made to ensure that any excess revenues are returned to the county general fund.

The measure also provides that tax increment bonds shall be excluded from the determination of funded debt of the counties for purposes of the constitutional spending ceiling. It is questionable why tax increment bonds should be treated differently from any other debt of the counties.

As the Hawaii Supreme Court explained in *Convention Center Authority v. Anzai*, 78 Haw. 157, 890 P.2d 1197 (1995), Hawaii’s Constitution has had some form of debt limitation in place essentially from its inception. Under the Organic Act, the debt limit was set at ten percent of the assessed value of real property. The limit was subsequently increased to fifteen percent at the 1950 Constitutional Convention. The present structure of the debt limit and its exceptions was adopted by the 1968 Constitutional Convention, where the delegates were particularly wary of the implications of pledging the full faith and credit of the state behind an undertaking that was not “self-sustaining” or whose revenues, and/or the user taxes derived from the undertaking, could not cover the debt service charges. That is why the present constitutional provisions provide for the excludability of reimbursable general obligation bonds from the debt limit to the extent that “reimbursements are in fact made from the net revenue, or net user tax receipts, or

combination of both, as determined for the immediately preceding fiscal year.” Haw. Const. art. VII, § 13(6). In other words, the amounts that are not directly reimbursed to the general fund by revenue and/or user taxes are not excludable from the debt limit. This compromise position carefully balances the competing interests of flexibility and security.

We question the wisdom of writing an exception into our constitutional debt limit safeguards for debt that is supposed to be paid back by increased property tax revenues from development that has yet to occur. If the development does not deliver as advertised, government remains on the hook to repay the bonds, meaning that all of us suffer.

Digested: 1/30/2024

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DBEDT DIRECTOR

DANE K. WICKER
DBEDT DEPUTY DIRECTOR



BRENNON T. MORIOKA
CHAIR, STADIUM AUTHORITY

RYAN G. ANDREWS
STADIUM MANAGER

CHRIS J. SADAYASU
DEPUTY STADIUM MANAGER

An Agency of the State of Hawaii

February 2, 2024

TESTIMONY
OF
RYAN G. ANDREWS, STADIUM MANAGER
STADIUM AUTHORITY
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM
Before the

**SENATE COMMITTEE ON
JUDICIARY**

February 2, 10:00 A.M.
State Capitol, Room 016

In consideration of
S.B. 3008

**RELATING TO PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND
13, OF THE HAWAII CONSTITUTION TO EXPRESSLY PROVIDE THAT THE
LEGISLATURE MAY AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT
BONDS AND TO EXCLUDE TAX INCREMENT BONDS FROM DETERMINATIONS
OF THE FUNDED DEBT OF THE COUNTIES**

Chair Rhoads, Vice Chair Gabbard, and members of the Committee on Judiciary.

The Stadium Authority supports Senate Bill 3008, which proposes amendments to the State Constitution to expressly provide that the legislature may authorize the counties to issue tax increment bonds; and exclude tax increment bonds in calculating the debt limit of the counties. While tax increment bonds are authorized under HRS Chapter 46, counties have been reluctant to use tax increment bonds as a financing tool because of uncertainty in the allowance of its use under the State Constitution. Passing this Bill would allow for the constitutional cloud to be lifted should the ballot question be voted through by the electorate in the upcoming election.

Tax increment financing (TIF) has been widely used in other states to capture the increased property values in dense, mixed-use transit-oriented development. The Stadium Authority's New Aloha Stadium Entertainment District (NASED) Project is a prime example of a district that would benefit from TIF revenue bonds which would fund the public infrastructure improvements to facilitate development within the NASED Project.

Thank you for the opportunity to testify.



STANFORD CARR DEVELOPMENT, LLC

February 1, 2024

The Honorable Karl Rhoads, Chair
The Honorable Mike Gabbard, Vice Chair
and Members of the Senate Committee on Judiciary

Re: Testimony - SB 3008, Proposing Constitutional Amendment to Authorize Counties to Issue Tax Increment Bonds
Hearing: February 2, 2024 at 10:00 AM
Senate Conference Room 016 & Videoconference

Dear Chair Rhoads, Vice Chair Gabbard, and Committee Members:

Stanford Carr Development submits testimony in **support** of Senate Bill 3008, which proposes amendments to the Hawaii Constitution to include a definition of Tax Increment Bonds necessary to authorize the counties to issue the tax increment bonds.

Tax Increment Bonds, also known as Tax Increment Financing (TIF), supports public investment in an area that induces property value growth and increases property tax revenue. A portion of the revenue increase is used to pay the bond debt service. This financing option provides an additional tool to support infrastructure and redevelopment efforts throughout our state.

In 1952 the State of California introduced the TIF. Today, only Hawaii and Arizona lag behind other states in terms of enabling legislation to implement the financing tool. TIF is widely used in many metropolitan cities for redevelopment, utilizing private capital markets to finance the construction of public and private improvements. In some cases, the use of both Community Facilities Bond Financing in conjunction with TIF is widely used for the development of public infrastructure improvements, while TIF utilizes private capital to finance both public and private improvements with private capital investment achieved through the purchase of tax-exempt bonds.

The Tax Increment Financing Act of 1985 was intended to authorize counties to issue tax increment bonds. Subsequently, legal counsel and bond counsel opinions have recommended the amendment to the state constitution to provide clarification by including a formal definition of Tax Increment Bonds. We seek your support of this legislation.

Thank you for the opportunity to offer testimony on this measure.

Respectfully,

A handwritten signature in black ink, appearing to read "Stanford S. Carr".

Stanford S. Carr



Testimony of Move Oahu Forward
Hearing on SB 3008
February 2, 2024 at 10:00 a.m.

Senator Karl Rhoads, Chair
Senator Mike Gabbard, Vice Chair
Members of the Senate Judiciary Committee

SB 3008– PROPOSING A CONSTITUTIONAL AMENDMENT TO AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT BONDS
Hearing date – February 2, 2023 at 10:00 AM

Chair Rhoads, Vice Chair Gabbard and members of the Committee,

Move Oahu Forward (MOF) respectfully submits testimony in **SUPPORT** of **SB 3008– PROPOSING A CONSTITUTIONAL AMENDMENT TO AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT BONDS**. MOF is a non-profit established in 2012 to support rail transit and public transportation options. With the Skyline running, MOF is pivoting to expand its focus to the promise of rail and Transit Oriented Communities (TOC). Our focus will be in the Kalihi corridor.

SB 3008 proposes amendments to the Hawaii State Constitution, allowing the Legislature to authorize the counties to issue tax increment bonds, and to exclude the tax increment bonds from the calculations of the counties' debt limits. Tax Increment Financing (TIF) is a proven financial tool to make infrastructure investments to support affordable housing developments which in turn, foster economic growth.

The State of Hawaii commissioned the TOD Infrastructure Financing Study (June '22 – Dec '23), and made the following recommendations:

- a. Existing County and State infrastructure funding is not sufficient to meet the needs of Hawaii's affordable housing crisis.
- b. Tax Increment Financing provides the highest financing capacity and a greater eligibility flexibility.

MOF wholeheartedly supports the addition of TIF into our toolbox. It provides the highest financing capacity for projects in specific districts, Transit Oriented Communities. This will help our communities realize the promise of rail in an equitable and more expedient manner.

Thank you for the opportunity to provide testimony in support of SB 3008.

Aloha,
Jennifer Sabas
Executive Director
Move Oahu Forward