

Hawaii Interagency Council for Transit-Oriented Development



Overview of Financing Strategies

September 19, 2018

David Taussig & Associates, Inc.

Andrea Roess, Managing Director

Kuda Wekwete, Senior Vice President

(800) 969-4382

DTA Background

- Hired as a subject matter expert on public financing strategies
- Provided consulting services to more than 2,500 public sector clients since 1985
- Worked in the State of Hawaii since 1991
- Licensed and registered with the SEC and MSRB as a Municipal Advisor



Goal for Today

***Increase comfort level with financing options
for complex TOD opportunities***





Types of Financing Mechanisms

Types of Financing Mechanisms

Name	Brief Description
G.O. Bonds	Municipal bond backed by the credit and taxing power of the issuing jurisdiction rather than the revenue from a given project
Revenue Bonds	Municipal bonds that finance income-producing projects and are secured by a specified revenue source (water, sewer)
Community Facilities Districts	District authorized to levy special taxes to fund public improvements or services
Improvement Districts and Special Improvement Districts	District authorized to levy assessments to fund public improvements (ID) or services (SID)
Impact Fees	Fee imposed on new development by public agency to mitigate the impacts of such development on public infrastructure

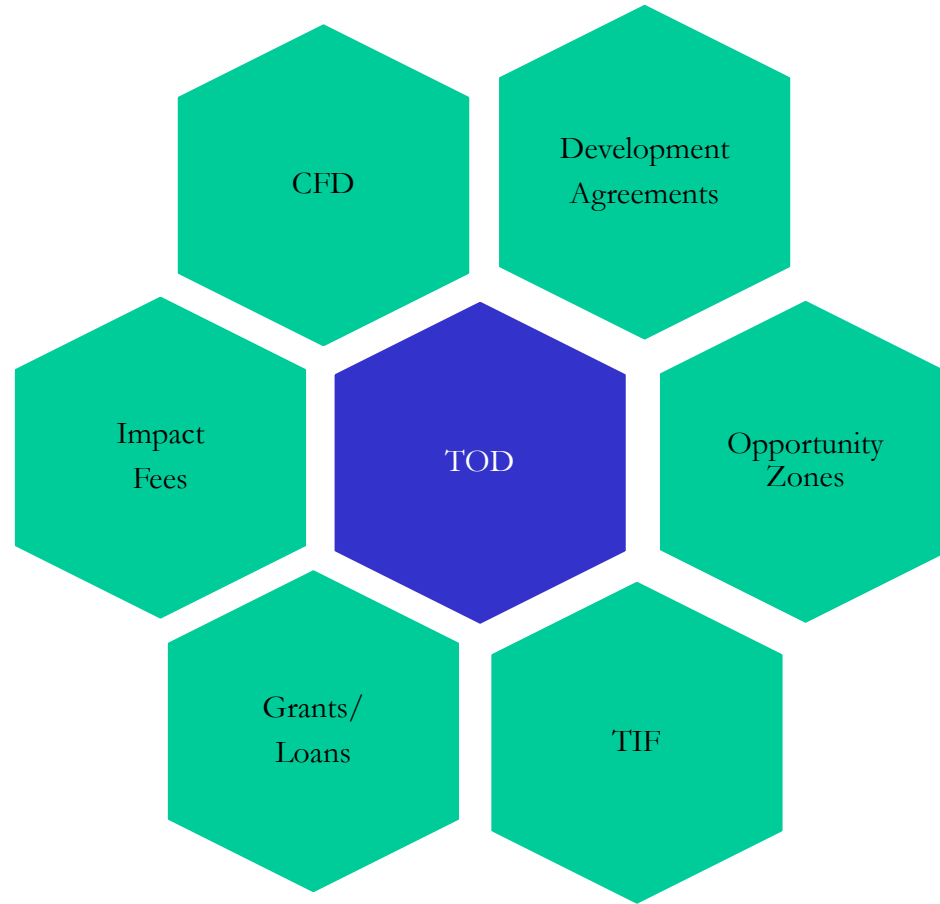
Types of Financing Mechanisms

Name	Brief Description
Tax Increment Revenues	Property tax revenue that results from an increase in assessed value above the base year
Additional Sales/ Excise Tax	Tax revenue resulting from sales of good and services
Public Private Partnerships (P3)	Contractual agreement between a public and private entity to deliver a service or facility for the benefit of the general public
Grants and Loans	<ul style="list-style-type: none"> • Transportation Infrastructure Finance and Innovation Act (TIFIA) • Dwelling Unit Revolving Fund (DURF) • State Revolving Fund • FTA Small Starts/New Starts
Development Agreements	Voluntary contract between a local jurisdiction and a developer, detailing the obligations of both parties and specifying the standards and conditions that will govern development of the property
Opportunity Zones	Program that provides incentives for investors to re-invest unrealized capital gains into Opportunity Funds in exchange for temporary tax deferral and other benefits
Property Assessed Clean Energy (“PACE”)	Program that allows property owners to finance the up-front cost of certain energy efficiency, renewable energy, water conservation, and seismic retrofit improvements, then pay the costs back over time through a voluntary assessment.

Types of Financing Mechanisms

Name	Brief Description
New Market Tax Credits	Federal tax credit program that provides incentives to attract private investment in distressed communities
