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GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 743, Relating to Fiscal Sustainability

BEFORE THE:

House Committee on Water & Land

DATE: Thursday, February 13, 2025

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 411

Chair Hashem, Vice-Chair Lamosao, and Members of the Committee:

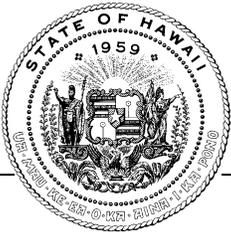
The Department of Taxation (DOTAX) offers the following comments regarding H.B. 743 for your consideration.

H.B. 743 would authorize the Office of Planning and Sustainable Development (OPSD) to develop a model to assess the fiscal impacts of land use development projects and regional infrastructure investments and establish a fiscal sustainability steering committee to advise on the development of the model.

The steering committee will include either the director of taxation or DOTAX's research and planning officer. OPSD will be required to submit a report on development of the fiscal impact model no later than twenty days prior to the 2027 legislative session. The bill is effective on July 1, 2025.

DOTAX requests that section 2(c)(3) of the bill be amended to add the Director of Taxation's designee as a person who may serve on the committee.

Thank you for the opportunity to provide comments on this measure.



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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
DIRECTOR

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Statement of
MARY ALICE EVANS, Director

before the
HOUSE COMMITTEE ON WATER AND LAND

Thursday, February 13, 2025

9:30 AM

State Capitol, Conference Room 411

in consideration of
HB 743
RELATING TO FISCAL SUSTAINABILITY.

Chair Hashem, Vice Chair Lamosao, and Members of the Committee.

The Office of Planning and Sustainable Development (OPSD) offers **comments** on HB 743, which would charge the Office with developing a model to assess the fiscal impacts of land use development projects and regional infrastructure investments, and appropriates funds for consulting services and a staff planner to conduct the project.

We appreciate the intent of the bill, but OPSD lacks the capacity to undertake the project without funding for additional staff and consultant services. We are concerned that such funding does not replace or adversely impact priorities indicated in our Executive Budget.

The development of a fiscal impact assessment tool that could be used by the Counties or State agencies would enable the evaluation of whether development proposals or regional land use patterns contribute positively to the ongoing operational, maintenance, and replacement costs of public infrastructure, facilities, and services required to support development. This could aid decision-makers in understanding the potential costs and benefits of development decisions and in prioritizing infrastructure investments.

Thank you for the opportunity to testify on this measure.



Housing Hawai'i's Future
PO Box 3043
Honolulu, HI 96802-3043

February 13, 2025

TO: Chair Hashem and members of the Committee on Water & Land

RE: HB 743 RELATING TO FISCAL SUSTAINABILITY

Chair Hashem and Members of the Committee::

Housing Hawai'i's Future is a nonprofit dedicated to creating opportunities for Hawai'i's next generation by ending the workforce housing shortage.

We support HB 743, a bill that will establish a crucial framework for ensuring fiscal sustainability and efficiency in our state's infrastructure investments.

Fiscal impact models can assess potential land use development projects and investments in regional infrastructure, weighing zoning capacity and a projected development's financial benefit against projected state (and county) costs for maintaining service and infrastructure.

These conversations are relevant to present-day planning efforts for more housing in designated Transit Oriented Development (TOD) communities.¹ Dense housing in TOD zones is the most effective mechanism for delivering affordable workforce housing across the State of Hawai'i.

A fiscal impact model for weighing the cost of infrastructure development will prove to be a financially responsible investment for policy decision-makers at the state level. In building on the Office of Planning and Sustainable Development's work to identify sites for sustainable housing development, the model will inform what is already a fact: density is more fiscally efficient than sprawl.²

The fact is not up for debate. Instead, what is not known here in Hawai'i is how we materialize this fact when weighing where to leverage state infrastructure investments that maximize future affordable workforce housing.projects. **That, in short, is why we support HB 743.**

Thank you,

A stylized, circular signature in black ink, appearing to be the name "Lee Wang".

