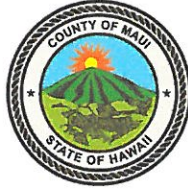


ALAN M. ARAKAWA  
Mayor



COUNTY OF MAUI  
**DEPARTMENT OF FINANCE**  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793

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DANILO F. AGSALOG  
Director  
MARK R. WALKER  
Deputy Director

September 9, 2016

Honorable Alan M. Arakawa  
Mayor, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

For Transmittal to:

Honorable Don S. Guzman, Chair  
Economic Development, Energy, Agriculture, and Recreation Committee  
200 South High Street  
Wailuku, Hawaii 96793

Dear Mr. Guzman:

**SUBJECT: SPECIAL IMPROVEMENT DISTRICTS (EAR-36)**

Pursuant to your letter dated September 2, 2016, requesting comment for the proposed bill seeking to establish by ordinance, a Special Improvement District (SID). The Department of Finance has more questions than answers at this juncture. After discussing the proposed bill with staff we have some initial concerns/questions which we have articulated below:

*MCC 3.70.100 (4) List by tax map key number the parcels of lands to be assessed within the district.*

Concern: How will new parcels, dropped parcels, or consolidated parcels be affected?

*MCC 3.70.190 (B) All special assessments levied shall be due and payable according to the terms established by the district board.*

APPROVED FOR TRANSMITTAL

  
\_\_\_\_\_  
Acting Mayor Date

Concern: Any billable cycle that is not parallel to the real property tax bill cycle will require additional personnel and a procurement to acquire a new billing print vendor.

*MCC 3.70.190 (C) Failure to pay the amount assessed when due shall thereafter bear penalty and interest at rates and terms determined by the district board....*

Concern: If penalty and interest amounts are different than the existing real property tax delinquency rates, funds will be necessary to cover the modification charges by the vendor.

Concern: Who has the authority to waiver penalty and interest?

*MCC 3.70.190 (F) By a date set...the director of finance shall prepare and submit a report to the district board summarizing the special assessments collected, that remain unpaid...*

Concern: These reports currently do not exist and funds will be necessary to cover the modification charges by the vendor.

*MCC 3.70.200 (C) If any special assessment is not paid when due, the department of finance may, after not less than two months of delinquency, foreclose the lien...*

Concern: Foreclosure proceedings will require additional staffing and funding to hold proceedings.

*MCC 3.70.210 (A) For the first assessment year of a district, notices of the special assessment shall be sent to all assessed landowners...*

Concern: Additional funding will be needed for printing of notice contract, postage, and programming into the database. If the notice is on a different billing cycle from the existing real property tax bills, then additional funding will be needed for a new contract.

Concern: Who will be responsible for questions that arise from inquiries?

*MCC 3.70.220 Special assessment notice to prospective buyer or lessee of parcel of land.*

Concern: Who is responsible for making sure this being done?

The above concerns are just our initial thoughts considering the time given to the department to review and make comments. I am sure there are many other concerns that we have not contemplated yet.

The second part of the question was to comment on whether this form of tax increment financing would present problems for the County.

Tax increment financing (TIF) is a tool that has been used in many jurisdictions in the United States. There are jurisdictions where TIF has been successful and useful. However, there have been jurisdictions where TIF has been abused and created financial burden to them. The State of California, where this financing tool originated, is now trying to eliminate it. For the County of Maui, it is a departure from the traditional funding or appropriation of funding mechanism where the Council and the Administration raise the revenue they need to fund the project they intend to do. In the proposed SID bill it seems to indicate that the "Board" of the district will use or appropriate the revenue that the Council and Administration will raise for them.

Special district financing may also give the public or other taxpayers a false impression that the County Council and Administration is favoring a certain area by funding projects within the special district.

Thank you for the opportunity to provide our initial thoughts regarding this matter and should you have any questions, please feel free to contact me at Ext. 7475.

Sincerely,



DANILO F. AGSALOG  
Director of Finance

cc: Scott K. Teruya, Real Property Tax Administrator  
Jeffery Ueoka, Deputy Corporation Counsel