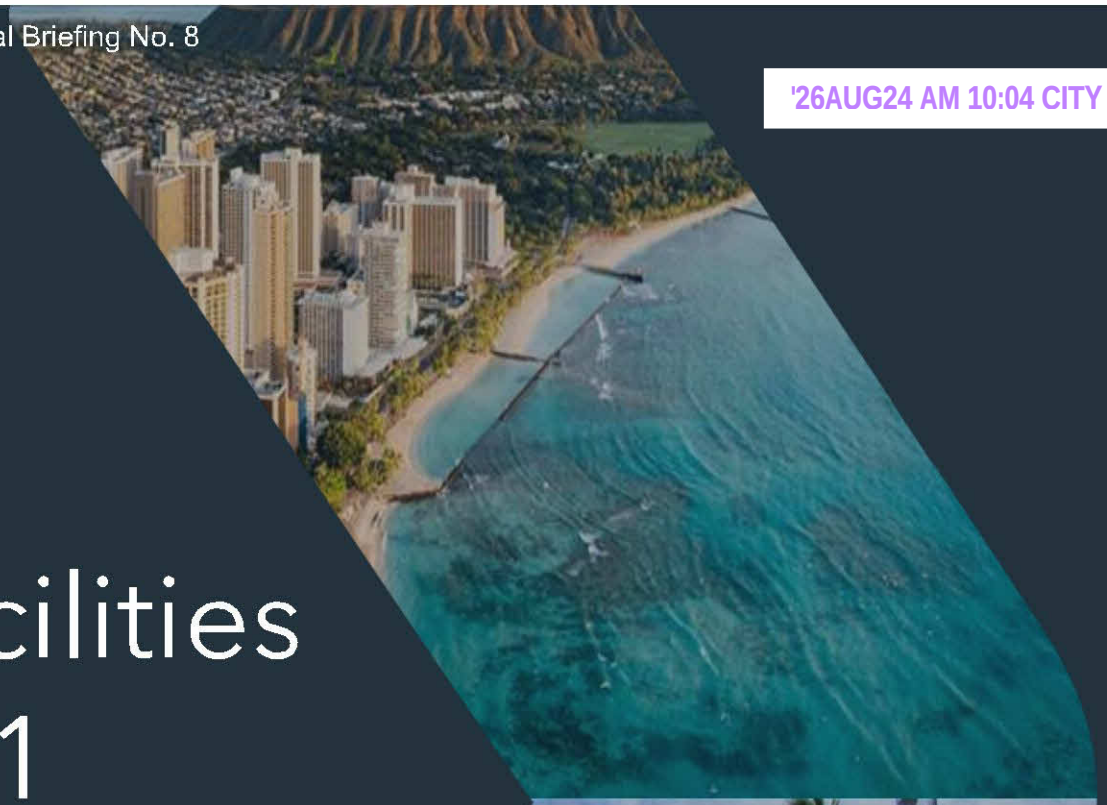
Submitted by Fieldman, Rolapp & Associates, Inc. for Informational Briefing No. 8
Committee on Budget | August 25, 2026

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Community Facilities District 101



City and County of Honolulu Budget Committee Meeting

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August 25, 2026

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FIELDMAN 60 YEARS of Experience, Integrity & Service

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01

Introduction



Current Financing Options for County Debt Issuance

General Obligation Bonds

- Backed by full faith and credit for payment of principal and interest.
- Payments made by county's general revenues, such as real property tax.
- Subject to county's debt limit.

Revenue Bonds

- Payables solely from the earnings or user funds of a specific project.
- Maybe secured by specific user funds or a combination of project revenues and user taxes.
- County's general revenue is not pledged.
- Not subject to county's debt limit.

Special Improvement Bonds (Special Assessment Bonds)

- Secured by and repaid through assessments levied directly against real property that benefits from the improvements.
- Not subject to county's debt limit.

Revenue and Tax Anticipation Notes

- Short term in nature.
- Issued to meet budgeted appropriations in anticipation of upcoming revenue collections.
- Constitution mandates repayment within one year.
- Not subject to county's debt limit.

Private Activity Bonds

- Finances qualifying privately operated projects.
- Typically repaid by the private borrower or project revenues.
- County's general revenues and full faith and credit are generally not pledged.
- Not subject to county's debt limit.