Low Income Housing Tax Credit Program	Federal and state subsidy that provides financing for low income housing by allowing investors to claim tax credits on their income tax returns
Proposed Legislation	SB2214 and HB1865 would have established transit oriented development districts along transit corridors as a community development district
Other Strategies	<ul style="list-style-type: none">• Shared parking structure• Housing Trust Fund (affordable housing)• Joint Development

Financing Strategy





CFD Case Studies

Benefits of CFD Finance

- Non-recourse to public agency
- Facilitates regional infrastructure without general tax dollars
- Allows infrastructure to be financed earlier in the development process
- Generates economic development resulting in construction-related jobs and increased property values





Case Study
Community Facilities District
County of Kauai, HI

Case Study: County of Kauai CFD No. 2008-1

- **Project Overview**

- CFD formed in 2008, prior to Great Recession
- Prudent finance team delayed bond sale until 2012
- Master-planned community of Kukui‘ula, a resort-residential project located in the Koloa-Poipu area along the south shore of the Island of Kaua‘i



- **Key Take-Aways**

- First CFD in the State to sell bonds
- CFDs are a viable financing tool in Hawaii
- County negotiated funding for County-designated facilities in addition to improvements conditioned on the developer
- Bond funded formation and issuance costs were 5.35%, not unusual for a pioneering project



**Case Studies
Community Facilities Districts
California**

Case Study #1: Los Angeles Streetcar

- **Project Overview**

- 3.8 mile streetcar loop and new investments in street network and sidewalks
- Connects major activity centers, including Staples Center/LA Live/Convention Center, Grand Park/Civic Center, Historic Broadway, Fashion District, etc.
- Scheduled to open 2021

- **Funding Mechanisms**

- Community Facilities District, Sales Tax Measure, Grants
- CFD tax is contingent on three requirements (Certification of CEQA review, Acceptance by Federal Transit Administration, and commitment to operate streetcar system by public or private entity)

- **Key Take-Aways**

- Successful registered voter election for Community Facilities District, 73% voted in favor
- Non-profit entity partnership and advocacy with the City was critical



Case Study #2: Anaheim Platinum Triangle

- **Project Overview**

- The master plan blends leading-edge business, high-salary employment, sports entertainment and residential neighborhoods
- Up-zoning of an area primarily comprised of low density commercial/industrial, some of which will remain
- Different modes of transportation provide access to and within The Platinum Triangle including several freeways, a network of pedestrian friendly local streets, bikeways, Anaheim Regional Transportation Intermodal Center (ARTIC), Anaheim Resort Transit, and County buses



- **Funding Mechanisms**

- Community Facilities Districts, Assessment Districts, impact fees, and development agreements

