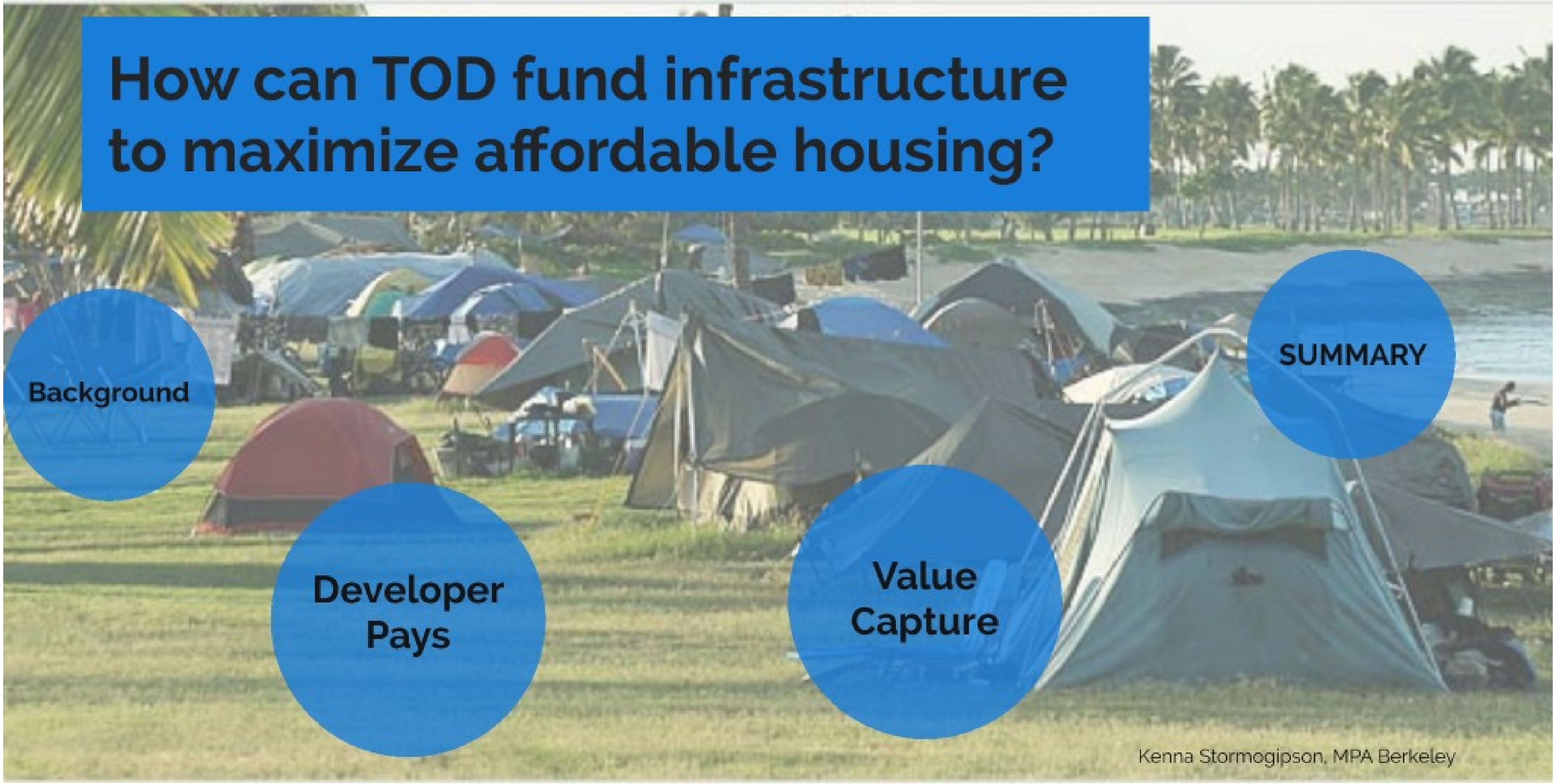
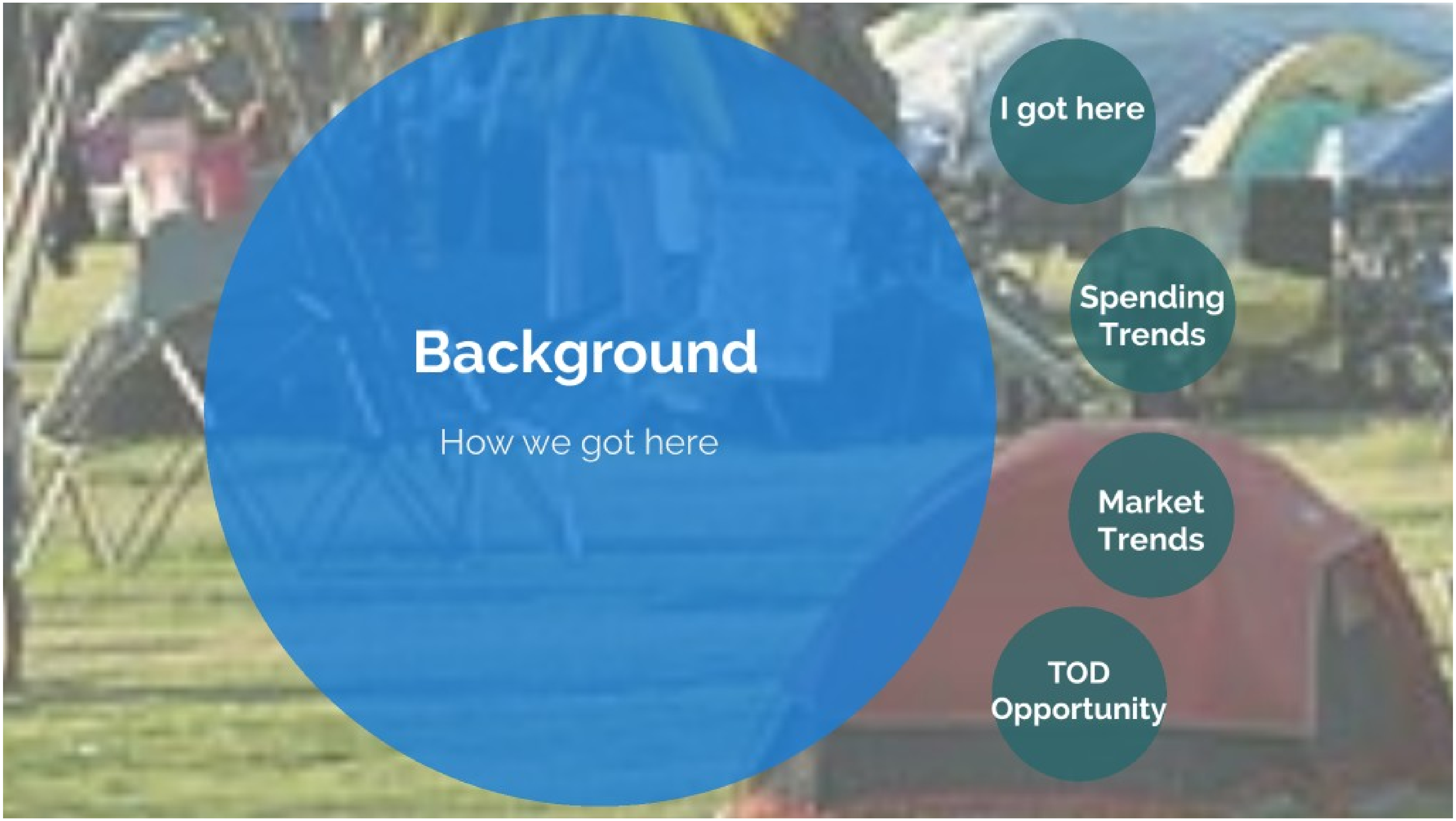
