A TECHNICAL MEMORANDUM

Evaluation of Hawai‘i's Resilient Infrastructure for Shelter and Equity (“RISE”) Bonds

A Tax Increment Financing Mechanism:
Opportunities, Limitations, and County Safeguards

PREPARED FOR Hawai‘i Institute of Public Affairs (“HIPA”)

PREPARED BY Fieldman

DATE August 27, 2026

A Municipal Finance Advisory Memorandum

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TECHNICAL MEMORANDUM

Date: August 18, 2026
To: Hawai'i Institute of Public Affairs ("HIPA")
From: Fieldman
Re: Evaluation of Hawai'i's Resilient Infrastructure for Shelter and Equity ("RISE") Bonds, a Tax Increment Financing ("TIF") Mechanism: Opportunities, Limitations, and County Safeguards

Question Presented

Assuming State of Hawai'i ("Hawai'i") voters approve the constitutional amendment proposed by SB 3219, H.D. 3, C.D. 1 ("SB 3219"), how should counties best use RISE bonds to finance public infrastructure and related capital costs, and what legal, fiscal, credit, governance, and disclosure safeguards should apply before a RISE district is formed or debt is issued?

This memorandum evaluates the proposed framework from a municipal finance perspective. It is not a bond counsel, tax, securities law, or constitutional opinion.

Summary of Findings

Act 31, Session Laws of Hawai'i 2026 ("Act 31"), is enacted but not yet operative. The Governor signed SB 3218, S.D. 2, H.D. 2, C.D. 1 ("SB 3218"), as Act 31 on May 22, 2026. Section 11 provides that Act 31 takes effect only upon approval and ratification of the constitutional amendment proposed by SB 3219. The constitutional amendment is scheduled to appear on the November 3, 2026 general election ballot. Until ratification occurs, the Act 31 amendments should not be treated as available issuance authority.

The two measures are intended to operate together. SB 3219 would create the constitutional RISE bond category, authorize the Legislature to permit county issuance by general law, and add RISE bonds to the exclusions from the counties' constitutional funded-debt limit. Act 31 would provide the operating framework by amending Hawai'i Revised Statutes ("HRS") §§46-101 through 46-112 and the county debt-statement provisions in HRS chapter 47C.

RISE bonds are best understood as a specialized value-capture tool, not as a substitute for general obligation debt, community facilities district financing, developer funding, grants, or utility revenue bonds. *Its strongest use is as a later-phase or supplemental financing source when a public improvement is closely tied to identifiable new taxable value and the tax increment is highly certain.*

County-level enabling policies are required to make RISE bonds actionable. The current statutory framework does not supply the credit standards needed for issuance. For instance, Act 31 does not require a minimum debt service coverage ratio, a debt service reserve fund, an additional-bonds test, a value-to-debt limit, a countywide exposure cap, a mandatory stress test, or a mandatory annual district report. Those protections would need to be established through county policy, an ordinance, a financing plan, and bond documents.

The most important fiscal feature of RISE bonds is the revenue waterfall, which is the allocation of real property tax revenues collected by a county within a RISE district. Taxes attributable to the assessment base, which is the revenue level frozen at the formation of a RISE district, continue undisturbed to the county's general fund. Taxes attributable to the assessment increment, which are collected real property taxes collected as a result of increased property values of improved properties within a RISE district, are applied first to an amount equal to RISE bond principal and interest falling due or a county-approved project cost, second to the general fund through the adjustment-rate payment at a level determined by the county, and third remaining within the RISE fund for future RISE district needs. Because the county's adjustment-rate payment is made only after the first-tier obligations are satisfied, the county's recovery of service costs is

subordinate to the payment of RISE debt service and approved project costs. The first tier places debt service and approved project costs at the same statutory level without stating which is paid first. Subject to confirmation by bond counsel that the structure is consistent with Act 31, the bond documents should make debt service and required reserve deposits senior to all pay-go project costs.

RISE bonds would be limited obligations payable from the RISE fund, not general obligations of Hawai'i or the counties, and do not count towards the debt limit calculations of counties. Each issue may have a final maturity of up to thirty (30) years, and multiple series, public or private sales, refundings, and bond anticipation notes are permitted. Act 31 provides a state and county tax exemption, except estate and transfer taxes. It does not establish federal tax exemption.

Mainland TIF experience reinforces these conclusions. Mainland TIF programs that have produced positive results generally link the increment to a defined development plan, combine it with other financing sources, and report measurable public outcomes. More prescriptive state frameworks also impose limits on district size and duration, require impact analysis, and address service costs. Because Act 31 leaves most of those safeguards to county discretion, the county framework should be adopted before project-specific negotiations or debt sizing begin.

RISE bonds can be a useful part of Hawai'i's infrastructure financing tool kit, helping to address issues such as community development, housing affordability, and infrastructure improvements, but only if each county adopts a written RISE policy, resolves the legal ambiguities with bond counsel, documents the required analysis, and sizes debt from a conservative parcel-level revenue model that accounts for county service costs and downside scenarios.

I. Introduction and History

A. Background

The Legislature found that Hawai'i faces a severe and continuing housing shortage and that housing production is constrained by the cost and timing of water, wastewater, drainage, road, transit, and resilience infrastructure. SB 3219 also cites state-funded planning work that identified a need for value-capture tools that can supplement existing state, county, and private resources without relying solely on county general obligation capacity.

Counties in Hawai'i already have several established financing mechanisms available for capital and short-term borrowing needs enabled by Hawai'i's State Constitution. General obligation bonds are backed by the county's full faith and credit, with principal and interest payable from general fund revenues, including real property tax revenues, and are subject to the county's constitutional debt limit. Revenue bonds, by contrast, are payable solely from the revenues or user charges associated with a particular project or enterprise and may be secured by specified project revenues or user fees without pledging the county's general revenues. Special improvement bonds, sometimes referred to as special assessment bonds, are secured and repaid through assessments imposed on real property that benefits from the financed improvements. Counties may also issue revenue and tax anticipation notes as short-term obligations to meet budgeted appropriations in anticipation of future revenue collections. Notes must be repaid within the constitutionally prescribed period of one year.

These traditional financing mechanisms differ in the source of repayment, the nature of the security pledged to bondholders, and their treatment under constitutional and statutory debt limitations. General obligation financing places direct reliance on the county's taxing power and debt capacity, while revenue and special assessment financing seeks to match repayment more closely to the project, enterprise, or benefited property. Revenue and tax anticipation notes serve a different function by addressing short-term cash-flow needs rather than long-term capital financing. This financing landscape provides important context for the

Legislature's effort to create a value-capture mechanism that could finance infrastructure instead of exclusively relying on a county's general obligation borrowing capacity.

Counties of Hawai'i also already have a tax increment financing framework in HRS §§46-101 through 46-112. Act 31 would rename and revise that framework as the RISE program. The revised structure would permit counties to establish RISE districts in qualifying transit-oriented development areas, adopt a financing plan, redirect specified incremental real property tax receipts to a RISE fund, and issue limited-obligation bonds to pay eligible project costs.

The legal status of the two bills is important. Act 31 remains conditionally inoperative until the constitutional amendment proposed by SB 3219 is ratified. SB 3219 is the statewide ballot measure that would amend Hawaii's State Constitution to explicitly include RISE bonds as a valid county-directed financing tool. It does not create a particular district, authorize a particular project, or approve a particular bond issue. Even after ratification, a county would still need to complete the local findings, financing plan, district ordinance, bond ordinance, and financing documents required by law. The success of the two measures, primarily through the statewide ballot measure, would help resolve outstanding legal questions that currently render HRS §§46-101 through 46-112 non-operational.

A RISE bond issuance would not require a new tax or a higher real property tax rate. It would redirect a portion of future real property tax receipts generated by assessed value above the district base, a tax increment. The amount of available increment would still depend on county tax classifications, rates, exemptions, appeals, delinquencies, and collection timing (see pg. 7 for a visual example of this mechanism).

B. County control of real-property taxation

Article VIII, section 3 of the Hawai'i State Constitution ("Constitution") provides that all functions, powers, and duties relating to the taxation of real property are exercised exclusively by the counties (except Kalawao County which spans the Kalaupapa peninsula). This supports county authority to determine real-property tax classifications, rates, exemptions, assessments, collections, and the allocation of county real-property tax receipts, subject to statewide constitutional and statutory requirements.

SB 3219 would amend Article VII, sections 12 and 13. It would define RISE bonds as obligations payable from and secured solely by real property taxes attributable to assessed value in a designated district above a stated base. It would also direct the Legislature to authorize county issuance by general law, require approval by the governing body of the political subdivision, and exclude RISE bonds from the county funded-debt calculation.

Unlike some other jurisdictions, these measures do not require a separate local election to establish a RISE district or issue RISE bonds. Existing HRS §46-103 uses county council approval of the financing plan and an ordinance establishing the district, while HRS §46-106 requires a bond ordinance. County charter provisions or later county ordinances could impose additional procedures, but a local vote is not a requirement of Act 31 or SB 3219.

The ballot question states that RISE bonds would be repaid solely from future growth, or tax increment, in real property tax revenues generated within their respective RISE district, not by increasing real property tax rates, and would be subject to accountability and oversight requirements as may be provided by law.

