



Testimony RE: EDB-76
March 29, 2019
Submitted by Nick Drance

Chair, I'll ask for an additional 20 seconds to complete my Testimony, which I hope you will grant.

Aloha Council Members!

Some of you might think The Maui Miracle is about some dreamy woo woo thing, lets get along, it's the New Dawn, embrace change, kumbaya.

Well, actually, I'm a business man and today I'm wearing my business man hat. I've either been VP or President for 30 years. The last 20 running my own company. That's why I took a look at the Financials of this project. You have copies that illustrate my points.

In the end, everything comes down to business and that's the foundation of The Maui Miracle.

“Preserving the long term economic, cultural and environmental sustainability of the island”. They all go hand in hand, you can't have one without the other. That is the headline of The Maui Miracle.org website.

From the economic side, this project is a disaster. This a big risk that depends on developers from the mainland and Honolulu building just about 1.5 million square ft of “stuff”. That's broken down to:

- 913 housing units at \$500k.
- 543,000 sq ft. of Commercial space, mostly at \$500 sq ft.

(I think currently we probably have half that amount in empty commercial space right now)

MAR 29 2019

RECEIVED AT EDD MEETING ON _____

Now if all **doesn't** happen, we loose.

If all of it **does** happen,

we've got another \$50,000,000 in interest costs. The projections require 30 years of continuous construction until 2048. I won't live that long but I sure as hell don't want to spend my final years watching all that commotion.

I'd rather see an island so advanced in clean energy and responsible agriculture, good paying jobs for young people that go with that so they can stay on our island.

I'd rather recognize the fact that we are guests on a land we took and have sucked every dollar we could squeeze out of it since then... not to mention what we do to it every day.

This project would never fly in the business world. It's too risky. It's not worth it.

I don't think very many people in Wailuku are ready for a \$500,000 Mortgages. We don't need to worry about small business owners because they'll be gone.

So, one of the many collateral costs is the loss of a town and place for it's residents to live...but that falls under the Cultural sustainability aspect actually.

Another cost **is all the things we can't do because we borrowed all that money**. That speaks to environmental sustainability; The State of Hawaii's Sea Level Rise Report shows which highways will be flooded and which beaches will be gone unless we move or rebuild them on higher ground. *Shipping our sand to Honolulu is unforgivable.*

Another cost is not providing low interest loans to homeowners to address our 22,000 Cesspools that inject raw sewage into the Aina. Year before last, the State of Hawaii said the ones above the Upcountry Aquifer are a priority. We're seeing early signs of contamination. That's environmental but it's going to be economic and financial for the County. That's the short list.

Long term sustainability shouldn't require a miracle. No one can force an island to self destruct and this project is a major step in financial, cultural and environmental self destruction.

The good people in the Planning Dept. can be asked to help in restoring Wailuku town. They can help execute an Eco-tourist model consistent with a broader island wide plan. Many of the 300 people that showed up at last nights eye opening Aina First gathering on Food Security in the Climate Change Era would pitch in to help.

Let's remember. By the time our childrens children are our age, Maui will be well on it's way to becoming two islands. Let's not rearrange the chairs on the Titanic, lets build a new ship. That's not a miracle. It's smart business.

Table C-4**County of Maui Wailuku Civic Hub****Financing Plan****General Obligation Bond Analysis Summary****Scenario 1b: Assumes No State Funding & 25-Year GO Bond Term****General Obligation Bond Assumptions**

Average Interest Rate	4.00%
Capitalized Interest (Months)	0
Bond Term (Years)	25
Reserve Fund as a % of Bond Issue	0.00%
Capitalized Interest as a % of Bond Issue	0.00%
Issuance Cost / Underwriter's Discount as a % of Bond Issue	2.00%

General Obligation Bond Sources

Number of Issues: 1

<u>Bond Issue</u>	<u>Timing of Bond Issue</u>	<u>Total Bonds Issued</u>	<u>Proceeds Available for Infrastructure</u>
1st	2019	\$78,367,000	\$76,800,000
		<u>\$78,367,000</u>	<u>\$76,800,000</u>

General Obligation Bond Uses

Construction Costs Funded by Bonds	\$76,800,000
Reserve Fund	\$0
Capitalized Interest	\$0
Issuance Costs / Underwriter's Discount	\$1,567,000
Total	<u>\$78,367,000</u>