Senate Bill 3218 (now Act 31) has been adopted. A proposed constitutional amendment via Senate Bill 3219 is on the ballot for the general election so voters can approve/oppose use of RISE/TIF bonds which are currently not an option.

Sources: State of Hawai'i Constitution Article VII Sections 12 and 13; Hawai'i Revised Statutes Chapter 39B

TIF or RISE Bonds are different than CFDs

Senate Bill 3218 - Allows for an Additional Type of Debt Known as TIF

- Resilient Infrastructure for Shelter and Equity (RISE) – would be a form of Tax Increment Financing (TIF) and on the November 3rd ballot
- Within a RISE district the current assessed value, which generates property tax revenue, is frozen or locked as of a specific date
- Any additional assessed value which would generate property tax revenue is incremental and these property taxes would be allocated to repay primary RISE Bonds
- Incremental assessed value is not used to repay GO Bonds as **RISE Bonds, would not be included in a county's debt limit**
    - CFD Bonds are also excluded from a county's debt limit

Source: Revised Ordinances of Honolulu§ 27-7.10 (added by Ord. 96-18).

Adding RISE + CFD Bonds to the City and County's Toolkit

Limited-obligation tools can fund infrastructure without relying only on general obligation capacity.

High Financing Value

- Matches repayment to the project area: tax increment for RISE; special taxes for CFDs.
- Preserves GO debt capacity for citywide priorities.
- Helps bridge funding gaps for housing, TOD and resilience infrastructure.

Bottom line: RISE and CFD bonds give the City and County more ways to finance public improvements—without turning every project into a GO bond issue.

02

OVERVIEW OF CFDs



What is a CFD?

A Community Facilities District ("CFD") provides a method of financing special improvements without burdening the City and County of Honolulu ("City and County") agencies' other funds by levying a Special Tax against real property within a defined area ("District"). After a CFD is formed, bonds may be issued to be repaid by annual special taxes levied on taxable District property.

Formation of a CFD:

- Adoption of Rate & Method of Apportionment (RMA)
- Landowner protest right (owners of 55% of the land based on square footage or 55% of the owners of the land)

CFD Bonds are:

- Limited obligations, payable only from special taxes levied on taxable real property within the CFD
  - Payment is the sole obligation of the landowners
  - CFD lien is on parity with property tax lien, superior to any mortgages or deeds of trust on the property

Although the City and County has no liability to fund CFD bond payments it does play a significant role:

- Issuing the CFD Report prior to formation and bond issuance
- Levying and collecting special taxes
- Enforcing foreclosure proceedings
- Providing support for review to help assess project feasibility and risks of proposed CFD projects before the City and County takes on the responsibilities, potential liabilities, and costs of a CFD

Special Taxes, usually collected via the property tax bill, are used to pay CFD bonds and:

- Fund special improvements benefiting the District in a general manner (Chapter 27-1.5)
- Cover CFD administrative costs

Note: Any Section references relate to Chapter 27 of the Revised Ordinances of Honolulu

Background References

Chapter 27 of the City and County's Revised Ordinances

- Community Facilities Districts Code - Special Improvement Financing By Community Facilities Districts

Rules For Evaluation of Proposed Community Facilities Districts ("Rules")

- Procedures and Standards Guidelines

Benefits of CFDs



CITY AND COUNTY

Fund much needed facilities

Assist with development

Bridge funding gap

Specified area

Bond financings

Surplus special taxes



DEVELOPERS

Better marketability

Lower costs to develop/ build

Taxes tied to the property



HOMEOWNERS

Newer infrastructure

Lower purchase price or more amenities

Taxes tied to the property

Pay only when one owns the property

CFD Review Committee

Purpose of the Committee

- To review each proposed Community Facilities District ("CFD") for compliance with Chapter 27 and the Rules
- To establish the procedures and standards to be applied by the City and County in evaluating proposed CFDs and CFD bond issues

Members of the Committee:

- Department of Budget and Fiscal Services ("BFS") will lead and have support and input from:
  - Department of Housing and Land Management ("DHLM")
  - Department of Planning and Permitting ("DPP")
  - Department of Design and Construction ("DDC")
  - Department of Facility Maintenance ("DFM")
  - Department of Environmental Services ("DES")
  - Honolulu Board of Water Supply ("BWS")

CFD Review Committee (cont'd)