II. How RISE Bonds Work

A. Financing Mechanism

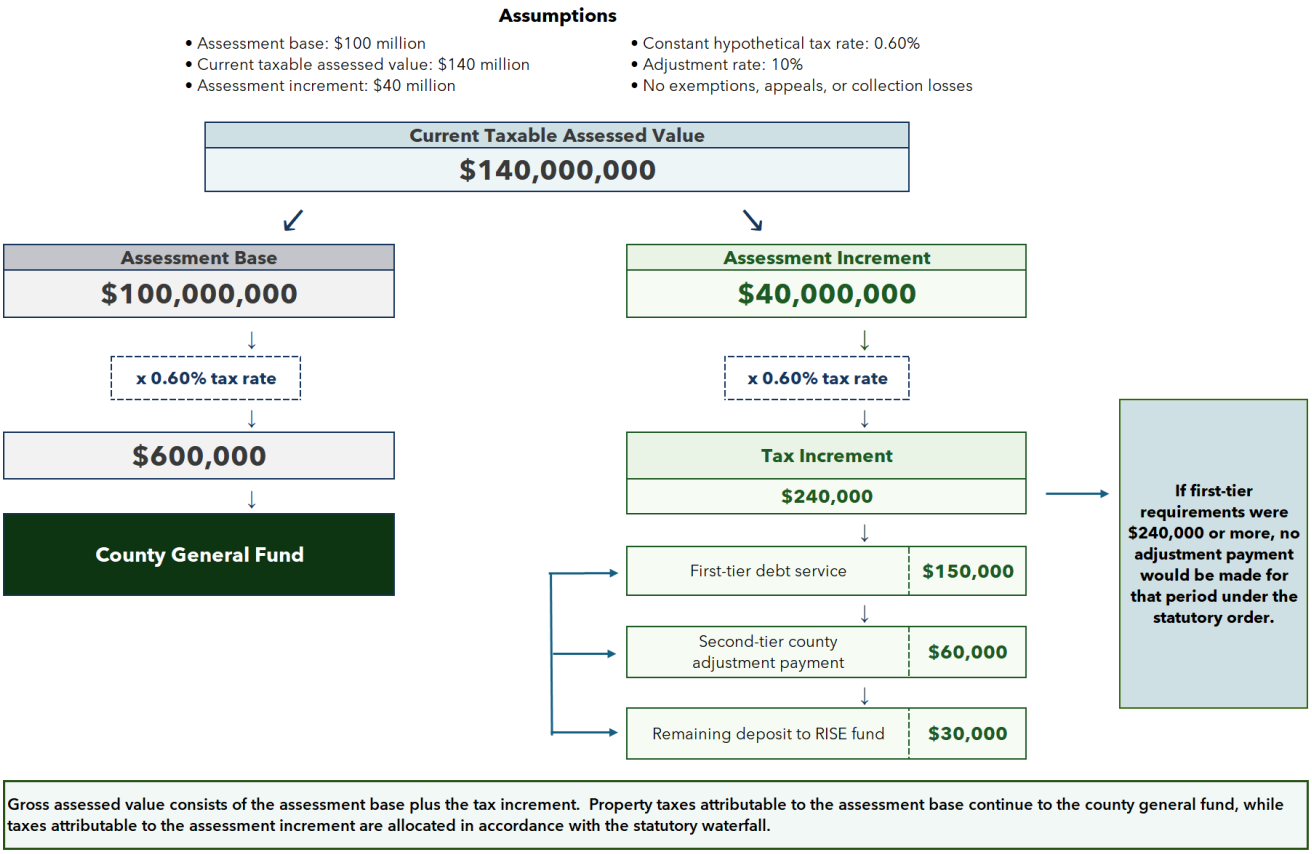
Term	Meaning under the framework	Practical effect
Assessment base	The certified taxable assessed value at district creation, subject to later adjustments under HRS §46-111.	Real property tax attributable to the base continues to the county general fund.
Assessment increment	Current taxable assessed value minus the assessment base.	This is assessed value, not cash revenue.
Tax increment	Real property tax receipts attributable to the assessment increment.	Actual receipts depend on county tax classification, rate, exemptions, appeals, delinquency, and collection timing.
Adjustment-rate payment	The adjustment rate multiplied by the real property tax produced from the assessment base.	This is a second-tier general-fund payment intended to recognize county service-cost growth.
RISE fund	The fund held by the finance director or another county-designated fiduciary.	The fund receives tax increment, bond proceeds, and any other amounts lawfully pledged and pays debt service and eligible project costs.

RISE bonds are a value-capture financing mechanism. A political subdivision, the county, designates a geographic district, the RISE district, and establishes the assessed value of taxable real property (the gross assessed value) within that RISE district as of a base date (the base value or assessment base). Existing real-property tax revenues attributable to the base value flow to the county general fund just like they would have without a RISE district. A defined portion of future real property tax revenue attributable to growth above the base—the tax increment (also known as the increment value)—is deposited into a separate fund (the RISE fund) and used to pay eligible project costs. The finance director of a county sets a percentage rate or rates at the time of the RISE district formation based on historical and projected assessed-value growth and projected county cost increases from serving new development (the county will need to determine how to set up these projections). The rate is then applied to the real property tax produced from the assessment base, and that payment is second in the revenue waterfall defined through statute.

Example

Assume a district has a $100 million assessment base, current taxable assessed value of $140 million, a constant hypothetical tax rate of 0.60%, an adjustment rate of 10%, and no exemptions, appeals, or collection losses. The assessment base would produce $600,000 for the general fund. The $40 million assessment increment would produce $240,000 of tax increment. If first-tier debt service were $150,000, the second-tier adjustment payment would be $60,000, and the remaining $30,000 would remain in the RISE fund to be used for future eligible district needs. If first-tier requirements were $240,000 or more, no adjustment payment would be made for that period under the statutory order. In summary, the district's gross assessed value consists of the assessment base plus the assessment increment. Property taxes attributable to the assessment base continue to the county general fund, while taxes attributable to the assessment increment are allocated in accordance with the revenue waterfall.

Hypothetical RISE District Tax Increment Waterfall



This example is not a bond-sizing estimate. County tax rates vary by classification and can change. A financing model must use parcel-level classifications, rates, exemptions, appeals, collection patterns, and the dates on which assessed value becomes taxable.

B. Eligible Expenditures for RISE Districts

RISE district expenditures should be tied to a documented public purpose, such as roads, water, wastewater, drainage, transit, parks, affordable housing infrastructure, resilience, remediation, or public facilities. Private benefit should be incidental to the public purpose and controlled through development agreements, procurement requirements, and contractual provisions, including clawback provisions requiring repayment of public funds or return of benefits if the recipient fails to meet agreed upon obligations. As shown in the next table, eligible project costs include capital costs (actual costs of the construction of public works or public improvements, new buildings, structures, and fixtures; the actual costs of the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and fixtures; and the actual costs of the acquisition, clearing, and grading of land), financing costs (costs related to the issuance of RISE bonds, all debt service on RISE bonds issued to finance those eligible project costs, capitalized interest, and the funding or replenishment of any reserves used for RISE bonds), professional service costs (architectural, planning, engineering, marketing, appraisal, financial consultant, and special services and legal advice), administrative costs (charges for the time spent by county employees in connection with the implementation of the RISE bonds), relocation costs (if required by federal or state law), and organizational costs (costs of conducting environmental impact studies or other studies, publicizing the creation of a RISE district, and the cost of implementing the RISE bonds for the district).

Cost category	Examples permitted by Act 31	Recommended control
Capital	Construction, acquisition, demolition, alteration, repair, reconstruction, clearing, and grading.	Require a detailed project list, useful-life review, cost validation, contingency policy, and completion responsibility.
Financing	Issuance costs, interest, capitalized interest, reserves, and certain redemption premiums.	Limit capitalized interest to a documented revenue ramp and reconcile all amounts to the approved plan.
Professional	Architecture, planning, engineering, marketing, appraisal, financial, special services, and legal advice.	Use procurement controls, scopes, budgets, and invoices tied to the district.
Administrative and organizational	County employee time, environmental and other studies, public notice, and implementation of a RISE district and RISE bonds.	Adopt an allocation method and avoid charging ordinary operating costs that are not directly related to the capital program.
Other necessary or convenient costs	Additional payments approved by the county council e.g. relocation costs required by federal or state law or any payments the county council determines are necessary or convenient to create the district or implement the financing plan.	Apply a written local eligibility policy and document the public capital purpose.

SB 3219 defines community development to include capital projects and improvements and expressly excludes operating expenses. That constitutional limitation should guide the local eligibility policy. The breadth of Act 31 should not be treated as authority to finance recurring operations merely because those costs are connected to a RISE district. Bond counsel should review any cost for which it is unclear whether the cost constitutes an eligible capital project or improvement, rather than an excluded operating expense.

RISE bonds may not be issued in an amount exceeding the total costs of implementing the financing plan. The RISE financing plan and sources-and-uses schedule should expressly reconcile project costs, capitalized interest, reserves, costs of issuance, original issue premium or discount, and any refunding components.