General Obligation Bond Debt Service Summary

	<u>Gross</u>	<u>Gross (2018\$)</u>	<u>Net (2018\$)</u>
Average Annual Debt Service	\$4,987,801	\$3,735,129	\$2,588,481
Maximum Annual Debt Service	\$4,987,801	\$4,777,721	\$4,694,493
Total Debt Service	\$124,695,026	\$93,378,220	\$25,884,813

Tax Increment Revenue Summary

	<u>Total</u>	<u>Surplus</u>
Average Annual Tax Increment Revenues	\$6,836,994	\$6,883,128
Total Tax Increment Revenues	\$198,313,723	\$130,820,316

Table A-4
County of Maui Wailuku Civic Hub
Financing Plan
Tax Increment Summary

Calendar Year:	2042	2043	2044	2045	2046	2047	2048
Fiscal Year:	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2048-49
<u>Tax Increment (TI) Revenue</u>							
Wailuku Civic Hub	\$102,200	\$105,821	\$109,570	\$113,453	\$117,473	\$121,635	\$125,945
Potential WRA Redevelopment	\$9,168,636	\$9,501,702	\$9,846,570	\$10,203,658	\$10,573,398	\$10,956,239	\$11,352,645
Remaining WRA Parcels	\$1,507,536	\$1,601,842	\$1,699,490	\$1,800,597	\$1,905,287	\$2,013,686	\$2,125,926
Total Tax Increment Revenue	\$10,778,372	\$11,209,366	\$11,655,630	\$12,117,707	\$12,596,157	\$13,091,560	\$13,604,516

Source: Goodwin Consulting Group, Inc.

Page 4 of 4

11/05/2018

Table A-1
County of Maui Wailuku Civic Hub
Financing Plan
Tax Increment Assumptions

<i>Land Use Types</i>	<i>Residential Units or Hotel Rooms</i>	<i>Total Building Sq. Ft.</i>	<i>Average Market Value per Unit/ Bldg SF</i>	<i>Base Year FY 2017-18 Net Taxable Value for All Acreage</i>	<i>Base Year FY 2017-18 Real Property Tax for All Acreage</i>	<i>Projected Increase in Net Taxable Value from New Development</i>	<i>RPT Rate</i>	<i>Projected Increase in RPT from New Development (2018\$)</i>
Wailuku Civic Hub								
Specialty Grocery		10,954	\$500 per SF	\$0	\$0	\$5,477,000	\$7.28	\$39,873
Other Retail		1,651	\$500 per SF	\$0	\$0	\$825,500	\$7.28	\$6,010
Total Wailuku Civic Hub		12,605		\$0	\$0	\$6,302,500		\$45,882
Potential WRA Redevelopment								
<i>Residential:</i>								
Resident Ownership Units	27 units	27,000	\$500,000 per Unit	<i>incl in Total</i>	<i>incl in Total</i>	\$8,100,000	\$2.86	\$23,166
Market Rate Rental Units	724 units	723,960	\$500,138 per Unit	<i>incl in Total</i>	<i>incl in Total</i>	\$361,980,000	\$6.32	\$2,287,714
Affordable Rental Units (80% of Median)	135 units	124,028	\$459,635 per Unit	<i>incl in Total</i>	<i>incl in Total</i>	\$0	\$0.00	\$0
Vacation Rental Units	27 units	27,000	\$500,000 per Unit	<i>incl in Total</i>	<i>incl in Total</i>	\$13,500,000	\$7.28	\$98,280
Subtotal	913 units	901,988		<i>incl in Total</i>	<i>incl in Total</i>	\$383,580,000		\$2,409,160
Commercial (Includes Retail and Office)		336,155	\$500 per SF	<i>incl in Total</i>	<i>incl in Total</i>	\$142,077,500	\$7.28	\$1,034,324
Resort/Hotel	207 rooms	207,200	\$400 per SF	<i>incl in Total</i>	<i>incl in Total</i>	\$82,880,000	\$9.37	\$776,586
Total Potential WRA Redevelopment		1,445,343		\$34,609,900	\$231,288	\$573,927,600		\$3,988,781
Remaining WRA Parcels				\$168,950,600	\$1,154,000	\$0		\$0
Total WRA				\$203,560,500	\$1,385,288	\$580,230,100		\$4,034,664
FY 2017-18 Real Property Tax Rates (per \$1,000 in AV)								
Residential		\$5.54						
Apartment		\$6.32						
Commercial		\$7.28						
Industrial		\$7.49						
Agricultural		\$6.01						
Conservation		\$6.37						
Hotel & Resort		\$9.37						
Time Share		\$15.43						
Homeowner		\$2.86						
Commercialized Residential		\$4.56						
Exempt		\$0.00						
Est. Avg. Annual Increase in Assessed Values (Inflation Adjusted)			3.54%					
Est. Avg. Annual Inflation Rate			2.17%					

