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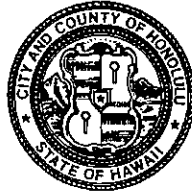
From: Lam, Thelma [tiam@honolulu.gov]
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Importance: High

thank you,

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**Testimony of
MICHAEL R. HANSEN
Director of Budget and Fiscal Services
City and County of Honolulu**

**Before the House Committee on
WATER, LAND AND OCEAN RESOURCES**

**Friday, January 27, 2012
9:00 a.m.
State Capitol, Conference Room 225**

**In consideration of
HOUSE BILL 1924
PROPOSING AMENDMENTS TO THE HAWAII CONSTITUTION, TO BOTH REQUIRE THE
LEGISLATURE TO ENACT LAWS TO AUTHORIZE THE COUNTIES TO ISSUE TAX
INCREMENT BONDS AND TO EXCLUDE THE BONDS FROM DETERMINATIONS OF
THE FUNDED DEBT OF THE COUNTIES**

The City and County of Honolulu (City) submits the following testimony in opposition to House Bill 1924. The City understands the intent of House Bill 1924 is to provide enabling legislation for tax increment financing, however;

1. Tax increment financing (TIF) jeopardizes the City's control of real property taxes, its largest and primary source of revenue. TIF is not an additional tax. It is a part of the normal real property tax collection that would otherwise flow to the City's general fund. TIF diverts a portion of the City's real property taxes from the City's general fund to a particular tax increment district.
2. TIF has the potential to cause unfair and unequal burdens and benefits among real property taxpayers, as real property tax money that would have been used for general government services is redirected to special purposes.
3. TIF bonds present risks that may lead to lower bond ratings, higher borrowing costs, and overall higher tax rates for the City.
4. The cost of TIF has not justified its benefits in other jurisdictions. For more than 50 years, the State of California (California) has authorized its cities and counties to create

redevelopment agencies. Those agencies used TIF extensively which diverted property taxes from the cities and counties to special redevelopment districts. Recently, California repealed that law and is in the process of shutting down those redevelopment agencies. The California Legislative Analyst's Office could find no reliable evidence that the state's costs associated with redevelopment and TIF improved overall economic development.

We do not believe enabling TIF would bring value to the City and believe that TIF would have a material adverse impact on the City's primary source of revenue, its real property taxes. We sincerely hope that you will hold this bill in committee.

Thank you for this opportunity to provide this testimony.