C. Structure of RISE Bonds

RISE bonds would be limited obligations payable from the RISE fund. Act 31 exempts RISE bonds and the income from them from state and county taxation, except for estate and transfer taxes. Federal tax exemption is a separate, transaction-specific determination that must be made by bond counsel thus RISE bonds should not be described as automatically exempt from federal income taxation.

The RISE bonds would not be general obligations of the State or county nor would it create a charge against general credit or taxing power. County councils may irrevocably pledge all or part of the RISE fund, and RISE bondholders would have a statutory lien against the pledged RISE fund.

Counties may issue one or more series, sell bonds publicly or privately, issue refunding bonds, and provide redemption, priority, security, and other terms in the bond ordinance and financing documents. When structuring a RISE bond sale, the county should first evaluate the property taxes generated from the district's assessment increment. Once sufficient development has occurred, those incremental property tax revenues may support the issuance of RISE bonds. Because only the pledged portion of the RISE fund secures the bonds, investors will evaluate debt service coverage, which is the ratio of pledged revenues to principal and interest requirements. Each RISE bond issue may mature no later than thirty (30) years from its issuance date according to Act 31. This 30-year limit applies to each issue, not necessarily to the RISE district itself. Because later series could extend the period during which increment is captured, the county should establish and enforce a finite district term. The appropriate term will depend on the timing and maturity of each series. For

illustrative modeling purposes, this memorandum uses a fifty (50) year evaluation horizon; that horizon is not a recommended district term.

Setting the increment value aside is important because it allows for the issuance of RISE Bonds, but it also creates a lag. Generally, work needs to be performed first, whether infrastructure development or improvements such as wastewater and electrical upgrades to enable development and allow for assessed land values to increase, thereby generating an increment. As such, there is a delay in the ability to issue RISE Bonds which are dependent on the increment being realized. In the short term, there will need to be a gap funding source to kick-off development of infrastructure before RISE bond financing becomes available. Some projects may be eligible for a Community Facilities District ("CFD"), general obligation bonds, or a developer contribution (upfront funding or infrastructure improvements provided by the developer, that can be subject to reimbursement from future bond proceeds or project revenues).

Existing HRS §46-107 also permits bond anticipation notes ("BANs"), which are short-term obligations issued to provide interim financing in anticipation of a later issuance of RISE Bonds. BAN proceeds can be used for purposes for which the related RISE Bonds have been authorized, and the BANs are intended to be repaid with proceeds of the subsequent RISE Bond issuance or available monies in the tax increment fund. The aggregate principal amount of the BANs may not exceed the authorized principal amount of the related RISE Bonds, and the BANs, including refundings by other BANs, must all mature within five years of the original note. BANs can provide a direct statutory bridge between the period in which infrastructure investment is required and the later point at which sufficient assessed-value growth and tax increment may exist to support long-term RISE Bonds. BANs should be used only where there is a credible takeout — a supportable expectation that sufficient tax increment and market capacity will develop within the BAN term to permit the issuance of long-term RISE Bonds sufficient to repay the notes. If development, assessed-value growth, or tax collections occur more slowly than projected, the anticipated RISE Bond issuance may be delayed or may support less debt than originally expected.

RISE Bonds may also function as a later-stage financing source following other forms of initial or bridge financing. For example, a county might initially finance eligible infrastructure through county capital-improvement funds or, where otherwise authorized, general obligation debt; a CFD might finance improvements on the development side; or a developer might advance funds or construct improvements directly. Once development has generated sufficient tax increment, RISE Bond proceeds may potentially be used to reimburse qualifying project expenditures or refinance obligations incurred to fund eligible RISE project costs, subject to the tax increment financing plan, the terms and redemption provisions of the earlier financing, applicable law, and bond counsel review. A CFD can serve as a preliminary vehicle to issue bonds as its revenue source is not directly tied to underlying land value, so it may be a source of seed capital in certain circumstances.

The effect differs depending on the initial financing mechanism. A developer advance may be reimbursed pursuant to an appropriate development or reimbursement agreement. CFD-financed improvements may potentially be reimbursed or refinanced, allowing the CFD financing to be reduced or retired if the governing documents permit. County-funded capital expenditures may similarly be reimbursable if properly documented as eligible project costs. Where GO bonds were used initially, however, RISE Bonds should not be assumed automatically to "take over" the outstanding GO debt. Any refinancing or defeasance of GO bonds would need to comply with the statutory authority and documents governing those bonds. To the extent an authorized transaction permits outstanding GO debt to be retired or defeased, doing so could reduce the county's outstanding GO indebtedness and restore debt capacity that could be used for other county capital needs. The principal financing concept is therefore a transition from an interim funding source to long-term tax-increment-supported financing, rather than an automatic substitution of RISE debt for every form of previously issued debt.

Act 31 does not prescribe minimum credit standards in structuring RISE bonds. Counties may therefore consider adopting prudent credit requirements, such as a minimum 1.25x debt service coverage ratio, a debt service reserve fund, an additional-bonds test, a value-to-debt test, and a minimum level of realized assessed value before debt is issued. These are possible credit standards that could be incorporated into a county's debt management policy, not statutory requirements. The appropriate levels would depend on development status, taxpayer concentration, tax-roll history, revenue volatility, and market conditions.

The potential for multiple series of RISE bonds creates a need for an additional-bonds test governing subsequent issuance as development occurs. The county must balance flexibility for the RISE district with protection for investors, who may be reluctant to purchase bonds if later issuances secured by the same incremental revenues could dilute coverage for outstanding bonds.

In structuring RISE bonds, each county will also have to consider eligible costs, development assumptions, revenue projections, sensitivity analyses, the debt schedule, the type of sale (public vs. private), reserve requirements, and exit or termination provisions.

III. RISE Breakdown and County Considerations (Step-by-Step Analysis)

A. Prerequisites

The first prerequisite is legal effectiveness. Before a county begins a RISE district formation process, bond counsel should confirm voter ratification of SB 3219, the effective date and final codification of Act 31, county charter authority, and the required local approval process.

The second prerequisite is the finding required by HRS §46-104 and Act 31. A county may not establish a RISE district unless the county council first adopts a resolution containing detailed findings of fact that a CFD under HRS §46-80.1 or the Hawai'i Community Development Authority ("HCDA") transit-oriented development ("TOD") infrastructure improvement district program has been used to the maximum feasible extent, or that such financing is legally or financially infeasible. The statute expressly permits those tools to be used before or in conjunction with RISE. RISE should therefore be evaluated as a residual or companion financing source after feasible CFD or HCDA capacity is considered. Any separate finding that development would not occur in the same timeframe, scale, or form without RISE should be identified as a recommended local but-for or financing-gap analysis unless bond counsel confirms that the final statutory language requires that finding.

Step	Prerequisite	Required Action	Practical effect
1	Confirm legal effectiveness	Before beginning formation, bond counsel should confirm: voter ratification of SB 3219; the effective date and final codification of Act 31; applicable county charter authority; and the required local approval process.	The county should not initiate a RISE district unless the legal authority and procedural requirements are confirmed.
2	Adopt the HRS §46-104 findings	The county council must adopt a resolution with detailed findings that a CFD under HRS §46-80.1 or the HCDA TOD infrastructure improvement district program has been used to the maximum feasible extent, or is legally or financially infeasible.	RISE generally functions as a residual or companion financing source, rather than the first financing tool considered.
3	Evaluate other financing tools	Determine whether CFD or HCDA financing capacity is feasible and whether either tool should be used before or together with RISE.	CFD and HCDA financing may precede, supplement, or operate alongside RISE.

Step	Prerequisite	Required Action	Practical effect
4	Consider a local financing-gap analysis	Consider whether development would occur in the same timeframe, scale, or form without RISE.	Treat this as a recommended local "but-for" or financing-gap finding, unless bond counsel confirms that the final statute makes it mandatory.

Because this financial-infeasibility path is narrow, independent financial analysis will be required. The legislation requires a county's council to find that the CFD special taxes would make housing unaffordable to the target income group, conflict with affordability covenants or federal or state housing requirements, or cause the project to fail standard coverage or feasibility thresholds and prevent it from proceeding. A generalized preference to avoid a special tax would not satisfy that standard. This works as a safeguard to ensure greater accountability in the use and allocation of RISE districts and future real property tax revenue redirection as an analogue to "but-for" testing requirements. It would not be in the interest of the counties to create a RISE district and issue RISE bonds in an area where development would likely occur without it, as this represents an unnecessary intervention that creates a drag on a county's revenue stream.

Although Act 31 does not state a general conventional but-for test requiring a finding that development would not occur without RISE, a but-for or financing-gap analysis, prepared by an independent fiscal consultant, is still a sound county policy because it helps distinguish project-created increment from value growth that would occur without public assistance. It also helps policymakers and county decision-makers assess whether the public subsidy is proportionate to the public benefit.