Sources: County of Maui; Wailuku Civic Hub; Fiscal Impact Analysis; Bureau of Labor Statistics; Goodwin Consulting Group, Inc.

Table A-3.2
County of Maui Wailuku Civic Hub
Financing Plan
Tax Increment Projections

Potential WRA Redevelopment								
Calendar Year:	2042	2043	2044	2045	2046	2047	2048	2048
Fiscal Year:	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2047-48	2048-49
Assessed Valuation (AV)								
Residential								
Resident Ownership Units	\$31,135,831	\$32,239,063	\$33,381,386	\$34,564,184	\$35,788,892	\$37,056,995	\$38,370,030	\$38,370,030
Market Rate Rental Units	\$834,855,428	\$864,436,748	\$895,066,219	\$926,780,980	\$959,619,486	\$993,621,554	\$1,028,828,413	\$1,028,828,413
Affordable Rental Units (80% of Mediar)	\$143,026,478	\$148,094,316	\$153,341,722	\$158,775,059	\$164,400,914	\$170,226,109	\$176,257,708	\$176,257,708
Vacation Rental Units	\$31,135,831	\$32,239,063	\$33,381,386	\$34,564,184	\$35,788,892	\$37,056,995	\$38,370,030	\$38,370,030
Subtotal	\$1,040,153,568	\$1,077,009,190	\$1,115,170,712	\$1,154,684,406	\$1,195,598,183	\$1,237,961,653	\$1,281,826,182	\$1,281,826,182
Non-Residential								
Commercial (Includes Retail and Office)	\$387,646,868	\$401,382,307	\$415,604,432	\$430,330,488	\$445,578,331	\$461,366,448	\$477,713,983	\$477,713,983
Resort/Hotel	\$191,150,942	\$197,923,967	\$204,936,981	\$212,198,485	\$219,717,285	\$227,502,499	\$235,563,564	\$235,563,564
Subtotal	\$578,797,809	\$599,306,274	\$620,541,413	\$642,528,973	\$665,295,616	\$688,868,946	\$713,277,547	\$713,277,547
Total	\$1,618,951,378	\$1,676,315,464	\$1,735,712,125	\$1,797,213,379	\$1,860,893,800	\$1,926,830,600	\$1,995,103,729	\$1,995,103,729
Less: Exemptions								
Residential								
Resident Ownership Units	(\$12,454,333)	(\$12,895,625)	(\$13,352,554)	(\$13,825,673)	(\$14,315,557)	(\$14,822,798)	(\$15,348,012)	(\$15,348,012)
Market Rate Rental Units	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Affordable Rental Units (80% of Mediar)	(\$143,026,478)	(\$148,094,316)	(\$153,341,722)	(\$158,775,059)	(\$164,400,914)	(\$170,226,109)	(\$176,257,708)	(\$176,257,708)
Vacation Rental Units	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	(\$155,480,811)	(\$160,989,941)	(\$166,694,276)	(\$172,800,732)	(\$178,716,471)	(\$185,048,907)	(\$191,605,720)	(\$191,605,720)
Non-Residential								
Commercial (Includes Retail and Office)	(\$59,965,305)	(\$62,090,048)	(\$64,290,076)	(\$66,568,058)	(\$68,926,755)	(\$71,369,027)	(\$73,897,836)	(\$73,897,836)
Resort/Hotel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	(\$59,965,305)	(\$62,090,048)	(\$64,290,076)	(\$66,568,058)	(\$68,926,755)	(\$71,369,027)	(\$73,897,836)	(\$73,897,836)
Total	(\$215,446,116)	(\$223,079,989)	(\$230,984,352)	(\$239,168,790)	(\$247,643,225)	(\$256,417,934)	(\$265,503,557)	(\$265,503,557)