Timing of the Committee's Reviews

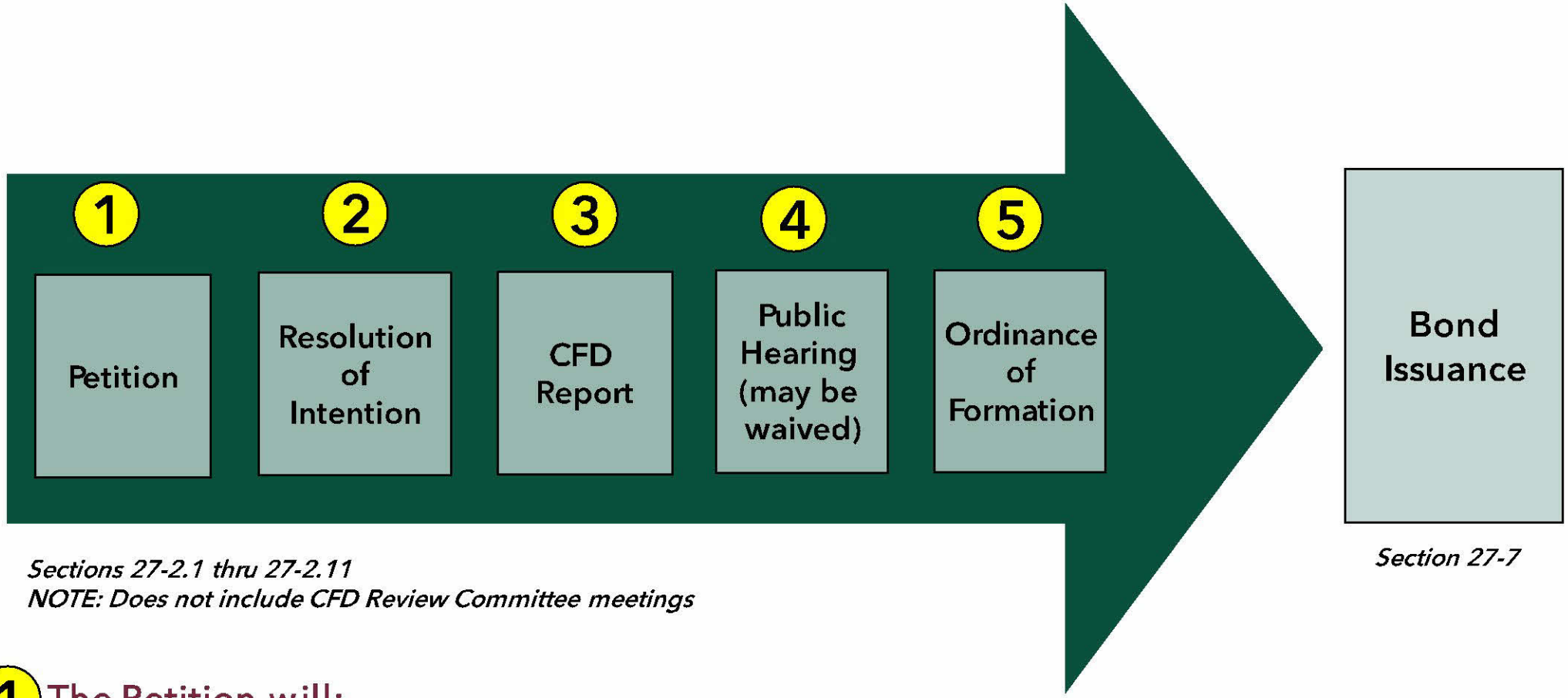
- Upon submittal of CFD application (first review)
- Prior to consideration by City Council of the Resolution of Intention ("ROI") (second review)
  - Items available for the Committee's review:
    - Boundary Map of proposed CFD
    - List of proposed facilities to be financed
    - "Special Tax Spread" CFD Pro-forma
    - Rate and Method of Apportionment
    - Estimated "Bond Float" projections
  - Items to be considered by the Committee:
    - The viability of the development project
    - The expected effective tax rates
    - The reasonableness of the special taxing formula
- If necessary, prior to the submittal and consideration by City Council of the Ordinance of Formation (third review)
- Prior to the issuance of bonds (fourth review)