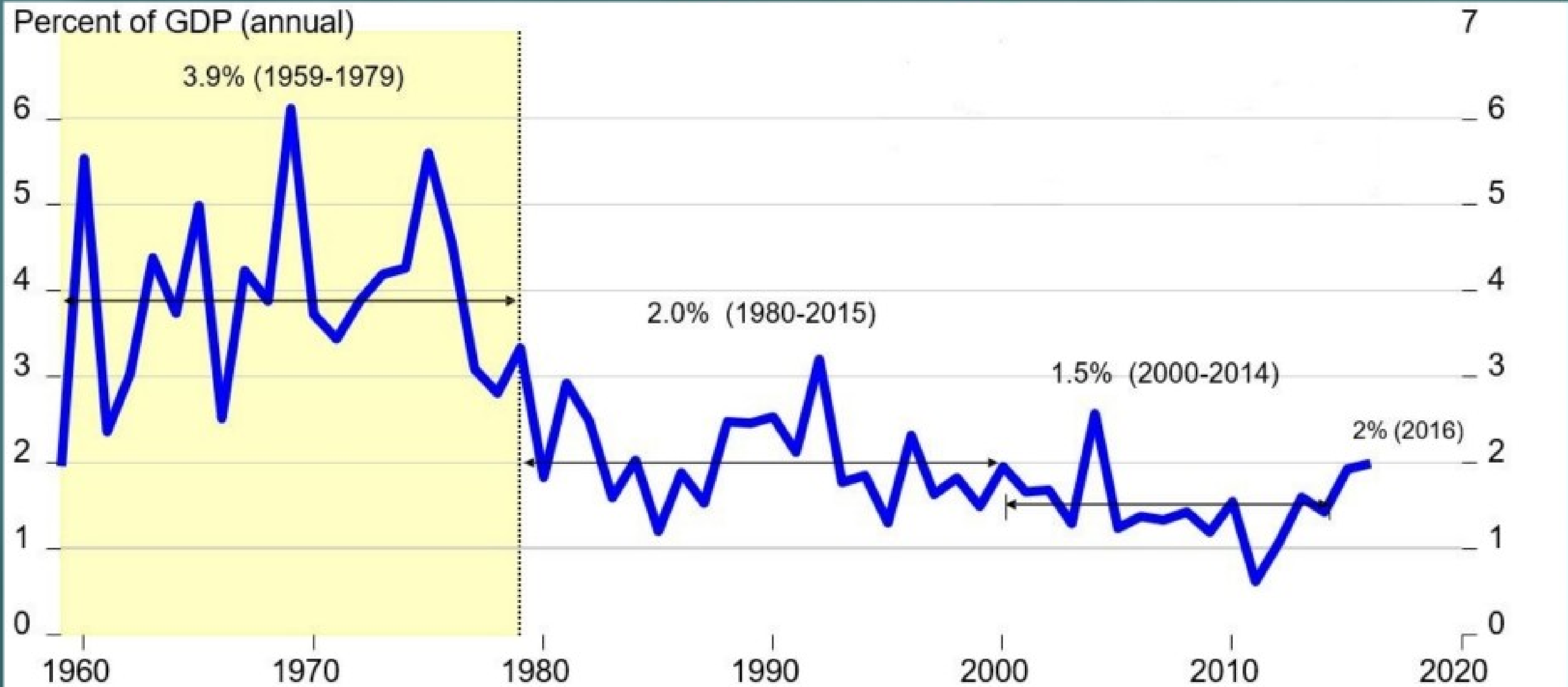