Mainland practice supports a written necessity and equity analysis. A Prosper Portland-commissioned ECOnorthwest review reported approximately six times as much development by square footage and four times the housing-production growth rate in TIF districts as in comparison areas, along with 5,300 TIF-funded affordable units. The same review identified uneven racial and displacement effects. For Hawai'i, the lesson is to document what the public investment is expected to change, who benefits, and what affordability or anti-displacement measures are needed before future tax receipts are committed. (Prosper Portland / ECOnorthwest, Understanding Portland Tax Increment Finance District Investment Impacts 2000-2022 (2024), https://prosperportland.us/tif-impact-report/)

No RISE district may include land classified as an agricultural district under HRS chapter 205. Parcel eligibility should be confirmed before each RISE financing model is built.

B. Forming RISE Districts

A RISE district may be contiguous or noncontiguous, but it must be located entirely within a statutory transit-oriented development zone. For a county with at least 500,000 residents (the City and County of Honolulu ("Honolulu") applies to this county category), eligible areas include an HCDA TOD infrastructure improvement program area, a TOD special district established by county ordinance, or an area within one-half mile of a county-designated public transit center or bus hub. For a county with fewer than 500,000 residents (the counties of Hawai'i, Maui, and Kaua'i apply to this county category), eligible areas include a county-designated transit area, an area along major bus routes, or an area within one-half mile of a county-designated bus stop. The 500,000 threshold applies to a county's population, not to the RISE district's population. RISE districts must also align with existing county plans.

Each county must also consider its governing structure in establishing a RISE district. Counties do not need to create a separate legal entity unless their current local laws or policies call for one at the time of RISE district establishment. Counties should consider a governing body structure that works for its particular needs.

Some may elect to form a stand-alone entity that establishes and administers the RISE district and others may elect to form it directly with the County. Once the governing body structure is established, each governing body would then decide the terms for which the RISE district would be considered. Counties need to clearly assign responsibility for RISE district formation, tax-roll certification, project administration, debt management, disclosure, and annual reporting. In addition to this, the governing body selected to administer the RISE districts must also establish the criteria for when and how it will consider forthcoming interest in establishing potential RISE Districts.

C. RISE Project Development

After a county identifies and evaluates what infrastructure improvements are needed within the proposed RISE district, preliminary plans and cost estimates are prepared in order to confirm project eligibility and feasibility and to get the RISE project development information necessary to prepare the RISE financing plan. The county's council must approve a RISE financing plan and adopt an ordinance establishing the RISE district under HRS §46-103.

i) Requirements by statute of a county's RISE project development needed before the county can adopt an ordinance establishing a RISE district:

- Identify the public infrastructure or improvements needed to support housing or development
- Define the project's scope, location, design, and estimated schedule
- Prepare preliminary engineering, environmental, planning, and cost studies
- Determine which costs qualify as eligible RISE project costs
- Coordinate with landowners, developers, utilities, and public agencies
- Estimate future development and property-value growth within the proposed district
- Evaluate whether projected tax increment revenues would be sufficient to pay project costs and debt service

D. RISE Financing Plan

i) HRS §46-102 requires a county's RISE financing plan, before council approval of the plan and adoption of the ordinance establishing the district, to contain estimates of:

- Project costs (including estimated costs of eligible public infrastructure, public improvements, and other qualifying capital improvements within the RISE district, together with related financing, professional, administrative, and other eligible costs)
- The amount of RISE bonds to be issued
- Sources of revenue to finance or otherwise pay project costs
- The most recent assessed value of taxable real property in the district for establishing the district's assessment base
- Proposed duration of the RISE district's existence
- Statements from the county's department of finance and the county's department of budget, if applicable, regarding the financial and budgetary impacts on the county resulting from the proposed RISE financing plan.

A financing plan should also include parcel maps, ownership, tax classifications, the base assessed value, development milestones, absorption, permitting, environmental review, utility coordination, construction schedules, cost estimates, contingencies, sources and uses, operating and maintenance responsibility, debt service schedules, sensitivity cases, and a quantified general-fund impact. The plan should also identify measurable public outcomes.

A detailed RISE financing plan is essential because it provides the factual and financial basis for defining the RISE district, identifying the improvements to be financed, projecting tax increment revenues, evaluating fiscal impacts, and establishing the proposed debt and repayment structure. California follows a similar

approach for Enhanced Infrastructure Financing Districts ("EIFDs"), requiring an infrastructure financing plan that includes district boundaries, proposed facilities, revenue projections, debt plans, fiscal impact analysis, and a termination date (a link to the San Francisco Power Station EIFD Infrastructure Financing Plan is included in the Sources and References).

The ordinance should identify the RISE district boundaries, commencement and termination dates, assessment base, adjustment-rate methodology, project list, governance responsibilities, reporting requirements, amendment standards, and conditions for additional debt. Counties also need to establish and provide findings that prospective RISE districts have infrastructure or redevelopment needs and that the proposed public investment is reasonably expected to produce public benefits and incremental revenues.

Noncontiguous RISE districts create additional legal and policy considerations. As RISE bond proceeds are to finance eligible project costs within the designated RISE district, the county should include both the revenue-generating parcels and the parcels on which financed improvements will be located within the district boundary, even if those areas are geographically separated. The RISE district's financing plan should explain how the separate areas support the same housing or community-development project and how the tax increment relates to the improvements being financed. For example, a geographically separated wastewater treatment plant that must be expanded to enable a new residential development or greater neighborhood density could be included as a separate component of a noncontiguous RISE district. This structure helps establish that both the property generating the pledged increment and the improvements financed with RISE bond proceeds are part of the designated district.

Credit quality of a RISE district should be evaluated based on taxable value, taxpayer and project concentration, development status, geographic and economic diversity, appeal history, collection performance, and the strength of the project-revenue connection.

Neither Act 31 nor SB 3219 establishes a minimum district acreage or a credit threshold. S&P Global Ratings has indicated that larger TIF project areas may benefit from greater diversity, including project areas exceeding 150 acres, but acreage alone does not determine credit quality. A geographically large but less diverse RISE district could be seen as weaker than a geographically smaller district with completed development and more diverse taxpayers.

A RISE district's scale should be evaluated with the development program, not by acreage alone. The City of Dallas ("Dallas") reported that the State-Thomas TIF district, which began as a substantially vacant and underused area, increased taxable value by approximately $675 million from its base year and helped establish the mixed-use Uptown district before expiring in 2008. This example suggests that a successful TIF district should pair a defined term (a twenty (20) year financing period was adopted in the State-Thomas Financing Plan) with an identifiable and credible public-improvement program capable of supporting the anticipated private development. The useful takeaway from this TIF example for a RISE district is to combine a finite term, a credible public improvement project, sufficient parcel, and taxpayer diversity to reduce the taxpayer concentration risk so that repayment does not depend disproportionately on a single development or taxpayer (City of Dallas Office of Economic Development, State-Thomas TIF District Success Story and TIF District Annual Report Summaries, https://www.dallasecodev.org/358/Tax-Increment-Financing-Districts).

Washington provides a useful policy benchmark because its current TIF law supplies several guardrails that Act 31 leaves to each County's choice. Chapter 39.114 RCW limits a sponsoring jurisdiction to no more than two active tax increment areas, caps a tax increment area, and two active areas in the aggregate, at the lesser of $200 million, subject to later Consumer Price Index ("CPI") adjustment, or 20 percent of the jurisdiction's assessed value, and requires a sunset no later than twenty five (25) years after tax allocation begins or retirement of the related obligations. It also requires a project analysis addressing expected development and jobs, housing, local businesses, schools, other taxing districts, and mitigation. Hawai'i counties should consider comparable local exposure limits and impact analysis. (Washington Revised Code, chapter 39.114, Tax Increment Financing - https://app.leg.wa.gov/RCW/default.aspx?cite=39.114)

E. Pledging Revenues

The RISE fund for a RISE district would be held internally by the director of finance or another fiduciary designated by its county's council. The RISE tax increment, bond proceeds, and other amounts lawfully pledged would be deposited into the RISE fund to cover the principal and interest debt service over the life of the RISE bonds.

The bond ordinance and indenture or fiscal agent agreement would identify the pledged portion of the RISE fund, transfer dates, debt service deposits, reserve requirements, permitted investments, project draw procedures, and remedies.

Counties should establish annual certification procedures for the assessment base, assessment increment, tax classifications, tax rates, exemptions, appeals, collections, and adjustments under HRS §46-111. The revenue model, finance director certification, RISE district ordinance, and offering documents should use the same base date and tax-roll data.

RISE bonds generally should not be issued at the earliest stage of development unless there is enough existing tax increment (in the case of a RISE district that was established before the RISE bonds were actually sold, tax increments could be accumulating in the RISE fund), capitalized interest, reserve liquidity, or other legally permitted support to bridge the revenue ramp. Although not required by the HRS, counties should consider drafting a development agreement. This would be a contract between a county and the owner or developer of property within a RISE district that connects the developer's obligations to the county's use of future property-tax increments and RISE bond proceeds. A developer agreement could identify certain parameters such as construction milestones, developer equity, reimbursement rights, completion obligations, reporting, default remedies, and who bears the risk if assessed value or collections are delayed.

