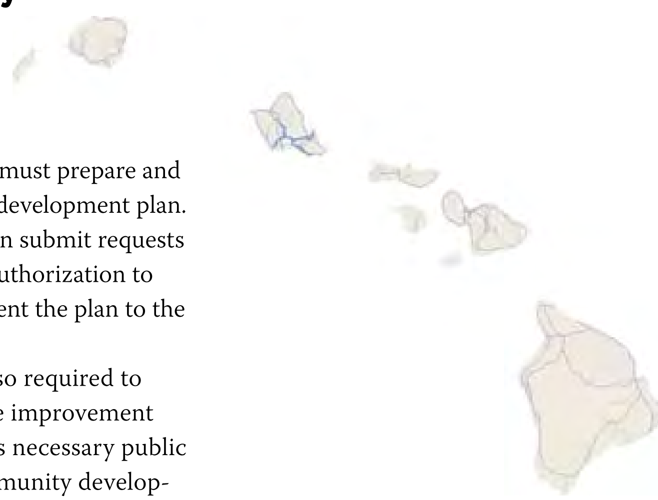
COMMUNITY DEVELOPMENT DISTRICTS

NCSL included the HAWAII COMMUNITY DEVELOPMENT AUTHORITY (HCDA) in this study because of the comprehensive state enabling legislation that encourages implementation of the program by designating community development districts (CDDs). The legislation includes a requirement that the HCDA prepare a comprehensive community development plan for the designated CDDs and an affordable housing provision.

Hawaii Community Development Authority

HAWAII REV. STAT. § 206E-1 ET SEQ.



The Hawaii Community Development Authority (HCDA), established within the Department of Business, Economic Development and Tourism in 1976, celebrated its 30th anniversary in 2006. HCDA was established by the Hawaii legislature to focus on redeveloping underused areas through the use of traditional community development mechanisms and public-private initiatives. About 80 percent of the funds issued under the program go to public entities for various projects including utilities, roads and sidewalks.

The HCDA has a $1.56 million budget and employs about 20 staff. The authority is empowered to:

- ➤ Prepare community development plans for all designated community development districts;
- ➤ Acquire and transfer real property, including through the use of eminent domain;
- ➤ Acquire, construct or rehabilitate projects and public facilities; and
- ➤ Meet affordable housing requirements in any community development district through the construction of reserved housing (defined as low- or moderate-income housing).

The legislature may designate community development districts where it determines an area is in need of replanning, renewal or redevelopment. Once a district has been designated by the legislature, the HCDA must prepare and approve a community development plan. The governor must then submit requests for appropriations or authorization to issue bonds to implement the plan to the legislature.

The authority is also required to develop a district-wide improvement program that identifies necessary public facilities within a community development district. The costs of funding public facilities as part of a district wide improvement program shall be assessed against real property within the community development district that benefit from the facilities. The authority is empowered to issue general obligation bonds authorized by the Legislature to finance the public facilities. The bonds are to be secured by the property assessments and are exempt from all state and local taxation except transfer and estate taxes.

In addition to general obligation bonds, the authority may issue revenue bonds in amounts that do not exceed the Legislature's authorization and which are approved by the Governor. Revenue bonds are exempt from all state and local taxation except transfer and estate taxes. They are issued in the name of the authority and are not an obligation of the state. The bonds are payable from and secured by revenues generated by the public facilities for which they are issued. The authority must establish separate special funds for each public facility financed by revenue bonds.

The Kaka'ako area of Honolulu, a mixed-use and mixed-income community, was the first CDD designated under the statute (See case study on page 9).

Another good example is the Kalaeloa District, which was designated a redevelopment district and transferred to HCDA authority in 2002. The Kalaeloa District's five-year redevelopment plan was adopted by HCDA in 2005 and a draft master plan was finalized in March 2006. Kalaeloa, a former Naval Air Station that was closed in 1999, will become a mixed-income, mixed-use district through the multi-stage development plan extended through 2025.

CASE STUDY: HAWAII'S KAKA'AKO COMMUNITY DEVELOPMENT DISTRICT

Innovative infrastructure financing by the State of Hawaii has brought vitality and opportunity to a long-underused part of Honolulu. State-of-the-art infrastructure and public facilities are the centerpiece of a major redevelopment project in the city's Kaka'ako community. The 600-acre site includes mixed-income housing, commercial properties and new parks.

Photos courtesy HCDA

Road and park improvements financed by the Kaka'ako CDD.

The entire area is part of a community development district (CDD) made possible by the Hawaii Community Development Authority (HCDA). The original HCDA enabling legislation designated the Kaka'ako area of Honolulu as the first community development district under the statute. At the time of its designation the area was determined to be significantly underdeveloped and underutilized relative to its central location in urban Honolulu. Every dollar invested by the state in the Kaka'ako CDD has brought ten dollars in private sector investment.

Hawaii designed the community development district legislation to encourage a detailed planning process that involves the public sector, private sector and the community's residents. The CDD process opens avenues for bonds and other types of low-cost infrastructure financing that is effective in leveraging private sector investment. The HCDA works with public- and private-sector organizations to assess the community's infrastructure needs, plan and schedule a construction program, and determine the most cost-effective financing strategies.

In designating Kaka'ako as the HCDA's first CDD, the Legislature recognized the community's potential for increased growth and development and its inherent economic importance to Honolulu as well as to the state. The Legislature foresaw that the redevelopment of Kaka'ako would offer tremendous opportunities to address the need for more housing, parks, and open areas, as well as new commercial and industrial space near downtown Honolulu.

According to the HCDA, at the time of designation the population of the area was 2,798 living in 1,100 residential units. All of these units were market rentals. Today, the area is home to more than 6,000 people, residing in over 3,240 market units and another 1,388 affordable units produced through HCDA. Parks in the mixed-use, mixed-income Kaka'ako community area were expanded from 1.65 acres to more than 45 acres, and the University of Hawaii's new medical school chose to locate in the revitalized neighborhood.

A central aspect of the redevelopment initiative was an upgrade of the area's infrastructure—both roads and utilities. Before the redevelopment project could move forward, that infrastructure had to be expanded and modernized to meet the needs of the increased population and the associated commercial activities. The state invested $217 million in the infrastructure redevelopment within the Kaka'ako CDD. That public investment has helped to leverage more than $2 billion in private sector investment.

The combined investment of public and private funds is making it possible for Kaka'ako's residents to live in a safe and attractive environment that offers excellent facilities for shopping, entertainment, education, culture, and social activities.

The Kaka'ako District includes the waterfront area from Kewalo Basin to Forrest Avenue and the downtown HECO power plant site.

HCDA determines the location of improvement districts within the district based on infrastructure requirements in the area. In Kaka'ako, many improvement districts have been concentrated in the areas with the worst drainage problems. Other factors such as improving traffic flow and helping to provide necessary electrical, telecommunications, water, and sewer systems to encourage adjacent development, also contribute to the decision.

The redevelopment effort has included a dozen major roadway improvement projects, including a $17 million project to improve the infrastructure of Ilalo Street, from Ahui Street to Forrest Avenue. The improved roadway was opened to the public on April 1, 2003. Now that construction is completed, Ilalo Street is a beautifully landscaped boulevard that serves as the principal collector street for Kaka'ako Makai and also provides an attractive and comfortable pedestrian environment.

For this project, new water, sewer, drainage and underground utility systems were installed along with the construction of a new roadway, driveways, a pedestrian-way, curbs and gutters. Construction on the Ilalo Street project took about 30 months.

This document is a portion of NAHB's report
Infrastructure Solutions: Best Practices from Results-Oriented States.

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