

STATE OF HAWAII  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY  
Kalaeloa Community Development District  
Honolulu, Hawaii 96813

June 6, 2018

Chairperson and Members  
Hawaii Community Development Authority  
State of Hawaii  
Honolulu, Hawaii

HCDA Board Members:

**SUBJECT:** Shall the Authority Approve the Kalaeloa Community Development District Operating Budget for Fiscal Year 2018-2019 in the Amount of \$417,810 and Authorize the Issuance of Land User Assessments, in the Amount of \$300,000, Pursuant to Hawaii Revised Statutes § 206E-196?

**SUMMARY:**

Submitted for board consideration and approval, is the operating budget for the Kalaeloa Community Development District (KCDD), in the amount of \$417,810 and corresponding annual assessment, in the amount of \$300,000, pursuant to Hawaii Revised Statutes (HRS) § 206E-196.

**AUTHORITY:**

The power to assess all land users, except the federal government, for their share of costs required to administer and operate the KCDD provided for under HRS § 206E-196 Assessment for operating costs, which reads:

- (A) The authority shall have the power to assess all land users, except the federal government, for their fair share of the costs required to administer and operate the Kalaeloa Community Development District, which may include costs associated with staffing. Assessments shall be based on each landowner's proportionate share of the total acreage in the Kalaeloa community development district.
- (B) The assessment shall be set by the authority annually, based upon the operating budget for the district, and adjusted for any actual expenditures made in the prior year in excess of the prior approved budget. The assessments shall be paid to the authority in semiannual payments commencing thirty days after the beginning of the fiscal year.
- (C) The authority may charge interest or other fees on assessment amounts not paid on a timely basis, and may withhold services or approval of governmental permits for land users delinquent in payments.

(D) For the purposes of this section, “land user” includes the owner of land; provided that the landowner may assign the responsibility for payment of assessments to the lessee or licensee of the land.

**BACKGROUND:**

In 2003, the HCDA established a Memorandum of Understanding with the non-federal land users in the district with an annual operating budget of \$200,000. Since 2003, this amount has remained unchanged.

The proposed increase of the assessment to \$300,000 is consistent with feedback provided to staff by that Authority during the June 1, 2016 meeting of the Kalaeloa Authority. The increase was deferred at the Authority’s July 5, 2017 Authority meeting at the recommendation of the Executive Director.

The operating budget is limited to revolving funds that the HCDA expects to use or encumber during the period from July 1, 2018 to June 30, 2019. As a result, expenditures of revolving funds encumbered in previous years are excluded from this budget as the expenditure of these funds were subject to previous approval when:

1. The operating budget for the period is originally authorized, and
2. The Authority authorizes the Executive Director to enter into the individual contract and encumber the funds.

This type of operating budget follows a current/available resources approach, which is primarily driven by the State requirement mandating that full contract funding must be available upon execution of the agreement.

A summary of staff’s recommended operating budget, including the fiscal year 2018-2019 assessment is provided below.

Description	Operating Budget	Source of Funds	
		HCDA	HRS § 206E-196 Assessment
<b>Operating Expenditures</b>			
Personnel (2 FTE)	\$ 257,310	\$ 117,810	\$ 139,500
Share of AG Services	93,000		93,000
Office & Equipment	67,500		67,500
<b>Total</b>	<b>\$ 417,810</b>	<b>\$ 117,810</b>	<b>\$ 300,000</b>

**ANALYSIS:**

The State of Hawaii, through the HCDA has recently made significant commitments and investments in the Kalaeloa community development district to support an increase in the land user assessments from \$200,000 to \$300,000, which include:

- Enterprise Energy Corridor - \$13,000,000
- Kalaeloa Master Plan Update - \$500,000
- Kalaeloa Reliable Energy Study - \$421,746
- Right of Way Survey - \$200,000

In addition to these investments, an increase in permit and development activity is expected in fiscal year 2018-2019. In 2018, the HCDA also issued a lease and development permit to Aloha Solar to develop a 5-megawatt photovoltaic facility, which includes a HECO transmission line down Coral Seas. This project will not only generate revenue to support the district in the future, it also introduces a new source of reliable power to the district.

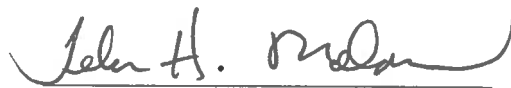
With the proposed assessment of \$300,000, there is a remaining balance of \$117,810 that must be subsidized by the Hawaii Community Development Revolving Fund for fiscal year July 1, 2018 to June 30, 2019. Staff does not recommend an assessment for the full \$417,810 to cover the entire operating budget. This recommendation is consistent with staff's previous recommendations to the Authority in 2016 and 2017 to gradually increase the assessment. With the assessment generally passed through to land users who are small businesses, staff requests that at least one year of advanced notice be provided for any planned assessment increase.

**RECOMMENDATION:**

HCDA staff recommends that the Authority:

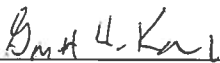
1. Approve the operating budget for the Kalaeloa Community Development District in the amount of, \$417,810.
2. Approve the issuance of land owner assessments in the amount of \$300,000

Respectfully submitted,



Tesha H. Malama  
Kalaeloa Director of Planning and Development

APPROVED FOR SUBMITTAL:



Garett H. Kamemoto, Interim Executive Director  
Hawaii Community Development Authority

