



**Water, Infrastructure, and Transportation Committee
Community Facilities Districts (WIT-38)**

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Planning Director

What is a Community Facilities District?

- ◆ A Community Facilities District or CFD is a special taxing district formed to fund needed public improvements.
 - ◆ Special taxing districts are often used to fund development-related public infrastructure, particularly water, wastewater, drainage and roads in large residential and commercial development projects.
 - ◆ CFDs are also used for new public safety facilities, open space, and park improvements. In Hawaii CFDs can also be used to replace existing improvements.
- ◆ Properties included in a CFD are those that benefit from the new public improvements.
- ◆ Special taxes are levied and collected annually on the general property tax roll to pay for the costs of the improvements.
- ◆ HRS Section 46-80.1 authorizes any Hawaii County having a charter to enact an ordinance providing for the creation of CFDs. All four counties have adopted the enabling ordinances.

Maui County's CFD Ordinance

- ◆ Ordinance 4947 effective, December 24, 2018, established Chapter 3.75, Maui County Code.
- ◆ Allows County to establish a CFD to finance the acquisition, planning, design, construction, installation, improvement or rehabilitation of any real property or structure with a useful life of five years or more.
- ◆ Improvements can be located inside or outside the District.
- ◆ Improvements can be funded by bonds or “pay as you go.”
- ◆ Authorized improvements include; streets, roads, highways, bikeways, parking, lighting, park and recreational facilities, open space, cultural facilities, utility undergrounding, water and wastewater facilities, police and fire facilities, drainage, transit, shoreline restoration, and other public projects.

Why use CFD Financing?

- ◆ CFDs can significantly lower the upfront cost of public infrastructure needed to support new development. Lower upfront cost may allow for the development of lower cost homes and/or additional community amenities - a form of public/private partnership.
- ◆ CFDs may allow certain public improvements to be constructed earlier in the development process than they might otherwise be....an alternative to impact fees.
- ◆ CFD bonds are secured only by the property subject to the tax and not the General Fund.
- ◆ CFD financing may allow the County to better prioritize the spending of General Fund monies in areas of need.
- ◆ CFDs allow for the benefitting property owners to finance needed or desired public improvements that would otherwise not be financeable (bank or other private financing not available or feasible).

First steps in forming a CFD

- Identify public projects with regional or localized benefits (not general island-wide benefits).
- Identify benefiting properties and property owners; create map of district (properties do not have to be contiguous).
- Meet and discuss with developers, property owners or property owner groups to assess support.
- CFD can be initiated by property owner petition (25%) or Council action.
- County CFD team develops proposed special tax rates working with property owners or developers. Council votes on a resolution of intention to form the district and sets a public hearing.
- Public hearing is held to approve the special tax; 55% property owner protest at hearing stops CFD process.
- If CFD is approved by the County Council, special tax is levied on the regular property tax roll.
- Annual tax is levied for bond debt service if bonds are issued or for “pay as you go” funding.
- Annual administrative costs are included.
- Bonds are approved by the County Council, sold by the County, and secured only by the CFD special taxes;
- Bonds are secured by tax liens on property; County collects the special taxes.

Challenges and Costs

- ◆ Additional administrative burden on County staff in overseeing CFD formation, issuing bonds, levying special taxes, providing ongoing bond disclosure and making bond payments.
- ◆ Although not General Fund debt, the County would have additional bond debt. The County would need to be cautious and conservative in their issuance to minimize the risk of bond default.
- ◆ Forming CFDs may be controversial. Other than developers, individual property owners may protest and/or may litigate CFD formation. Other local groups may object to the improvements or the idea of special tax districts.
- ◆ Using CFDs would be a departure from current financing practices.

Policy Questions

- ◆ Should the County assist developers or property owners with financing public infrastructure or improvement costs?
- ◆ Is the County willing to accept the risk, and the added responsibility of issuing and administering CFD bonds?
- ◆ Should the County provide existing communities with the ability to fund new public infrastructure through a CFD?
 - ◆ Are there public projects on Maui, like beach restoration, that can not be funded privately? Does a CFD favor one group of homeowners over another in terms of local public infrastructure or does a CFD free up County funds for other needed priorities? Is there community support?
 - ◆ If the answer is “no” then what are the alternatives?

Questions?