03

CFD FORMATION



5-Step CFD Formation Process

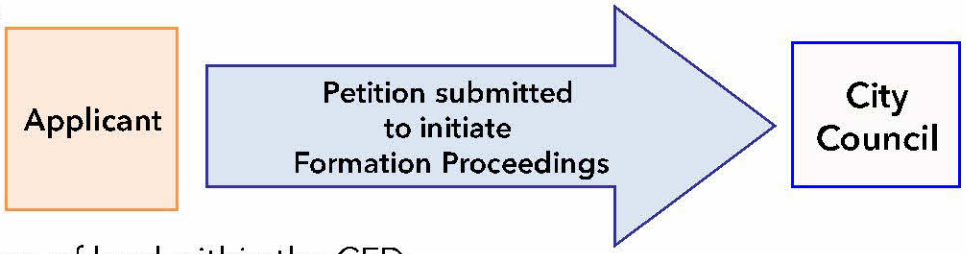


Sections 27-2.1 thru 27-2.11
NOTE: Does not include CFD Review Committee meetings

Section 27-7

1 The Petition will:

- Request the City Council to institute proceedings
- Describe CFD boundaries (Boundary Map)
- Describe special improvements to be financed
- Include payment of a Fee, if appropriate
- Contain the signatures of at least 25% of the owners of land within the CFD



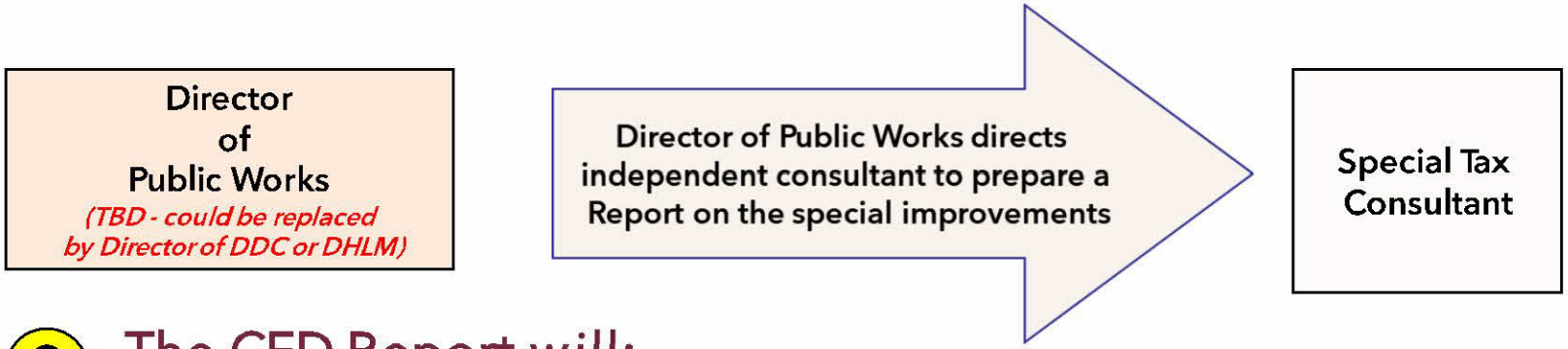
5-Step CFD Formation Process (cont'd)

City Council adopts a Resolution of Intention (ROI) to establish the CFD

2 The ROI will:

- Formally respond to Petition and states proposed CFD is to be established, describes the term of the CFD and describes the boundaries
- Designate the name of the CFD
- Identify the improvements to be financed
- Describe the rate and method of apportionment & maximum special tax and states that the special tax is to be levied annually to pay costs
- State the intent to issue bonds
- Set a time and place of a Public Hearing (within 60-90 days of the ROI unless waived)
- Describe the protest procedure (unless waived)

5-Step CFD Formation Process (cont'd)



3 The CFD Report will:

- Contain a brief description of the proposed facilities by type
- Include an estimate of the cost of providing the proposed special improvements (City and County Engineers to provide)
- Be filed at or prior to the Public Hearing (or within 60 days if hearing is waived)