This presentation was prepared by Kenna Stormogipson for the Hawai'i Interagency Transit-Oriented Development Council in partial fulfillment of the requirements for a Master of Public Affairs (MPA) degree from the Goldman School of Public Policy at UC Berkeley.


Background
How we got here
I got here
Spending Trends
Market Trends
TOD Opportunity

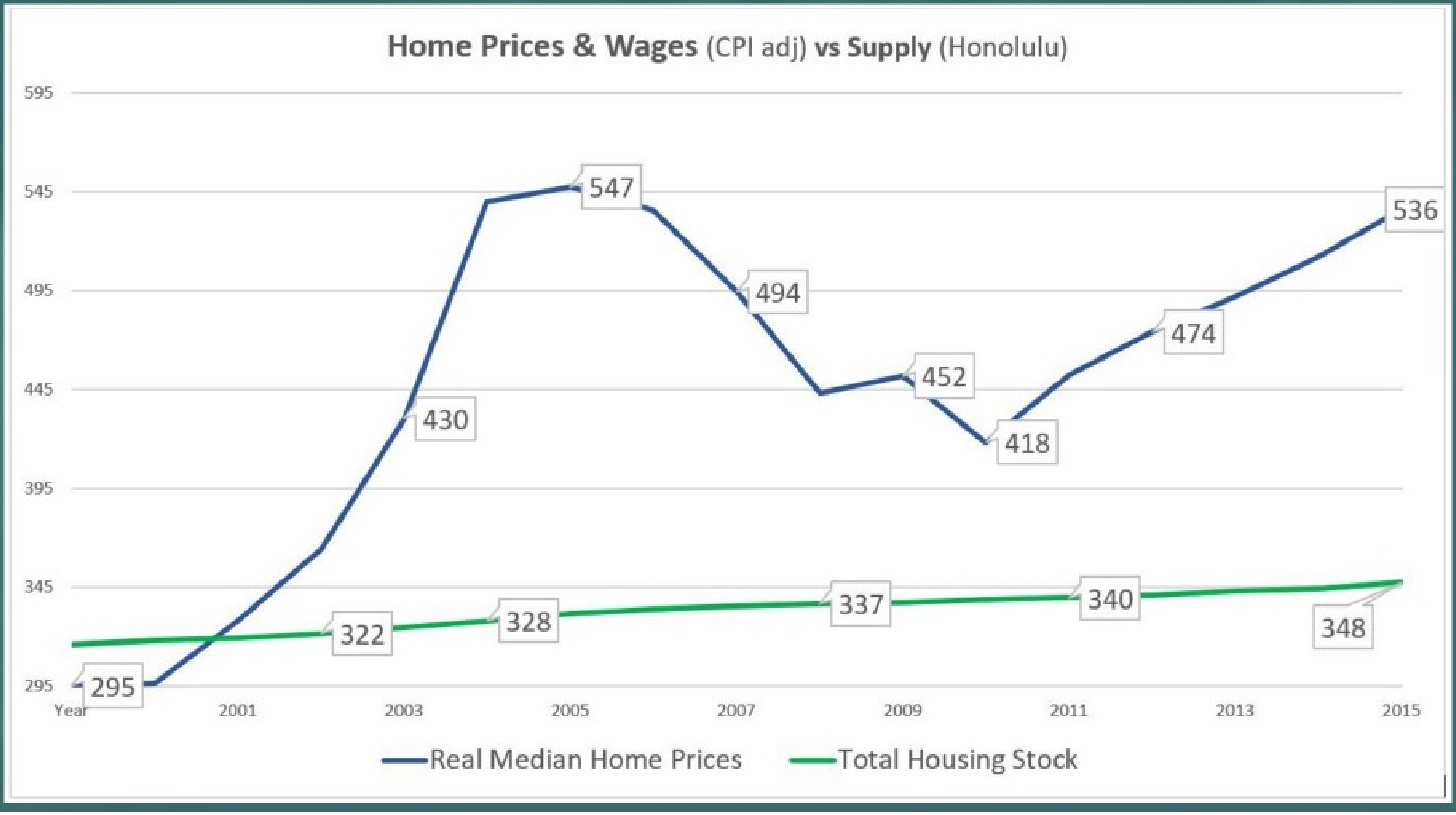
Gov't Construction Spending, % Hawaii GDP



Source: Paul Brewbaker, Ph.D., Certified Business Economist, TZ Economics March 2018

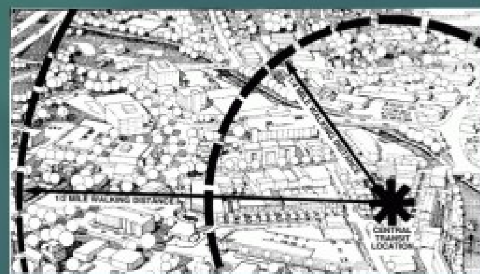
Spending HALF of Previous Levels

Single Family Home Cost vs. Supply (O'ahu)




Price & Supply 2000-2017
300%
250%
200%
150%
100%
50%
0%
155% increase in price,
9% increase in supply
D.C.
Los Angeles
San Francisco
Brooklyn
Honolulu
Austin
Atlanta
Las Vegas
Price Increase
Supply Increase
ULI 2018 Report "Emerging Trends in Real Estate"

Tens of thousands
New Units



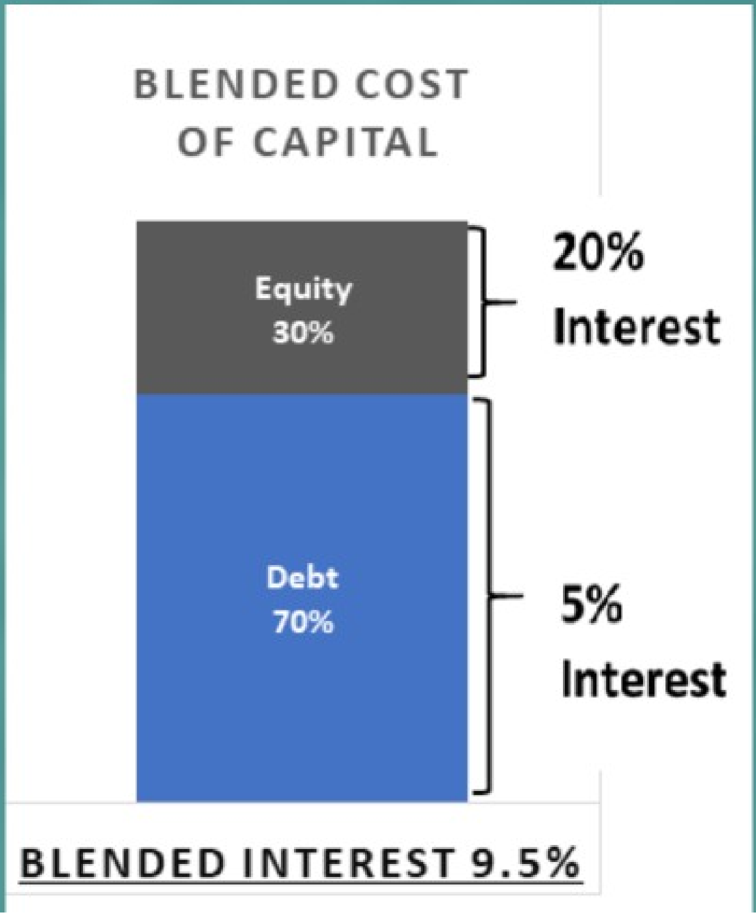
$1.5 Billion
Infrastructure


Developer expected to pay:
• Roads
• Sewers
• Parks
• Schools...
Benefits
Downside