Denver Union Station TIF illustrates why the financing sequence and pledge need to be designed before debt is issued. This $487.7 million transit-oriented project combined Transportation Infrastructure Finance and Innovation Act ("TIFIA") and Railroad Rehabilitation and Improvement Financing ("RRIF") loans, federal grants, an RTD contribution, land-sale proceeds, and pledged development-related revenues that included TIF, a property-tax levy, and lodger's tax. Although this financing structure is not directly comparable to RISE, it does illustrate that TIF can often function as just one layer in a broader capital stack and that lien priority, repayment timing, and non-incremental support should be explicit as TIF faces challenges in funding early infrastructure projects by itself. This TIF District shows that TIF can support successful mixed-use, transit-oriented development when combined with federal funding, district revenues, loans, and private investment. A takeaway for RISE is that success will likely depend on using tax increment as one part of a diversified capital stack; relying too heavily on future property-tax growth could increase the risk of funding gaps, delays, or insufficient debt-service revenues. (Federal Highway Administration, Denver Union Station Project Profile - https://www.fhwa.dot.gov/ipd/project_profiles/co_union_station.aspx)

RISE bonds are generally not expected to be issued during the early stages of a development project. Because these bonds are secured by the incremental increase in property tax revenues, the increase in assessed value and the corresponding tax increment must first be realized before such RISE bonds can be issued on economically viable terms.

F. Issuing RISE Bonds

Issuing RISE bonds is the financing step that generates the funds in order to pay for any eligible RISE infrastructure and project costs. No RISE bond should be marketed until the county has confirmed legal authority, adopted a bond ordinance, completed the financing plan and CFD or HCDA findings, obtained a parcel-level revenue and feasibility analysis, and established written credit standards. The RISE financing team should include bond counsel, disclosure counsel as appropriate (if it's a public sale), a municipal advisor, an independent tax-roll or feasibility/fiscal consultant, and other specialists needed for the RISE project.

Act 31 amends HRS §47C-2 to include RISE bonds in each county's annual county debt summary, and HRS §47C-3 requires the finance director to prepare a supplemental debt summary dated within 30 days before the issuance of RISE bonds. The supplemental debt summary would update the county's indebtedness, describe changes since the most recent annual summary, state the amount of the proposed RISE bonds, and provide the legal and financial findings supporting exclusion of the RISE bonds from the county debt limit. The schedules should identify gross RISE debt, the amount claimed as excluded from the funded-debt limit, the supporting legal provision, and the financial data supporting that exclusion. Bond counsel should review the debt-limit exclusion. SB 3219 states that the exclusion applies to the extent the RISE bonds are in fact repaid from incremental revenues, and counties should not assume that debt supported from a non-incremental source in a RISE bond issuance will receive the same exclusion without a clear legal basis.

The RISE bond documents prepared for issuance should address, at a minimum: the pledged revenue and lien; debt service deposit dates; debt service reserve requirements; capitalized interest; additional-bonds tests; flow of funds; priority of pay-go project costs; cash sweeps; redemption and refunding; construction and completion covenants; tax-roll certifications; rate and classification changes; remedies; reporting; continuing disclosure; and any limits on county support.

Counties will need to choose what type of sale to proceed with in their RISE bonds issuance. Whether a competitive sale, negotiated sale, private placement, or bank loan is selected will depend on the credit, investor base, transaction complexity, pricing, disclosure needs, and procurement policy of that particular RISE bonds issuance. Act 31 permits a public or private sale, but the statute does not replace the need for a written method-of-sale determination and pricing review.

In summary, in order to issue RISE bonds:

- the county will need to establish a base assessed value (established when the RISE district is formed)
- for tax increment purposes, the base value is fixed, and the property tax revenues generated from it will continue to be distributed to the existing taxing authorities
- any increase in assessed value above the base generates tax increment revenues, which will be dedicated to repaying the RISE bonds and funding any eligible infrastructure improvements
- require review by the county finance director, bond counsel, and an independent municipal advisor or feasibility consultant before bonds are issued.

G. Repayment from RISE Revenues

Beginning with the first real property tax payment after the RISE district takes effect, Act 31 establishes the following allocation:

Order	Statutory allocation	Implementation issue
Base	Real property tax produced from the assessment base is paid to the county general fund.	The base is preserved, subject to tax-law changes and adjustments under HRS §46-111.
First	An amount equal to RISE bond principal and interest falling due or any county-approved project cost is deposited into the RISE fund.	Debt service and project costs share one statutory tier. Financing documents should pay debt service and required reserves first.
Second	The adjustment-rate payment is computed and paid to the county general fund.	County service-cost recovery is subordinate to first-tier requirements.
Third	Any remaining tax increment is deposited into the RISE fund.	Residual revenue may support reserves, future debt service, additional project costs, or later excess-increment actions.

All or part of the RISE revenue would be used to repay RISE bonds. Act 31 outlines the three required steps in the collection of tax increments :

- First, an amount equal to the installment of (i) principal and interest falling due of RISE bonds or (ii) any project cost approved by the county, is deposited in the RISE fund established for the RISE district. (Neither Act 31 nor SB 3219 specify whether both must be funded, which item is senior, or how a shortfall is allocated. The bond ordinance and indenture should require trustee or fiscal-agent transfers for current debt service and reserve replenishment before any pay-go project disbursement.).
- Second, an amount equal to the adjustment rate times the amount of real property tax produced from the assessment base shall be computed and paid to the county general fund.
- Third, remaining amount of tax increments shall be deposited in the RISE fund established for the RISE district.

Per HRS §46-110(c), after project costs, current debt service, reserve funding or replenishment, and the adjustment rate payment are satisfied, excess money may be used to redeem or purchase bonds, discharge the pledge, fund an escrow for the bonds, transfer money to the general fund, or use a combination of those options, subject to bondholder agreements.

Counties should adopt a cash-sweep and release policy. Surplus should generally remain in the RISE fund or be used to reduce debt until debt service coverage, reserves, project completion, and development tests are met. A transfer to the general fund should not be made if it would weaken the credit or impair future RISE project obligations.

As affordability, housing production, equity, anti-displacement, resilience, and local infrastructure capacity are RISE program goals, counties should define targets and report actual performance for added transparency. Project costs should always be supported by independent estimates and updated before RISE bonds issuance. Counties should also consider establishing draw, reimbursement, and change order procedures, require evidence that work is complete and eligible, and prevent bond proceeds from being used for costs outside the approved financing plan.

H. Ongoing Disclosure Requirements for RISE Bonds

After RISE bonds are issued, there should be ongoing disclosure requirements that will need to be provided by the county.

HRS §46-108 outlines that the county council may, by ordinance, require the county's finance director to prepare a report to the county's council on the status of the RISE district. The ordinance should establish the frequency and contents of the report. Because the ballot question refers to accountability and oversight, each county should make a detailed annual public report mandatory rather than rely on the optional statute. The county should adopt written disclosure procedures and assign responsibility for each filing.

Annual reporting should also explain any county contribution, service-cost shortfall, change in adjustment rate, amendment of the district, refunding, reserve draw, or departure from the original development schedule. These items can affect both RISE bondholders and the county's broader credit profile. The annual report should also include district boundaries; base and current assessed value; tax classifications and rates; assessment appeals; collections and delinquencies; largest taxpayers; development milestones; project costs and completion status; pledged revenue; debt service; coverage; reserve balances; additional debt; covenant compliance; use of excess increment; and actual results compared with the financing plan.

HRS §47C-2, as amended by Act 31, provides that within ninety (90) days after the beginning of each county fiscal year, the county finance director must prepare a summary of the county's outstanding indebtedness that includes the following information regarding RISE bonds:

(1) An itemization of the total principal amount of all general obligation bonds, reimbursable general obligation bonds, revenue bonds, special assessment bonds, special purpose revenue bonds, resilient infrastructure for shelter and equity bonds, and all other bonds of the county outstanding and unpaid, including bonds that may be excluded under clauses 1, 2, 3, 4, 5, 6, 8, 9, and 10 of Article VII, section 13, of the Hawai'i State Constitution when determining the funded debt of the county, together with a grand total of those principal amounts.

(2) The total principal amount of all bonds of Hawai'i required by clause 7 of Article VII, section 13, of the Constitution to be included when determining the funded debt of the county for the purposes of that section.

(3) A grand total of the total principal amounts set forth in the summary pursuant to (1) and (2).

(4) An itemization of the total principal amount of all general obligation bonds, reimbursable general obligation bonds, revenue bonds, special assessment bonds, special purpose revenue bonds, and resilient infrastructure for shelter and equity bonds of the county outstanding and unpaid that may be excluded under clauses 1, 2, 3, 4, 5, 6, 8, 9, and 10 of Article VII, section 13, of the Hawai'i State Constitution, together with a grand total of those principal amounts.

(5) The difference between the grand total principal amount set forth in the summary pursuant to (3) and the grand total principal amount set forth in the summary pursuant to (4). Indicating whether the figures come from the finance director's records or from audited reports, with identification of the audited reports used.

Counties should have rules in place to protect the county, its general fund, and overlapping public services. Examples of rules include:

- Establish minimum debt service coverage, a reserve fund, and stress-test requirements.

Require public hearings, online posting of plans and annual reports, biennial independent audits, and disclosure of actual versus projected assessed value, revenues, costs, and debt coverage.