4 Duration of Hearing:

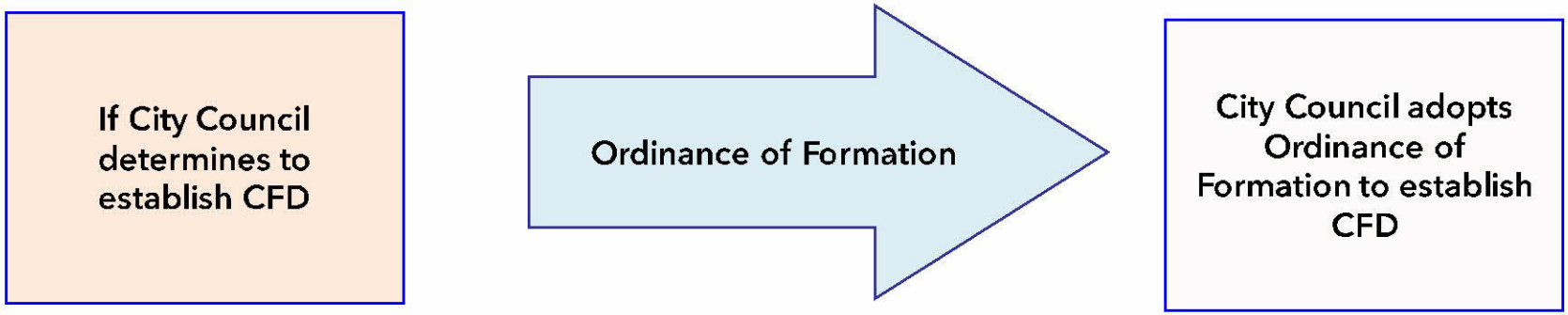
- Hearing shall be completed within 30 days of date initially set in ROI unless complexity of CFD requires additional time

City Council holds Public Hearing and Determines if a Majority Protest exists

Protest Procedures:

- Protest may be made in writing
- No further proceedings to establish CFD or levy Special Tax shall be taken for one year if written protests are filed by:
- 55% of the number of landowners – or –
- Landowners of 55% of the CFD land by square footage

5-Step CFD Formation Process (cont'd)



5

The Ordinance of Formation:

- Contains same information included in the ROI used to form the CFD
- If the special tax to be levied in the CFD has not been eliminated by protest the Ordinance shall so state
- Authorizes the levy of the special tax in accordance with the RMA
- City Council must determine that all proceedings are in conformity with Chapter 27

04

CFD FUNDING



CFD Bond Financing

CFD Bonds

- May be issued after a CFD is formed; proceeds from bonds are used to:
  - Fund special improvements (including City and County projects)
  - Establish necessary reserve funds
  - Pay for costs of issuance
- Are the sole obligation of the landowners to repay
  - City and County has no liability to fund CFD bond payments
  - City and County will only levy and collect special taxes and enforce delinquency proceedings, fulfill continue disclosure obligation and comply with bond float covenants

Annual Special Taxes

- Pay debt service on the bonds and CFD administrative costs
- Usually collected via City and County property tax bill
- Can be collected prior to issuance of bonds

05

CFD MANAGEMENT



Stages of a CFD Program

FORMATION

- Mitigation Negotiations
- CFD Formation
- Rules and CFD Terms
- Resolution of Intention (ROI)
- Ordinance of Formation

FUNDING

- Bond Sales
- Project Construction
- Resolution Authorizing Bond Issuance

MANAGEMENT

- Levy Management
- Development Research
- Public Disclosures
- Resolution to Establish Annual Special Taxes

Parties in the CFD Process

Issuer:	Decides to borrow, sets key parameters, and authorizes the CFD bonds.
Bond Counsel:	Guidance, negotiation, drafting of legal documents and issuing opinion
Municipal Advisor:	Guidance, coordination and market knowledge
Special Tax Consultant:	Prepares special tax formula and CFD Report and assists City & County in administration of special taxes and bonds after issuance
Appraisal:	Determines values of the taxable real estate in the CFD
Underwriter:	Assists in the CFD structuring and purchases and re-sells CFD Bonds
Underwriter's Counsel:	Produces offering documents, Bond Purchase and Continuing Disclosure Agreements and other legal support
Trustee or Fiscal Agent:	Holds funds related to bond issue; pays bond owners; usually acts as dissemination agent for continuing disclosure

All costs of City and County Staff and Consultants can be paid through the CFD

CFD Bond Financing Documents

- Bond Ordinance
- Bond Indenture
- Official Statement (including appraisal)
- Continuing Disclosure Agreement
- Bond Purchase Agreement

Questions/Discussions