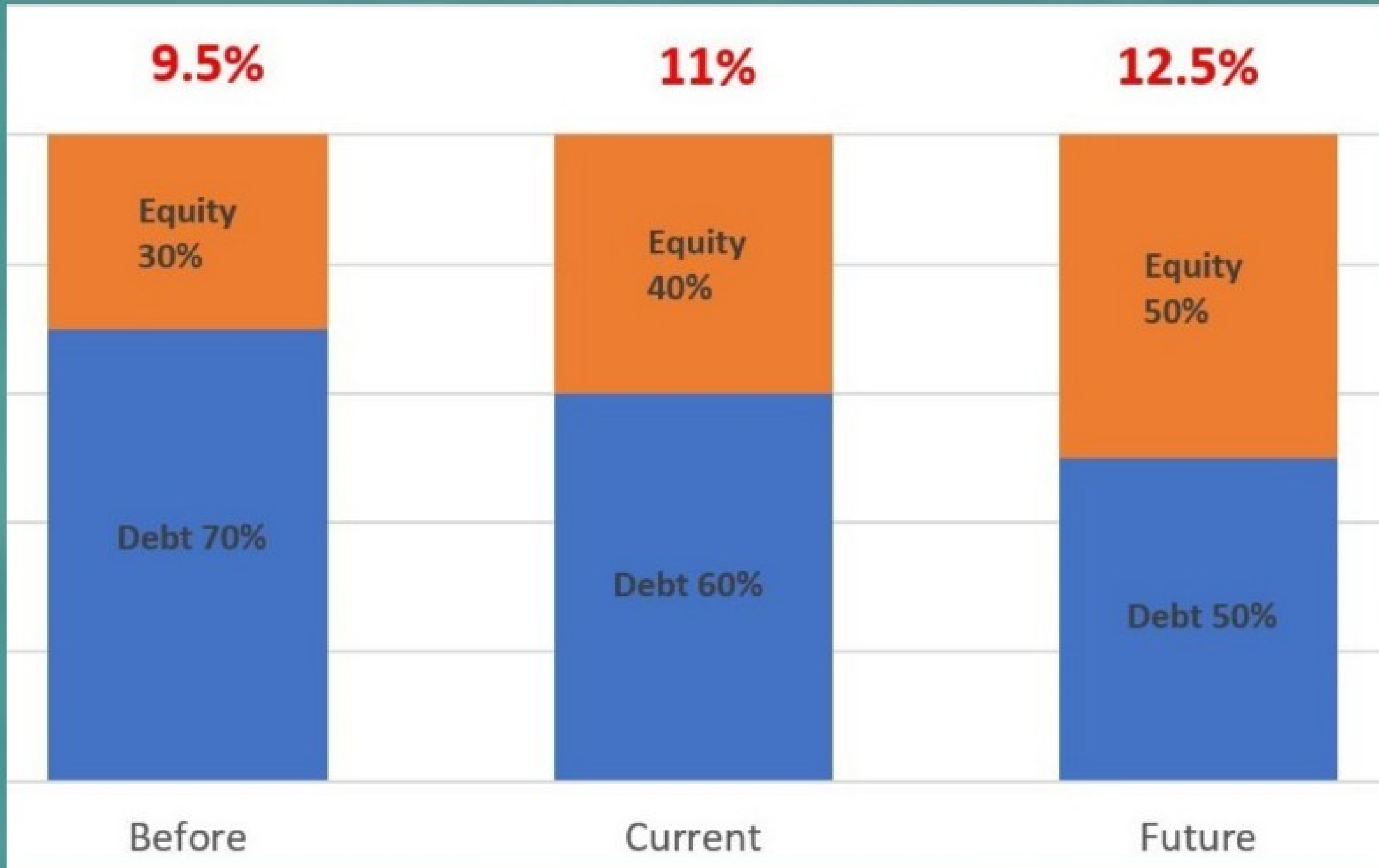

• Less Taxpayer Money
• Can be faster
• Cost savings in efficiency (labor and project management)