State of Washington's current framework also illustrates a stronger approach to public service-impact reporting. Its required TIF project analysis addresses effects on affordable housing, local businesses, schools (although in Hawaii school funding and administration falls to state and not municipal authorities), and other taxing districts, and its 2026 amendments require consultation and, in specified cases, mitigation agreements for affected service providers. A Hawai'i county should similarly require the annual RISE report to quantify service demands, general-fund effects, and any mitigation or pass-through arrangements, rather than limiting reporting to assessed value and debt service. Attached as Exhibit 1 is an example of a TIF project analysis.

I. Closing of RISE Districts

A county should terminate a RISE district after all eligible project costs and RISE bond obligations have been fully paid. HRS §§46-103 and 46-109 require the district to close by the termination date stated in the

ordinance that established the district. HRS §46-109 governs termination and should be read together with the financing plan, bond documents, and excess-increment provisions. A county may adopt a later ordinance establishing an earlier termination date if there are no unpaid project costs or outstanding bond obligations.

Counties would cease calculating and setting aside the tax increments for the terminated RISE district. The RISE district should not be terminated while project costs remain unpaid or RISE bonds remain outstanding unless the bonds are legally defeased and all remaining obligations are addressed. Remaining revenues and any future property taxes from the closed RISE district would be returned to the county's general fund, and any remaining RISE district funds will be handled according to the RISE bond documents, financing plan, and applicable county ordinance.

At close-out, the county should also reconcile any project and financing costs, document final assessed value and debt retirement, and issue a public close-out report.

A later series should not automatically extend the terminated RISE district without a new public finding. The county's policy should set a maximum district term, conditions for extension, and a prohibition on extension that would impair outstanding RISE bonds or materially increase the general fund opportunity cost without a renewed public-benefit analysis.

Finite terms have practical fiscal value. The State-Thomas district expired in 2008, after which the City of Dallas continued to report substantial general-fund revenue from the expanded tax base. The State of Washington requires the earlier of twenty five (25) years after tax allocation begins or retirement of the obligations. Hawai'i's event-driven closure rules do not create the same hard outer limit, so the RISE district's ordinance should set one and require new public findings before any extension. (City of Dallas Office of Economic Development, State-Thomas TIF District Success Story and TIF District Annual Report Summaries, https://www.dallasecodev.org/358/Tax-Increment-Financing-Districts; Washington Revised Code, chapter 39.114, Tax Increment Financing - https://app.leg.wa.gov/RCW/default.aspx?cite=39.114)

IV. Fiscal and Credit Implications of RISE Bonds

A. Credit Rating Agency Framework

S&P Global Ratings ("S&P"), one of the three major rating agencies (Fitch Ratings and Moody's Ratings are the other two) evaluates tax increment financing bonds based primarily on the strength and stability of the revenues generated within the specified project area. Its credit rating analysis considers the district's underlying economic conditions, historical and projected assessed-value growth, the amount of land available for development, construction and development risk, taxpayer and property-type concentration measured against incremental, rather than total, assessed value, changes in tax rates, assessment practices, collection rates, tax appeals, and applicable state law, and the volatility of tax increment revenues during economic downturns. S&P views a district that already generates sufficient revenues to cover maximum annual debt service more favorably than districts that are relying substantially on projected development. S&P's analysis also examines management and future borrowing plans, in addition to legal protections such as the security pledge, flow of funds, a fully funded debt service reserve, and restrictions on additional parity debt. Although a 1.25x historical-revenue additional bonds test is a typical provision, S&P emphasizes in their criteria that no single coverage level guarantees a particular rating because coverage must be evaluated together with taxpayer diversity, revenue volatility, development risk, legal protections, and the district's overall economic strength. (S&P Global Ratings - https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/1942063)

B. County Fiscal Exposure and Credit Considerations

The RISE District's credit is what is being evaluated by a rating agency, and the RISE district needs to stand on its own with no obligation and risk to the county it is in. Legal nonrecourse does not eliminate fiscal exposure. Counties would have no legal obligation to use its general fund or taxing power to pay RISE bonds unless it separately undertakes such an obligation. Even so, the county forms the RISE district, allocates its tax receipts, administers the program, approves projects, and controls the financing documents. A failed RISE district could create political pressure for county support, delay infrastructure, damage investor confidence, and increase the cost of later financings.

RISE bonds could also change the timing and allocation of county revenues. The taxable property remains on the county's tax base, but specified future tax receipts are diverted from unrestricted general-fund use to the RISE fund, subject to the statutory waterfall. This opportunity cost should be weighed against the public improvements and additional taxable value expected from the RISE program.

Publicly owned land is common in many TOD areas and is generally exempt from property taxes. As a result, development on these properties may not generate tax increment for a RISE district. Counties should consider the amount of taxable versus tax-exempt property when evaluating projected RISE revenues and debt capacity.

The adjustment rate payment is intended to recognize county service cost growth, but it is second in priority. If first-tier debt service or approved RISE project costs consume the available tax increment, the general fund may receive less than the modeled adjustment payment while still bearing the cost of police, fire, roads, parks, administration, and other services for new development.

Exclusion from the constitutional funded-debt limit preserves legal general obligation capacity, but it does not make RISE debt financially invisible. Each county should include RISE debt in its debt-affordability, capital-planning, liquidity, and investor-relations analyses (e.g. official statements, annual continuing disclosure reports, post-issuance compliance materials and other investor materials) and disclose any direct or indirect county support.

Mainland results also confirm that TIF is a financing mechanism, not proof that growth was created. The cities of Portland and Dallas show that a TIF district can support substantial development when paired with a credible plan and complementary policies. Portland's review, however, also found that new investment and housing growth can occur alongside displacement, as rising property values, rents, and redevelopment pressures may cause some exiting residents or businesses to leave the TIF district. As a result, increased development does not necessarily translate into equivalent gains for the existing community. Counties should therefore evaluate both fiscal performance and distributional outcomes, and compare actual results with the public-benefit findings made at each RISE district formation. (Prosper Portland / ECOnorthwest, Understanding Portland Tax Increment Finance District Investment Impacts 2000-2022 (2024), https://prosperportland.us/tif-impact-report/; City of Dallas Office of Economic Development, State-Thomas TIF District Success Story and TIF District Annual Report Summaries, https://www.dallasecodev.org/358/Tax-Increment-Financing-Districts)

Risk area	Potential effect	Recommended mitigation
Development and absorption	Assessed value and tax receipts arrive later or below forecast.	Size to realized or highly certain value; require milestones, equity, completion support, and downside tests.
Taxpayer and project concentration	One appeal, delay, default, or exemption materially reduces revenue.	Set concentration limits, use higher coverage, and require additional liquidity or subordinate support.
Tax-rate and classification changes	Receipts change even if assessed value performs as forecast.	Model current classifications and alternative rates; require annual certification and disclosure.
Assessment appeals and exemptions	Current or retroactive reductions weaken collections.	Review appeal history, exclude disputed value as appropriate, and use a reserve or haircut.
Collection timing and delinquency	Cash does not arrive before debt-service dates.	Use conservative collection lags, debt-service deposit dates, and liquidity reserves.
County service costs	The general fund supports growth without full reimbursement.	Use a transparent adjustment-rate method and disclose downside service-cost gaps.
Additional debt and refunding	Later debt dilutes coverage or extends the district.	Adopt an additional-bonds test, final maturity limits, and refunding criteria.
Political or reputational pressure	The county may feel compelled to support a legally nonrecourse issue.	State the absence of a backstop clearly and prohibit implied support not approved by law.

Factors Impacting RISE District Revenues

- No appreciation on existing parcels and delayed construction, occupancy, or absorption.
- One- and two-year delays in assessed-value recognition and tax collections.
- Assessment appeals, exemptions, tax-class changes, rate changes, and base adjustments.
- Delinquency, collection loss, and a mismatch between tax receipt dates and debt-service dates.
- Failure or delay of the largest taxpayer, project, or development phase.
- Higher county service costs and alternative adjustment-rate assumptions.
- Higher interest rates, issuance costs, reserve requirements, and less favorable refunding economics.
- Additional bonds, subordinate debt, and refundings that extend final maturity or reduce coverage.
- Reserve draws and replenishment before the full increment is generated.
- Project cancellation, early termination, or a scenario in which infrastructure preserves value but does not create measurable new value.