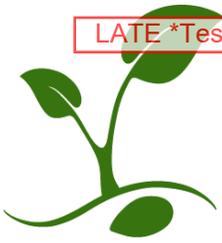
Lee Wang
Executive Director
Housing Hawai'i's Future
lee@hawaiisfuture.org

A handwritten signature in black ink, appearing to be "Perry Arrasmith".

Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
perry@hawaiisfuture.org

¹ Hawai'i Office of Planning and Sustainable Development. 2023. *Transit-Oriented Development (TOD) Infrastructure Financing Strategy*. Honolulu: DBEDT, https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf.

² The firm Urban3 summarizes existing fiscal impact models and how they assist counties with weighing the cost of infrastructure investment in sprawl against denser communities: <https://www.youtube.com/watch?v=SmQomKCfYZY>



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai‘i Appleseed Center for Law and Economic Justice
Support for HB743 – Relating to Fiscal Responsibility
House Committee on Water and Land
Thursday, February 13, 2025 at 9:30AM Conf. Rm. 415 and via Videoconference

Aloha Chair Hashem, Vice Chair Lamasao, and members of the committee;

Mahalo for the opportunity to testify in **strong support of HB743**, which would require the Office of Planning and Sustainable Development (OPSD) to develop a fiscal impact model for assessing the long-term financial implications of land use development projects and regional infrastructure investments.

Fiscal impact modeling is a method used to analyze the long-term financial effects of land use decisions on government revenues and expenditures. It helps policymakers, advocates, departments, and the public in understanding how a development project, zoning change, or infrastructure investment will generate revenue in contrast to the public cost that it creates. This information can be used to inform if a project will pay for itself over time.

Land use decisions shape our communities, they also create long-term obligations for public services and infrastructure. Without a rigorous, data-driven framework to evaluate the lifecycle of infrastructure costs, long-term tax revenue projections by land use type, and maximum build-out potential, decision-makers on all levels of government and community members lack the necessary tools to ensure responsible growth.

Hawai‘i must take a fiscally responsible approach to land use decisions to avoid costly, unsustainable developments that burden taxpayers for generations. Currently, major public infrastructure investments are made without a rigorous, standardized assessment of their long-term financial viability. This bill would ensure that decision-makers have the necessary data to evaluate whether a development project will generate sufficient revenue to cover its costs—or if it will result in an unfunded liability that strains public resources.

A strong fiscal impact model is critical to preventing long-term public liabilities. For example, major infrastructure investments—such as highway expansion projects—do not pay for themselves and instead create ongoing financial burdens:

- \$2.4B allocated by DOT for new roadways from FY2019-FY2024
- \$1.14B for replacement of existing highway infrastructure for FY2019-FY2024¹

¹

https://static1.squarespace.com/static/601374ae84e51e430a1829d8/t/6750d500e0d1b478185cf1ae/1733350677880/Rethinking+Roads_FINAL.pdf



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None of our investments in road widening have alleviated nor will alleviate our issues of traffic², yet we continue to significantly invest in infrastructure which does not pay for itself nor address a community problem. Federal Highway Administration data indicates that it costs \$24,000 per lane-mile per year to keep a road in “good” condition³ (the costs would likely be higher for Hawai'i). Yet these long-term costs to residents are not considered when the initial investment is made.

Highway expansions encourage sprawl, which reduces fiscal sustainability by spreading infrastructure and public service costs over large areas while generating relatively little tax revenue per acre. Analyses from communities across the United States demonstrate the dramatic difference in tax revenue generation between different development patterns. For example, traditional downtown-style development typically generates 10-40 times more tax revenue per acre than suburban-style development⁴. This massive difference in revenue generation becomes even more significant when considering Hawaii's limited land resources and high infrastructure costs.

By contrast, dense, mixed-use development in walkable, transit-oriented areas is far more fiscally efficient, generating higher revenues while requiring less costly infrastructure. This type of development not only maximizes tax revenue per acre but also reduces the per-capita cost of providing public services and maintaining infrastructure. When we consider that it costs \$24,000 per lane-mile per year just to maintain a road in "good" condition, the fiscal advantages of compact, walkable development become even more apparent⁵.