- **Key Take-Aways**

- City-driven CFD designed to provide necessary infrastructure to redevelop key area near ARTIC, Angels Stadium, and Honda Center
- Increasing residential density to provide much needed housing
- Existing non-residential property pay lower CFD special tax

Case Study #3: City of Buena Park CFD/TIF

- **Project Overview**

- Existing shopping mall renovated to revitalize a major shopping center in the city
- CFD funded land acquisition and demolition, construction of an approximately 163,200 square foot surface public parking lot, landscaping and other public plaza improvements, and various street improvements

- **Funding Mechanisms**

- Community Facilities District, sales tax, and tax increment revenues

- **Key Take-Aways**

- CFD provided upfront financing
- CFD taxes offset by sales tax and tax increment revenue generated by project
- Sales tax and tax increment revenues now sufficient to pay debt service on CFD bonds. No CFD levy is expected in the future



Other Notable California CFDs

— City of Azusa CFD (Rosedale)

- Funded improvements for LA County MTA Metro Blue Line Authority, as well as other public improvements

— City of Burbank CFD (The Collection Public Parking Facility)

- CFD funded the public portion of multi-purpose parking structure that also includes private parking for residential units and retail development



— City of Los Angeles CFD (Playa Vista)

- CFD funded public improvements including water and sewer, storm drain, dry utilities, street, and freshwater marsh improvements
- CFD was structured with reduced special tax rates for affordable for-sale units and affordable for-rent units



Other Case Studies

Case Study #1: Hudson Yards (New York, NY)

- **Project Overview**

- Infrastructure to facilitate development of medium to high density mixed use commercial and residential district
- Over 18 million square feet of Commercial/Residential Space, Office Towers, Shops and Restaurants
- Extends No. 7 subway line from Times Square to a new terminal station and creates new parks and open spaces

- **Funding Mechanisms**

- \$3 billion in revenue bonds supported by Tax Equivalency Payments (TEP) and Payments in lieu of property taxes (PILOT)
- City provides interest support payment to offset annual shortfall
- Additional revenues generated from Density Bonus payments, sale of air rights, and payments in lieu of recording taxes

- **Key Take-Aways**

- Creative work-around to tax increment financing restrictions
- Partnerships between public and private entities to create in-lieu payment structures
- City interest support payments provided ability to issue bonds prior to development



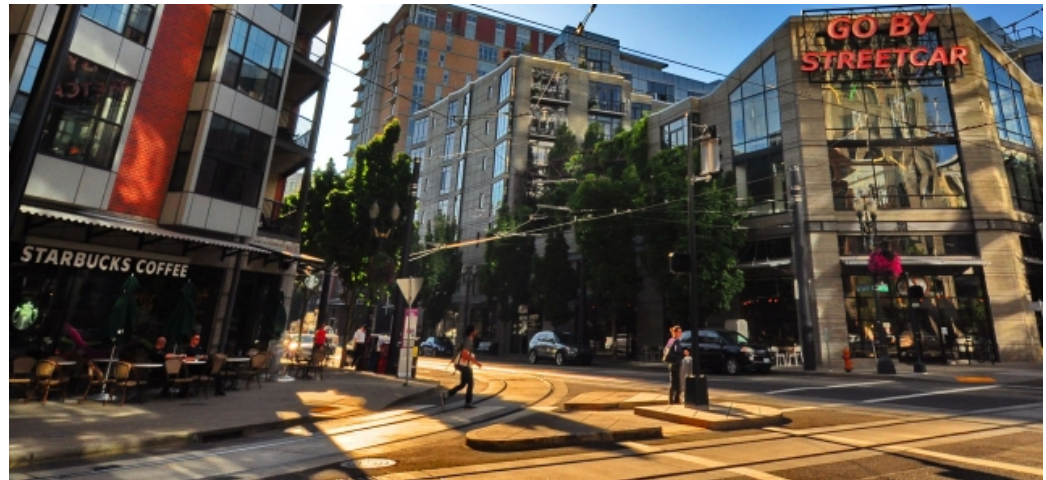
Case Study #2: Pearl District (Portland, OR)