Overall fiscal and credit factors to consider:

- With urban property values already high (e.g. Honolulu), potential incremental gains early on in a RISE project could be limited
- Undeveloped land in a RISE district is a favorable factor due to the increased likelihood of property value growth due to new development.
- The assessed value remains part of the county's taxable real-property base, but specified revenues attributable to assessed value above the assessment base are allocated to the RISE fund rather than being immediately available for unrestricted general-fund purposes. This creates an opportunity cost because incremental revenues that could support broader county purposes are committed to district-specific improvements.
- Debt issued per a RISE District will not be counted against the county's debt limit
- County's general fund is protected as RISE bonds are not general obligations
- Additional burden to public services brought on by new development and redevelopment (County could require an adjustment or pass-through so that a portion of RISE incremental revenue remains available for police, fire, parks, operations, and other services generated by additional development – any operating and maintenance costs of financed improvements)
- Volatility in property values, especially during an economic downturn, can lead to insufficient revenues
- Reliance on Base-value growth and reassessment assumptions
- Accurate construction and absorption schedules
- Property-tax classifications, exemptions, and rate change issues
- Any appeals, delinquencies, and collection losses that could have an impact
- Concentration among major taxpayers or projects
- Interaction with county general obligation credit ratings
- Future changes in real-property tax classifications, rates, exemptions, assessment practices, or applicable state law can influence tax increment revenue.
- Equity and displacement factors such as consideration of affordable housing, small businesses, cultural resources, community benefits, and anti-displacement measures where applicable
- Housing in Hawai'i generally pays very low property tax rates, with affordable housing typically exempt for at least 15 years, so a mixed-use RISE project could be essential to a healthy increment

V. Opportunities for RISE Bonds in Hawai'i: Three Scenario Analysis

The three (3) scenarios provide a quantitative illustration of how the same $100 million infrastructure program may behave under different RISE district conditions. They are not project specific feasibility studies, bond capacity estimates, or predictions of market access. A project specific analysis would require parcel level tax roll data, property classifications and exemptions, development and reassessment schedules, project costs, collection history, and more detailed sources and uses and debt service modeling based on the simplified bond structures presented in this analysis.

The model holds constant the assumed property tax rate, annual property growth rate, financing rates, bond terms, coverage requirement, and transaction cost assumptions. It varies the district's starting assessed value, the amount and timing of new taxable development, and the allocation among financing tools. The outputs are intended to isolate those mechanics, not to rank actual projects or recommend a financing structure. Any proposed district should instead be evaluated through the project specific financial analysis described in Section E.

Shared modeling assumptions

The model assumes a $100 million net infrastructure requirement (representing the entire infrastructure investment for each of the three scenarios) and a 50-year evaluation horizon beginning in 2028. The

assessment base remains fixed for RISE purposes. Existing property and each annual tranche of new development are assumed to appreciate by 2% annually, and new development is added in equal annual installments over each scenario's absorption period. The $8.84 per $1,000 real property tax rate is an assumed blended rate used only to isolate the scenarios; it is not a statewide or county average and should be replaced with parcel level tax rates, classifications, exemptions, and net taxable values in any project analysis.

The model assumes that the general fund receives the full adjustment payment equal to 10% of base tax after scheduled RISE debt service is funded. The 10% rate is neither statutory nor a policy recommendation. Under Act 31, the director of finance of the county sets the adjustment rate based on historical and projected assessed value growth and the projected county cost of servicing new development. Coverage is measured on gross tax increment available for the first tier debt service deposit, before the subordinate adjustment payment, and the model assumes that no approved pay go project costs compete with debt service in the first tier.

Financing assumptions are illustrative nominal rates, not market forecasts: RISE bonds at 6% for thirty (30) years with 1.25x minimum gross increment coverage; general obligation bonds at 5% for twenty five (25) years; CFD special tax bonds at 6% for thirty (30) years; and developer capital at a 12% assumed annual return or carrying cost. Each bond series uses level debt service and is grossed up for a fixed $350,000 cost of issuance allowance plus an underwriting discount of 1.5% for RISE and CFD bonds and 0.5% for general obligation bonds. The model does not fully incorporate federal tax status, reserve funding, capitalized interest, negative arbitrage, investment earnings, redemption premiums, ongoing administration, or accrued developer and CFD carrying costs at takeout. The modeled RISE funded amounts therefore represent portions of the original infrastructure requirement, not final bond par or all in refinancing requirements.

Metric	Greenfield	Redevelopment	Aging Infrastructure
Setting	Undeveloped or largely vacant TOD tract	Developed TOD area targeted for upzoning or redevelopment	Developed TOD area with failing infrastructure and an assumed growth component
Base assessed value[1]	$50M	$500M	$500M
Assumed new taxable development at buildout	$1,000M	$500M	$250M
Modeled infrastructure investment	$100M	$100M	$100M
Modeled capital investment period	20 yrs	10 yrs	5 yrs
Modeled project cost mix - GO bonds[2]	0%	45%	85%
Modeled project cost mix - CFD special tax	35%	0%	0%
Modeled project cost mix - RISE bonds	55%	40%	15%
Modeled project cost mix developer capital	10%	15%	0%
Share of original infrastructure cost ultimately financed or refinanced with RISE bonds, including any amount initially funded through interim sources such as CFD debt or developer capital	100%	55%	15%
Modeled RISE funded amount, excluding interim carry and takeout costs[2]	$100M	$55M	$15M
First modeled RISE issuance year[3]	11	7	3
Full annual increment available to the general fund beginning in program year[3]	48	39	33
Minimum modeled gross increment coverage (1.25x target)[4]	1.29x	1.25x	1.39x
Gross tax increment over 50 year horizon (excludes base tax)[1]	$566M	$484M	$336M
Gross tax increment allocated to the RISE fund during the modeled capture period[5]	$479M	$268M	$133M

Metric	Greenfield	Redevelopment	Aging Infrastructure
Total scheduled RISE debt service for all modeled series[6]	$223M	$123M	$34M

Table 1. Illustrative three scenario comparison. Figures are base case model outputs, exclude base tax receipts and all-in financing costs, and are not bond sizing estimates.

Notes:

[1] The assessment base is fixed for RISE purposes at district formation. Property tax generated from the base is excluded from the increment rows and continues to flow to the general fund throughout the model period. "Gross tax increment" is the property tax attributable to assessed value above that fixed base over the 50 year horizon, before allocation.

[2] The project cost percentages and RISE funded amounts allocate the original $100 million infrastructure requirement. They are not final bond par amounts or all in financing requirements and exclude interim carrying costs, takeout premiums, reserve funding, and other costs not fully modeled.

[3] The first RISE issuance year and the year in which the full increment becomes available to the general fund are model outputs under the stated development and financing assumptions. They are not statutory dates or predictions.

[4] Reflects the lowest annual ratio of gross incremental property tax revenue to scheduled RISE debt service during the modeled bond term. The model uses 1.25x as the minimum issuance target; actual modeled coverage exceeds that target in the greenfield and aging infrastructure scenarios.

[5] Increment allocated to the RISE fund represents gross deposits during the modeled capture period. It should not be read as either a permanent general fund loss or unrestricted surplus and may be used for approved project costs, reserves, future debt service, redemption or defeasance, or transfers to the general fund, subject to the financing plan, bond documents, and county policy.

[6] Total scheduled RISE debt service is aggregate principal and interest on the modeled RISE series. It does not include debt service or returns on the modeled general obligation, CFD, or developer financing, or other permitted uses of the RISE fund.

Because the model allocates increment to the RISE fund throughout the modeled capture period, deposits exceed scheduled debt service. As described in Note 5, the difference is neither additional bond capacity nor unrestricted surplus; its disposition must be specified in the financing plan, bond documents, and county policy.

The existing assessment base matters in two separate ways. First, all property tax generated from the base continues to flow to the general fund. Second, the director of finance selects an adjustment rate when the district is established, taking into account projected assessed value growth and the county's projected cost of serving new development. The scheduled adjustment payment is calculated by multiplying that rate by the property tax generated from the assessment base, but the payment itself is made from available incremental property tax revenue after the first-tier allocation for RISE debt service or approved project costs. The model results also depend on the assumed amount and timing of new development, the financing mix, and how amounts remaining in the RISE fund after scheduled debt service are used. The model assumes that RISE ultimately funds all of the original greenfield infrastructure cost, compared with 55% for redevelopment and 15% for aging infrastructure. These percentages are modeling assumptions, not findings that RISE can or should support those amounts. Figure 1 shows how the $100 million infrastructure cost is allocated among financing sources over the full program period, not the funding available in the first year. The RISE bonds are assumed to be issued later, after sufficient increment has developed.