HB743 would be a significant step toward responsible, data-driven land use planning that ensures development supports, rather than burdens, public finances. The inclusion of fiscal impact modeling will allow policymakers to identify wasteful infrastructure spending—such as costly highway expansions—and prioritize fiscally responsible, high-return investments in housing and transit-oriented development.

Mahalo for the opportunity to testify.

²

<https://www.civilbeat.org/2020/07/stop-falling-for-the-congestion-con/#:~:text=Kathleen%20Rooney%20is%20the%20transportation.And%20it's%20been%20incredibly%20expensive.>

³ <https://t4america.org/wp-content/uploads/2019/05/Repair-Priorities-2019.pdf>

⁴

<https://www.strongtowns.org/journal/2022/12/15/2022-the-year-in-maps-and-charts-from-urban3#:~:text=Lanier%20Hagerty%2C%20Analyst.on%20a%20per%2Dacre%20basis.>

⁵ <https://t4america.org/wp-content/uploads/2019/05/Repair-Priorities-2019.pdf>



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HB-743

Submitted on: 2/12/2025 6:15:47 AM

Testimony for WAL on 2/13/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Sterling Higa	Individual	Support	Written Testimony Only

Comments:

In four years as a housing advocate, I have not encountered an idea as powerful and transformative as land value analysis and cost of service analysis.

Basically, **HB 743 provides the most critical data for making decisions about housing policy and infrastructure investment.**

Land value analysis tells us how productive land is in terms of tax revenue. Cost of service analysis tells us the long-term costs of infrastructure maintenance, repair, and replacement.

Running a government without this information is akin to running a business without a profit and loss statement—irresponsible.

A small investment to fund these analyses will produce a huge return, as the state and counties can make sound decisions about the hundreds of millions of taxpayer dollars they invest each year.

Fortunately for citizens, this measure has 16 introducers, a testament to how proactive and foresighted this current legislature is.

Thank you to House Speaker Nadine Nakamura, Senate President Ron Kouchi, House Finance Chair Kyle Yamashita, Senate Ways and Means Chair Donovan Dela Cruz, and to all the legislators in both houses for advancing and funding this important work.

Please vote yes on HB 743!

HB-743

Submitted on: 2/12/2025 9:18:07 AM

Testimony for WAL on 2/13/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Trey Gordner	Individual	Support	Written Testimony Only

Comments:

Chair Hashem, Vice Chair Lamosao, and Members of the Committee:

I am pleased to submit my testimony **in support** of this legislation in my personal capacity. In my experience as an urban planner and policy researcher, I've seen how infrastructure investments can turn into financial sinkholes if we don't account for long-term costs. And if we don't take the time to assess costs and benefits upfront, we end up paying more for less—just like my sister Hannah.

This summer, Hannah bought a used car—big, shiny, and cheap enough to afford on her salary as a guidance counselor. And she's been paying for it ever since: transmission, brakes, alternator... in the end, she's spent more fixing the car than she did when she left the lot. That's exactly what can happen when we approve new infrastructure projects without understanding their full fiscal impact.

The roads, pipes, and public services that support growth represent large costs to the public, both upfront and ongoing. We should do the math upfront to ensure that developments will produce more tax revenue than their enabling infrastructure consumes. Otherwise, we all end up like my sister—stuck with the bill for something that doesn't work the way it should.

This bill would finally give us the tools to assess whether a project will truly pay for itself—or if it's a lemon dressed up to look like a bargain. Please vote for its passage.

Respectfully submitted,
Trey Gordner

HB-743

Submitted on: 2/12/2025 8:46:47 PM

Testimony for WAL on 2/13/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jacob Wiencek	Individual	Support	Written Testimony Only

Comments:

Aloha Committee Members,

This seems like a common sense bill. Assessing the fiscal impact of development projects is important to managing and reducing burdens of public expenditures. It will help lead to better communities and more sustainable development.

I strongly urge this Committee to SUPPORT this bill!