- **Project Overview**

- 3.8 mile NS line runs from northwest Portland to the south waterfront, via Downtown and the Pearl District
- Encouraged new mixed use development along the Streetcar line
- Formerly occupied by warehouses, light industry and railroad yards

- **Funding Mechanisms**

- Combination of Local Improvement District (LID), Tax Increment, and General Obligation bonds
- Participating agencies included City of Portland, Metro Regional Council, and State of Oregon, Federal Government
- LID along with other state and local funds, used to pay for Streetcar network project
- Tax Increment Financing used primarily for urban renewal projects



- **Key Take-Aways**

- Collaboration among multiple jurisdictions
- LID formation required majority support from property owners
- LID assessment based on frontage, land use, and assessed value

Case Study #3: KC Streetcar (Kansas City, MO)

- **Project Overview**

- Two-mile route running primarily along Main Street in downtown Kansas City connecting River Market area to Crown Center and Union Station
- Currently in the planning stages of the 3.5-mile extension from Union Station to the University of Missouri

- **Funding Mechanisms**

- Combination of sales tax, special assessment, and other federal, state, and City funds
- Supplemental assessment on surface pay parking lots

- **Key Take-Aways**

- Voters approved additional sales tax and property tax assessment for the extension project in June 2018
- Project cost spread to visitors, not just property owners through use of additional sales tax and parking revenues



Case Study #4: M Station Apartments (Austin, TX)

- **Project Overview**

- Approximately 150 units, of which 80% are affordable, 10% are supportive transitional housing for families at risk of homelessness, and 10% are market rate units
- The project site is part of the TOD-mixed use zone, near the MLK Station

- **Funding Mechanisms**

- Fee waivers and expedited project review through City's Safe, Mixed-Income, Accessible, Reasonably-priced, Transit-Oriented ("S.M.A.R.T") program
- 9% Low Income Housing Tax credits
- Loan from the Austin Housing Finance Corporation as part of their Rental Housing Development Assistance program
- Private Equity

- **Key Take-Aways**

- Successful implementation of affordable housing in TOD
- Proximity to transit facilitated greater access to financing
- City approved reduced setback and parking requirements



Other Case Studies

- **Town Center (Lakewood, CO)**

- 22-block \$426 million redevelopment project is the transformation of a declining regional mall into a vibrant mixed-use development
- Redesign to integrate open sidewalks and improve circulation and walkability
- Funding included Metropolitan District, Tax Increment, and Public Improvement Fees



- **South Oak Crossing (Charlotte, NC)**

- 192 unit apartment complex, consisting of 100 affordable and 92 market-rate units
- Funding included Low Income Housing Tax Credits and City's Housing Trust Fund
- Located within a mile from the nearest transit station

Other Case Studies

- **QLINE Streetcar (Detroit, MI)**

- New way to travel on Woodward Avenue, connecting residents and visitors to major employers, destinations along the route and the heart of the city's burgeoning restaurant, retail and nightlife scene
- Funding included private donations from corporations, universities and hospitals along the line, and grants from government and foundation sources
- Managed and operated by private non-profit entity, with a pledge to turn over system to public regional transit authority



- **South Lake Union Streetcar (Seattle, WA)**

- Streetcar serves the downtown retail core, the Denny Triangle, and South Lake Union neighborhoods, connecting to a waterfront park on Lake Union
- Local Improvement District funded over 50% of the project cost
- Remaining project costs funded through federal and state grants and the sale of surplus city properties

Other Case Studies

- **PACE Assessment**

- Innovative mechanism for financing energy efficiency and renewable energy improvements on private property
- Property owners can finance a variety of private “green” improvements including solar panels, heating and air conditioning systems, pool filtration equipment, windows and doors, water conservation improvements, fuel cells and other types of energy saving improvements
- Numerous residential and commercial PACE programs have been created nation-wide



Interactive Discussion with TOD Council

- How does this relate to the infrastructure you need?
- What are the issues you see in what we have discussed?

