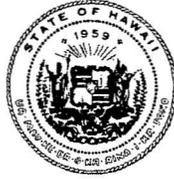


Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

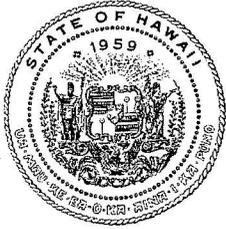
February 27, 2009, 11:00 a.m.
Room 308, State Capitol

In consideration of
H.B. 617, H.D. 1
RELATING TO MASS TRANSIT ROUTE ECONOMIC ZONES.

The HHFDC has the following comment on H.B. 617, H.D. 1, which directs the Director of the Department of Business, Economic Development, and Tourism (DBEDT) to convene a task force to study the feasibility of establishing mass transit route economic zones. We defer to DBEDT with respect to the overall merits of this bill.

We note that on page 2, line 1 of this bill, the Chairperson of the HHFDC Board of Directors is to serve on this task force. Because the Chairperson is an unpaid volunteer, we respectfully suggest that the HHFDC Executive Director be substituted to serve in his place.

Thank you for the opportunity to testify.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE
Friday, February 27, 2009
11:00 AM
State Capitol, Conference Room 308

in consideration of
HB 617 H.D. 1
RELATING TO MASS TRANSIT ROUTE ECONOMIC ZONES.

Chair Oshiro, Vice-Chair Lee and Members of the Committee:

The Department of Business, Economic Development, and Tourism (DBEDT) opposes House Bill 617, which creates a mass route economic zones task force, as being premature. Funding to pay for costs incurred to run this task force, including transportation economists and other specialists, have not been included in this bill. It would not be prudent to incur these expenses in the state's current fiscal environment.

We also believe the task force should be led by the City and County of Honolulu, the primary beneficiary of this bill, for the following reasons:

1. The City & County of Honolulu's Department of Planning & Permitting (DPP) is in the process of developing their Transit Oriented Development Plans, which have yet to definitely determine the actual locations of transit routes and stops;
2. Federal infrastructure stimulus programs will come into play over the course of the coming two years which should also be taken into consideration as additional incentives. These funding programs will be made known to the City and County of Honolulu, and not the state.
3. Generally speaking, the areas close to the transit stops will be a magnet for housing and commercial development, so state incentives would not be needed to generate additional interest.
4. However, if additional incentives are needed, the City should review the incentives that are under its control that it can offer first, such as expedited permitting, waiver of fees and reduction in real property taxes.

Should this bill pass, DBEDT recommends that the City & County of Honolulu take the lead for such a task force, identify the need for incentives and the incentives that the City will

first put on the table. DBEDT, along with other appropriate state agencies, would be pleased to serve as a member of the task force.

Thank you for the opportunity to offer testimony.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
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MUFI HANNEMANN
MAYOR



DAVID K. TANOUE
DIRECTOR

ROBERT M. SUMITOMO
DEPUTY DIRECTOR

February 27, 2009

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
State House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

**Subject: House Bill No. 617, HD1
Mass Transit Route Economic Zones**

The Department of Planning and Permitting has **comments** House Bill 617, HD1, which would establish a temporary task force to study the feasibility of special economic zones around mass transit systems.

We welcome the state's interest in development around transit systems. We are also pleased that HD1 adds our department to the task force. However, we continue to believe that representatives from the private sector, especially the financial and development sectors should also be included. These are the people who have a stake on whether an economic zone is appropriate, and whether any proposed incentives result in actual benefits.

The bill should underscore that the task force be focused on state incentives that complement City's incentives. The City is already investigating financial and other incentives that it can offer to good transit-oriented developments. The task force should also be mindful that incentives should not be crafted for all development projects. Only projects that encourage more smart development like walking-assessable neighborhoods, address community needs and benefits, and/or increase transit ridership should be eligible for incentives and benefits.

Thank you for this opportunity to comment.

Sincerely yours,

A handwritten signature in black ink, appearing to read "David K. Tanoue".

David K. Tanoue, Director
Department of Planning and Permitting

DKT: jmf
hb617hd1-kst.doc



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AMENDED

February 26, 2009

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 617, H.D.1, Relating to Mass Transit Route Economic Zones

HEARING DATE: Friday, February 27, 2009 at 11:00 a.m.

Aloha Chair Oshiro and members of the Committee on Finance.

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR supports H.B. 617, H.D.1, Relating to the Mass Transit Route Economic Zones, which creates a task force to recommend parameters for the creation of mass transit route economic zones and incentives to attract businesses and affordable housing to encourage ridership.

The January 2008 Final Report of the Hawaii State Legislature House of Representatives Interim Task Force on Smart Growth sets forth the following ten principles of smart growth:

- (1) Create a range of housing opportunities and choices;
- (2) Create walkable neighborhoods;
- (3) Encourage community and stakeholder collaboration;
- (4) Foster distinctive, attractive communities with a strong sense of place;
- (5) Make development decisions predictable, fair, and cost effective;
- (6) Mix land uses;
- (7) Preserve open space, farmland, natural beauty, and critical environmental areas;
- (8) Provide a variety of transportation choices;
- (9) Strengthen and direct development toward existing communities; and
- (10) Take advantage of compact building design.

HAR believes that Smart Growth is our road map to sustaining and enhancing the quality of life in our communities and that this bill can be consistent with all of these principles.

In April 2007, Reconnecting America's Center for Transit-Oriented Development issued a report entitled Realizing the Potential: Expanding Housing Opportunities Near Transit, which was funded by the U.S. Department of Transportation Federal Transit Administration ("FTA") and the U.S. Department of Housing and Urban Development ("HUD"). On September 9, 2008, the FTA and HUD submitted to Congress a follow-up report entitled "Better Coordination of Transportation and Housing Programs to Promote Affordable Housing Near Transit."



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The actions described in the follow-up report were intended to address three separate but related facets of the housing challenges near transit.

1. Expand mixed-income and affordable housing choices in the immediate proximity of new and existing transit stations.
2. Develop a more comprehensive approach to address household expenditures on housing and transportation.
3. Preserve existing affordable housing.

HAR believes that the above facets are consistent with and should be considered by the task force contemplated in H.B. 617 in recommending parameters for the creation of mass transit route economic zones and incentives to attract businesses and affordable housing to encourage ridership.

HAR believes that tax exemptions such as General Excise and Use Tax Exemptions and community benefits such as elderly housing and community health care facilities should also be considered by the task force established under H.B. 617, H.D.1, and that Subsections (d)(3) and (5) of Section 1 of H.B. 617, H.D.1, should therefore be amended to read as follows:

- (3) Benefits to be offered to qualified participants, including: tax credits and exemptions for income tax, general excise and use tax, and county real property tax; incentives including regulatory flexibility and permit processing procedures; and any other benefits the task force determines should be considered;
- ...
- (5) Whether there will be a focus on community benefits, affordable housing, elderly housing, medical services, community health care facilities, or any other particular type of participating business, entity, or organization in an economic zone;

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.