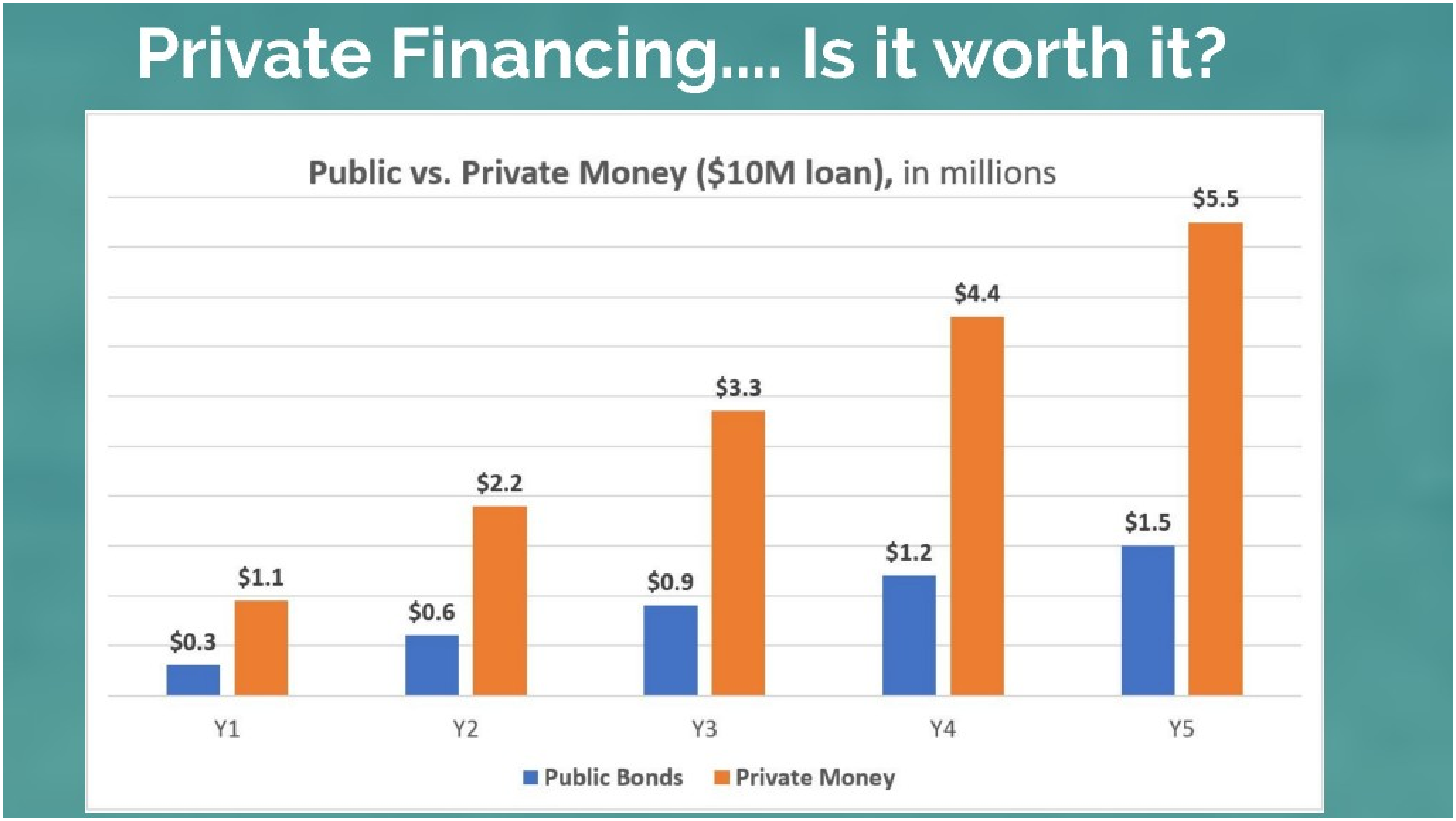
Inelastic Supply=
Costs added onto
developers budget
***Does not come from developers profits
9-12%
Interest
Costs
Add Up
Incentive
to Wait

Private Financing- Equity and Debt



Capital Stack Trends

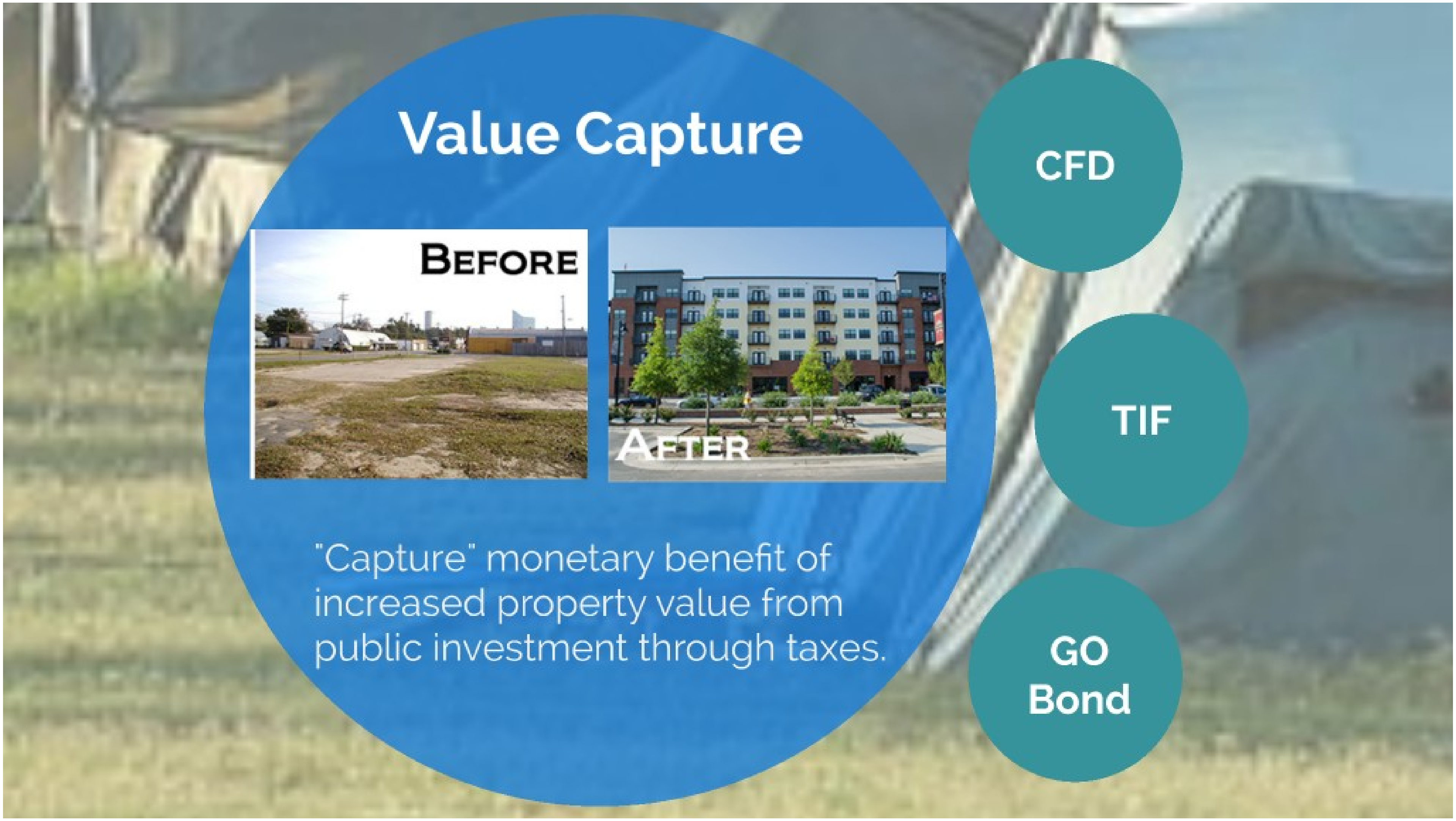



Private Financing.... Is it worth it?
Public vs. Private Money ($10M loan), in millions
$0.3
$1.1
$0.6
$2.2
$0.9
$3.3
$1.2
$4.4
$1.5
$5.5
Y1
Y2
Y3
Y4
Y5
Public Bonds
Private Money


First Mover Disincentive-
Wait for others to go first.
Must do higher price projects
to cover added costs.
Less
Housing

Less Housing is Created

What is built is more expensive


Value Capture
Before
After
"Capture" monetary benefit of increased property value from public investment through taxes.
CFD
TIF
GO Bond

Community Facilities District (CFD)

Added Assessment "Tax" on Property

Bonds can be issued at 4-6%

Owners Must Agree: *"Protest by more than 55%"* of the owners of the land can stop CFD (i.e. over 45% must agree)

Extra Tax must be low to stay competitive

One Successful CFD in HI : Kukui'ula (Kaua'i)

- 2008 - Formed
- 2012- $12M Bonds
  $2.2M Cost
  (formation & Issuance)
- 5.5% Interest, 20-30 yr.