Net Taxable AV								
Resident Ownership Units	\$18,681,499	\$19,343,438	\$20,028,831	\$20,738,510	\$21,473,335	\$22,234,197	\$23,022,018	\$23,022,018
Market Rate Rental Units	\$834,855,428	\$864,436,748	\$895,066,219	\$926,780,980	\$959,619,486	\$993,621,554	\$1,028,828,413	\$1,028,828,413
Affordable Rental Units (80% of Mediar)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vacation Rental Units	\$31,135,831	\$32,239,063	\$33,381,386	\$34,564,184	\$35,788,892	\$37,056,995	\$38,370,030	\$38,370,030
Subtotal	\$884,672,758	\$916,019,249	\$948,476,436	\$982,083,674	\$1,016,881,713	\$1,052,912,746	\$1,090,220,462	\$1,090,220,462
Non-Residential								
Commercial (Includes Retail and Office)	\$327,681,563	\$339,292,259	\$351,314,356	\$363,762,431	\$376,651,576	\$389,997,421	\$403,816,147	\$403,816,147
Resort/Hotel	\$191,150,942	\$197,923,967	\$204,936,981	\$212,198,485	\$219,717,285	\$227,502,499	\$235,563,564	\$235,563,564
Subtotal	\$518,832,504	\$537,216,227	\$556,251,337	\$575,960,916	\$596,368,862	\$617,499,919	\$639,379,711	\$639,379,711
Total	\$1,403,505,262	\$1,453,235,475	\$1,504,727,773	\$1,558,044,590	\$1,613,250,574	\$1,670,412,665	\$1,729,600,173	\$1,729,600,173
Less: Base Year AV	(\$34,609,900)	(\$34,609,900)	(\$34,609,900)	(\$34,609,900)	(\$34,609,900)	(\$34,609,900)	(\$34,609,900)	(\$34,609,900)
Increment AV	\$1,368,895,362	\$1,418,625,575	\$1,470,117,873	\$1,523,434,690	\$1,578,640,674	\$1,635,802,765	\$1,694,990,273	\$1,694,990,273
Tax Increment Revenue								
	<i>RPT per \$1,000 AV</i>							
Resident Ownership Units	\$2.86	\$51,601	\$53,429	\$55,322	\$57,282	\$59,312	\$61,414	\$63,590
Market Rate Rental Units	\$6.32	\$5,095,730	\$5,276,286	\$5,463,240	\$5,656,819	\$5,857,256	\$6,064,795	\$6,279,688
Affordable Rental Units (80% of Mediar)	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vacation Rental Units	\$7.28	\$218,912	\$226,669	\$234,700	\$243,016	\$251,627	\$260,543	\$269,775
Subtotal		\$5,366,243	\$5,556,384	\$5,753,263	\$5,957,117	\$6,168,195	\$6,386,752	\$6,613,053
Non-Residential								
Commercial (Includes Retail and Office)	\$7.28	\$2,303,888	\$2,385,522	\$2,470,048	\$2,557,569	\$2,648,190	\$2,742,023	\$2,839,181
Resort/Hotel	\$9.37	\$1,729,793	\$1,791,084	\$1,854,548	\$1,920,260	\$1,988,300	\$2,058,751	\$2,131,698
Subtotal		\$4,033,681	\$4,176,606	\$4,324,595	\$4,477,828	\$4,636,490	\$4,800,774	\$4,970,880
Total		\$9,399,924	\$9,732,990	\$10,077,858	\$10,434,945	\$10,804,685	\$11,187,526	\$11,593,933
Less: Base Year RPT		(\$231,288)	(\$231,288)	(\$231,288)	(\$231,288)	(\$231,288)	(\$231,288)	(\$231,288)
Total Tax Increment		\$9,168,636	\$9,501,702	\$9,846,570	\$10,203,658	\$10,573,398	\$10,956,239	\$11,352,645