Extra Assessment = 0.32% plus baseline 0.425% **Total Tax= 0.745%**

Competitive: Maui = 0.575% Hawaii = 0.92%

$500,000+ collected from 160 homeowners every year .

Benefits:

- Kaua'i County recieved 15% of Net Bond Funds= ~950,000
- Developer paid for external roads, park
- Bonds paid by new homeowners- not city or developer (5.5%)

Downside:

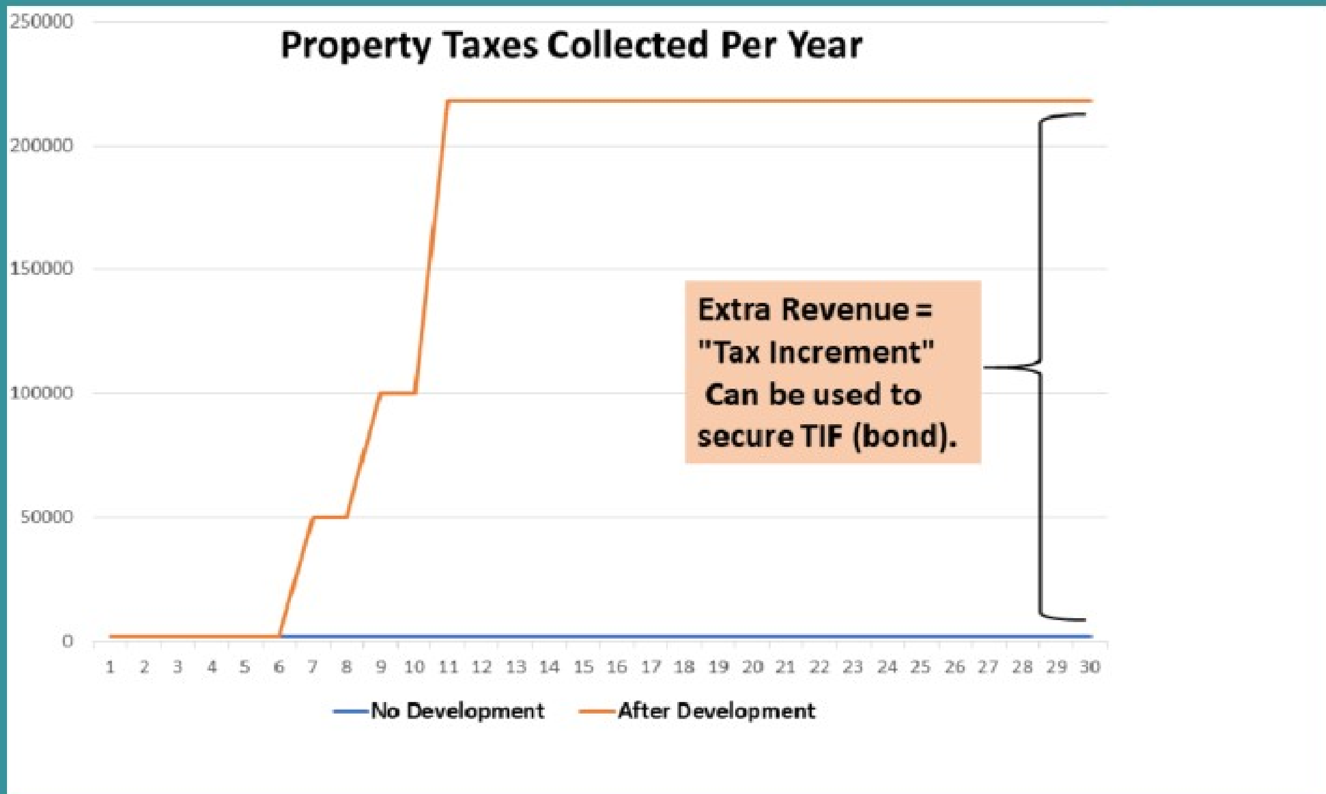
- New Residents shoulder burden
- Cost of bond issuance - 10-20% of total bonds
- Cost of formation

Many Attempts... Hawai'i County, Gentry-Waiwa on Oahu

CFD's can increase feasibility IF...

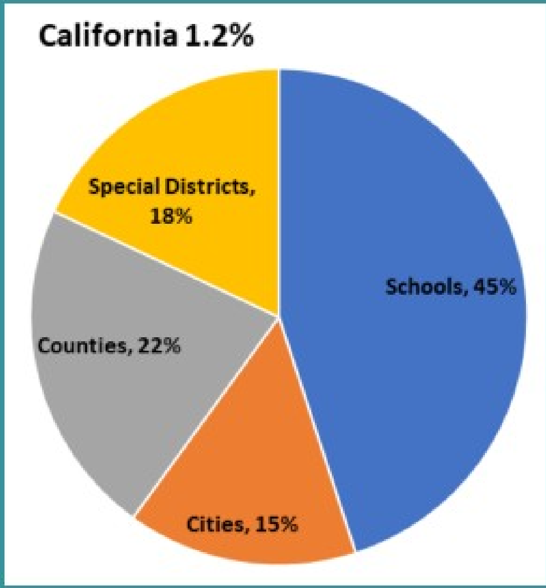
- Easier and cheaper to form (300k, 4-6 mths)
- Extra tax isn't too high- competitive with other places.
- Landowner consent (over 45% owners must agree)
- Expectations for developers are clear

Tax Increment Financing

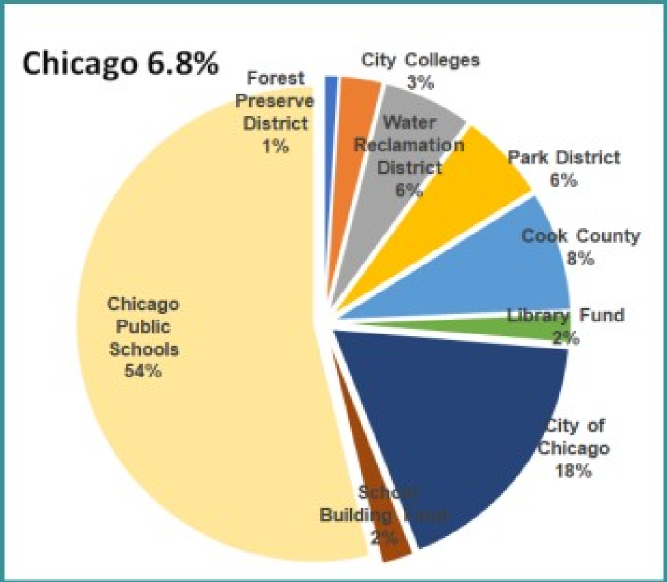


No new taxes! Divert Future Funds

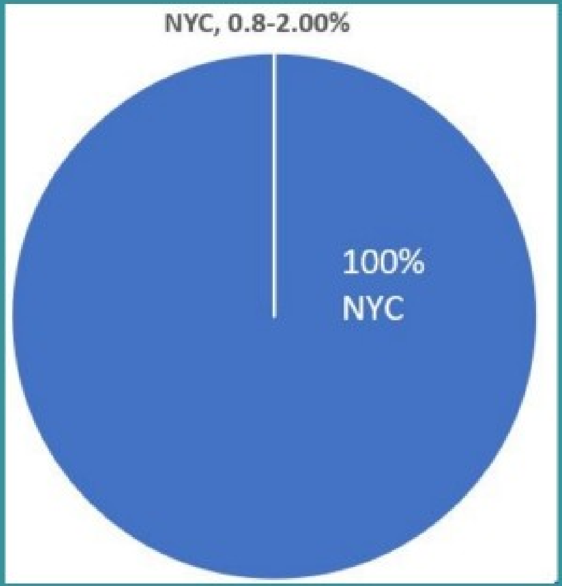
TIF incentive: "one pot"



425 Districts

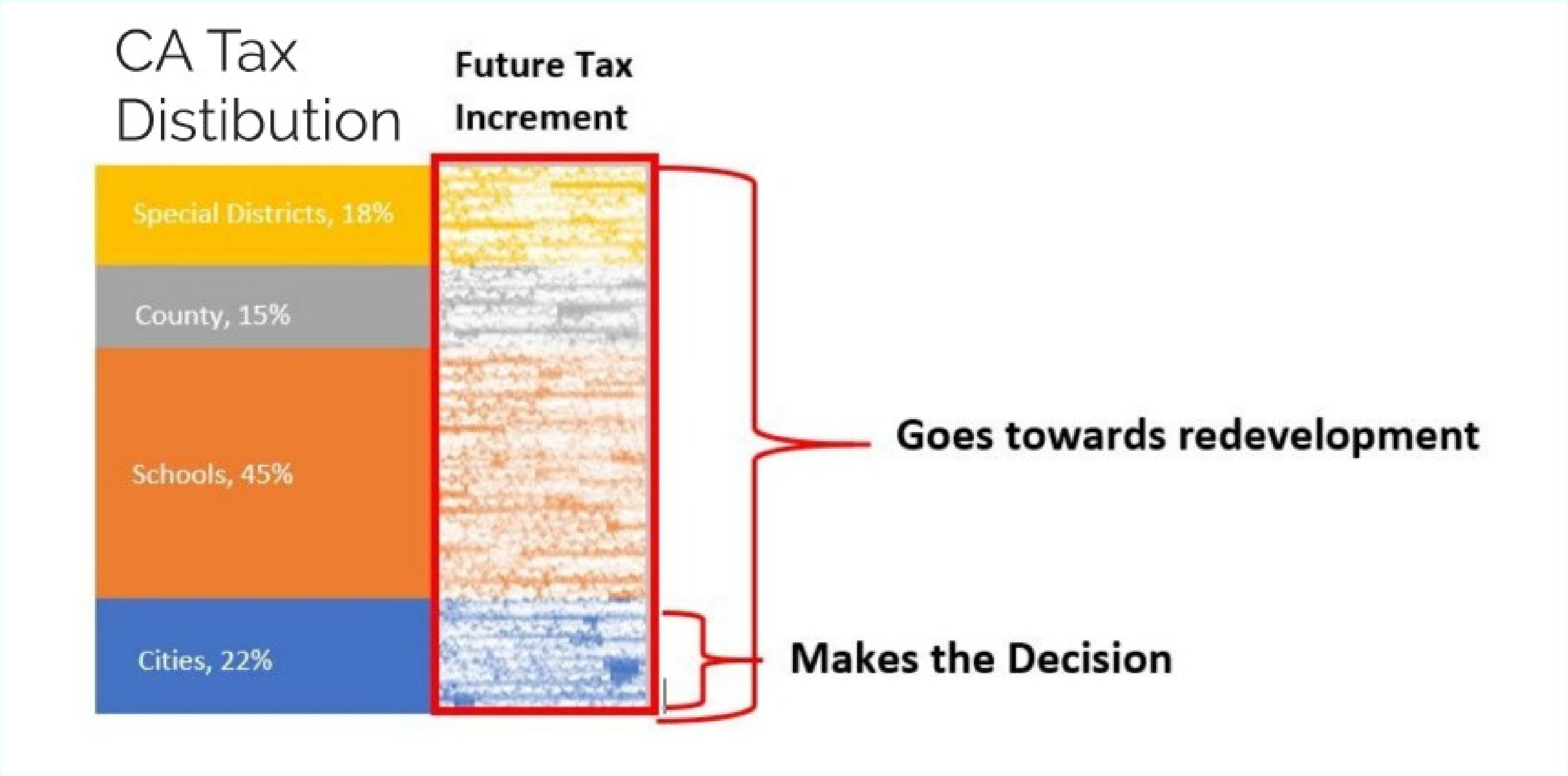


147 Districts



One District

TIF = "capture" other districts money



NYC created one TIF

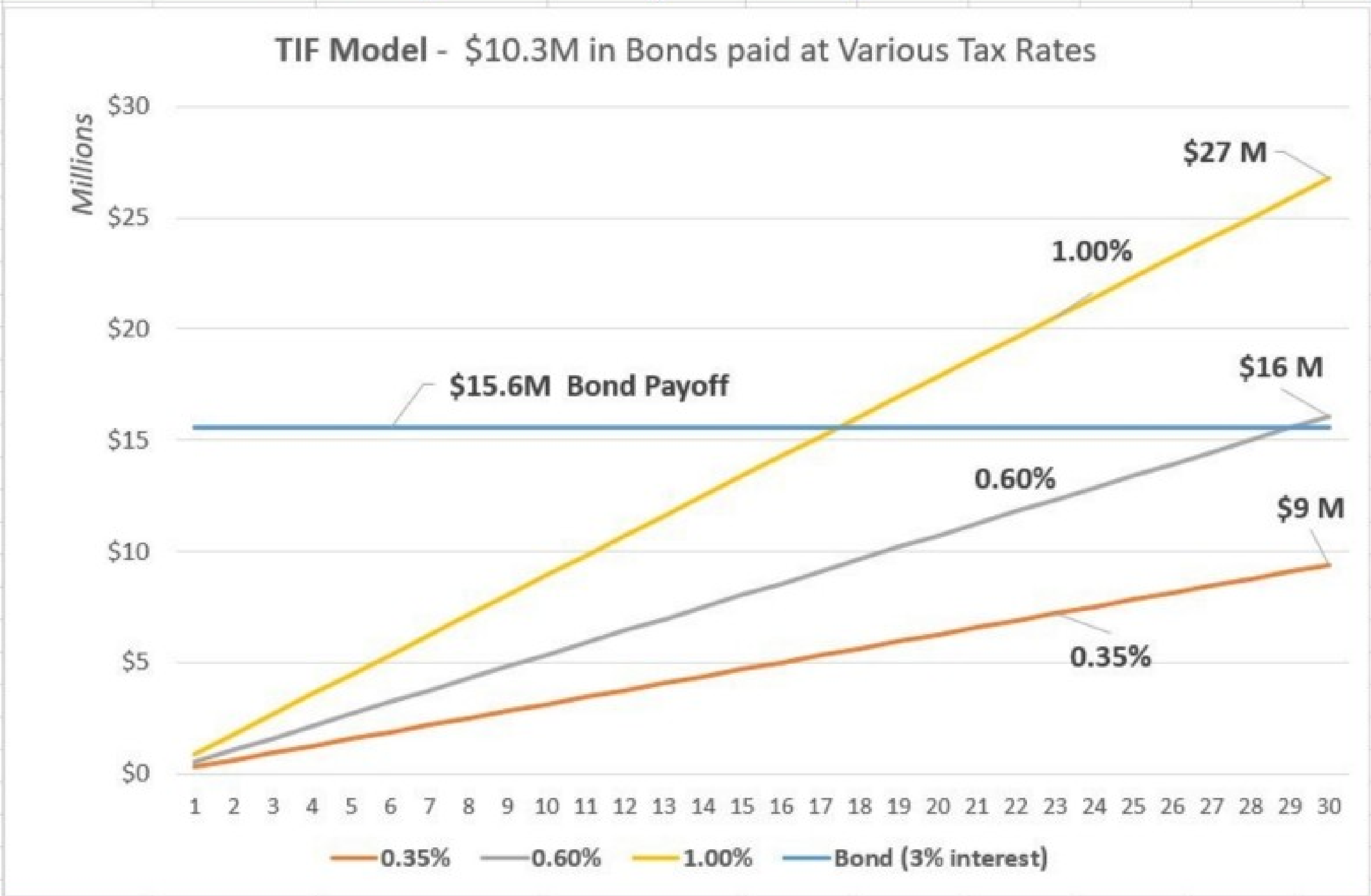
In 2007 for Hudson Yards Subway Extension.

GO Bond limit- needed workaround

Hudson Yards: PILOT IF (Payment in Lieu Of Taxes)

- $3B Financing by NYC
- Legal Workaround- Developer Agreements
- $20 B in Private Investment, 7,000 FTE /yr
- Tax Revenue is paying bonds

TIF Concept Very Helpful...



TOD project
160 Units
(2bd/2ba)
$580k cost
$700k sale

$93M total

$9.3M
Infrastructure

=$10.3 Bonds

$15.6 payment

TIF Barriers

- Counties receive 100% of Property Taxes (less incentive)
- State Constitution does not specifically name TIF
- Low Tax Rate

TIF Concept

- Could use targeted GO bonds - specific areas
- PILOT Developer Agreements (NYC)
- Future revenue covers cost of Bond- incentivize dev.

General Obligation (GO) Bonds

City = Based on Future Prop Tax Revenue

State= Based on Future Sales & Income Revenue

3% Interest Rate on Bonds

Increased revenues can cover costs


If Goal = Affordable Housing
Move away from Developer Paying
Combo: State, City
& CFD
Takeaways
Mahalo!

Public Funding needed to incentivize building

- If few landowners - use CFD.
  - Assessment amount can not be too high relative to taxes

- Invest Bonds Now & Repay w/ Value Capture: City & State
  - TIFF financial models help determine future tax benefit

- PUBLIC funding can save big costs on Financing! 3% vs 11%

- More HOUSING sooner, More Affordable Housing....


Ruby Edwards & Rodney Funakoshi
Harrison Rue, Renee Espiau,
Tom Shigemoto, Kevin Arnold
Paul Brewbaker, Nathalie Razo,
Brian Hirai, John McCray-Goldsmith
Tom Saiki, Nancy Crawford
Charles Long, Roger Davis
Sean Campion, Harvey Levine
Tuyen Mai, Rick Jacobis, Dan Acland
my prof
Todd Achilles, Jane Maulden
QUESTIONS?