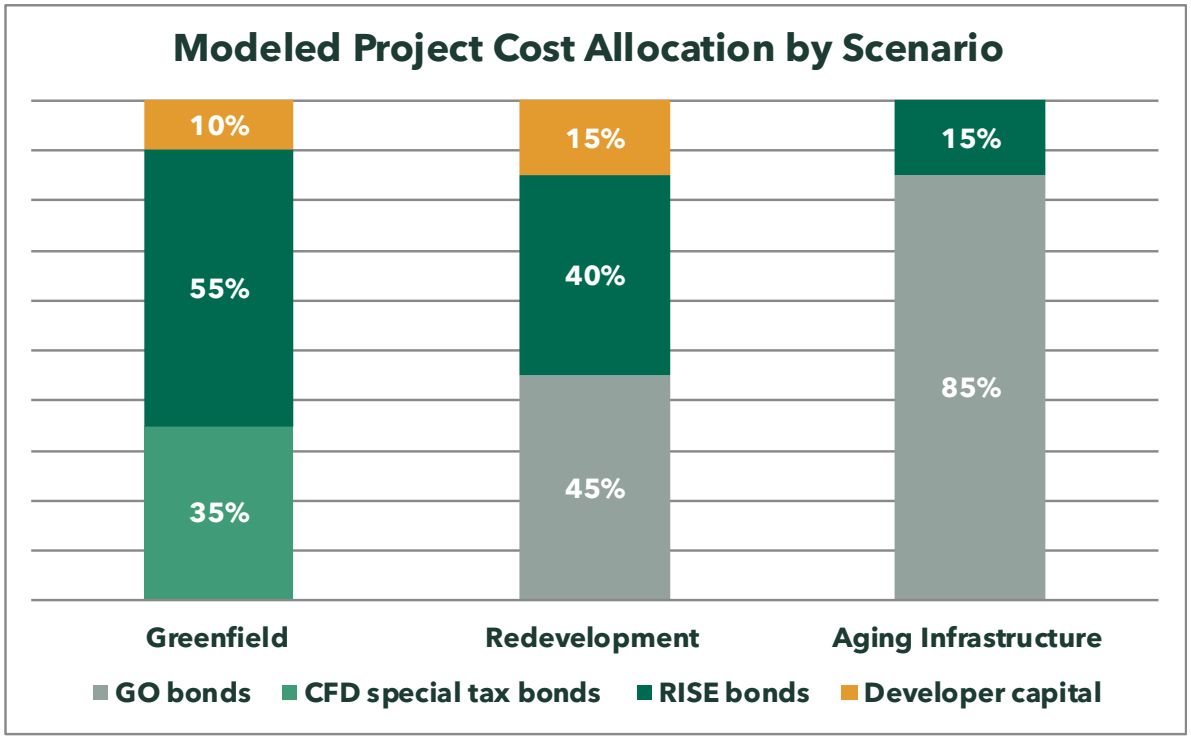


Figure 1. Modeled project cost allocation by scenario. The chart does not show issuance timing.

A) Greenfield Development

Greenfield development can create the largest increase in assessed value, but it also has the longest revenue ramp and the highest construction and absorption risk. Infrastructure is usually needed before the taxable improvements are complete. Greenfield development is therefore a later phase RISE case, not an automatic first dollar financing source.

Act 31 requires detailed findings that CFD or HCDA financing has been used to the maximum feasible extent or is legally or financially infeasible, and it expressly permits those tools to be used in conjunction with RISE. The layered structure in this scenario is therefore plausible, but CFD financing is not automatically available at the beginning of a project. Market access would still depend on investor demand of land value, lien coverage, development commitments, owner concentration, the special tax burden, and affordability constraints.

A more financeable greenfield transaction would have substantial infrastructure or vertical development in place, binding development and absorption commitments, meaningful developer equity, independent appraisal support, a diversified ownership and taxpayer plan, a cash funded reserve or appropriate capitalized interest, and an additional bonds test tied to actual assessed value and collections.

In the base case, the greenfield district starts with a fixed $50 million assessment base and adds $1 billion of new taxable development in equal annual installments over twenty (20) years, with 2% annual appreciation. The model assumes no general obligation contribution. It assigns 35% of the original infrastructure cost to CFD special tax bonds, 10% to developer capital, and 55% to the first RISE series. RISE series are modeled in program years 11, 13, and 18, with the later series used to refinance or retire then-outstanding CFD obligations and reimburse eligible developer-funded infrastructure costs, to the extent supported by available increment and permitted under the applicable financing documents. Thus, the modeled CFD and developer financing are treated as interim sources that are progressively taken out by later RISE financings rather than remaining outstanding alongside them. This is not a finding that the district could not use general obligation debt or that the interim financing would be taken out at its original funded amount; actual takeout

sizing would reflect outstanding principal, accrued developer return, redemption provisions, and transaction costs.

Under these assumptions, RISE is modeled to carry all $100 million of the original infrastructure requirement, minimum gross increment coverage is 1.29x, and the full annual increment becomes available to the general fund beginning in program year 48. Scheduled RISE debt service is approximately $223 million. The model allocates approximately $479 million of gross increment to the RISE fund during the capture period, excluding base tax. As noted below Table 1, the amount allocated to the RISE fund in excess of scheduled debt service is not additional bond capacity or unrestricted surplus and must be addressed in the financing plan, bond documents, and county policy.

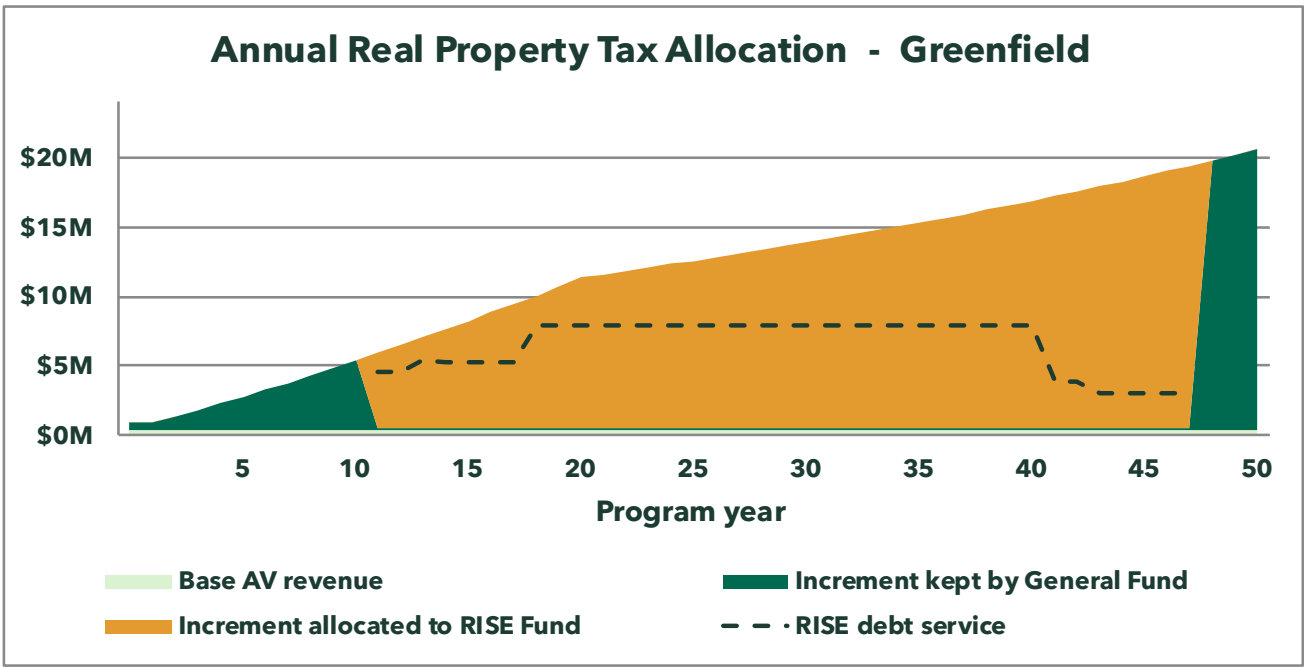


Figure 2. Modeled annual real property tax allocation, greenfield scenario. Orange represents increment allocated to the RISE fund, not necessarily a permanent general fund loss.

The State-Thomas case discussed in Section III provides a useful comparison because it involved a largely vacant or underused area, a defined public improvement program, and a finite district term. It illustrates how staged investment and a credible development plan can support redevelopment, but it does not demonstrate that undeveloped land will generate sufficient increment, on the assumed schedule, to support early RISE debt. (City of Dallas Office of Economic Development, State-Thomas TIF District Success Story and TIF District Annual Report Summaries, https://www.dallasecodev.org/358/Tax-Increment-Financing-Districts)

B) Redevelopment

Redevelopment may generate increment sooner because property is already on the tax roll and core infrastructure, entitlements, or development activity may be more advanced. But total market value is not a proxy for pledged revenue: only taxes attributable to assessed value above the fixed base enter the increment. Appeals, exemptions, tax class changes, demolition, construction timing, and reassessment lags can materially change the revenue ramp.

This scenario is the strongest candidate for a local analysis of whether the public investment is needed to address a financing shortfall or enable development that would not otherwise occur on the same scale or schedule, although Act 31 does not require that test. The county should distinguish value reasonably attributable to the public improvement from organic appreciation or development that was already expected. It should also evaluate displacement, affordability, small business, cultural resource, and community benefit effects when public financing supports private redevelopment.

In the base case, the redevelopment district starts with a fixed $500 million assessment base and adds $500 million of new taxable development over ten (10) years. The model assumes that the county issues $45 million of general obligation bonds at the outset, developer capital bridges 15% of the original infrastructure cost, and RISE issues $40 million in program year 7 and $15 million in program year 9 to replace the original developer funded amount. The general obligation bonds are supported by the county's full faith and credit, not by the district's existing assessment base; their use is an assumed modeling choice.

Under these assumptions, RISE is modeled to carry $55 million, or 55% of the original infrastructure cost. Minimum gross increment coverage is 1.25x, the full annual increment becomes available to the general fund beginning in program year 39, and scheduled RISE debt service is approximately $123 million. The model allocates approximately $268 million of gross increment to the RISE fund during the capture period, excluding base tax. The same treatment of RISE fund amounts remaining after scheduled debt service described below Table 1 applies.

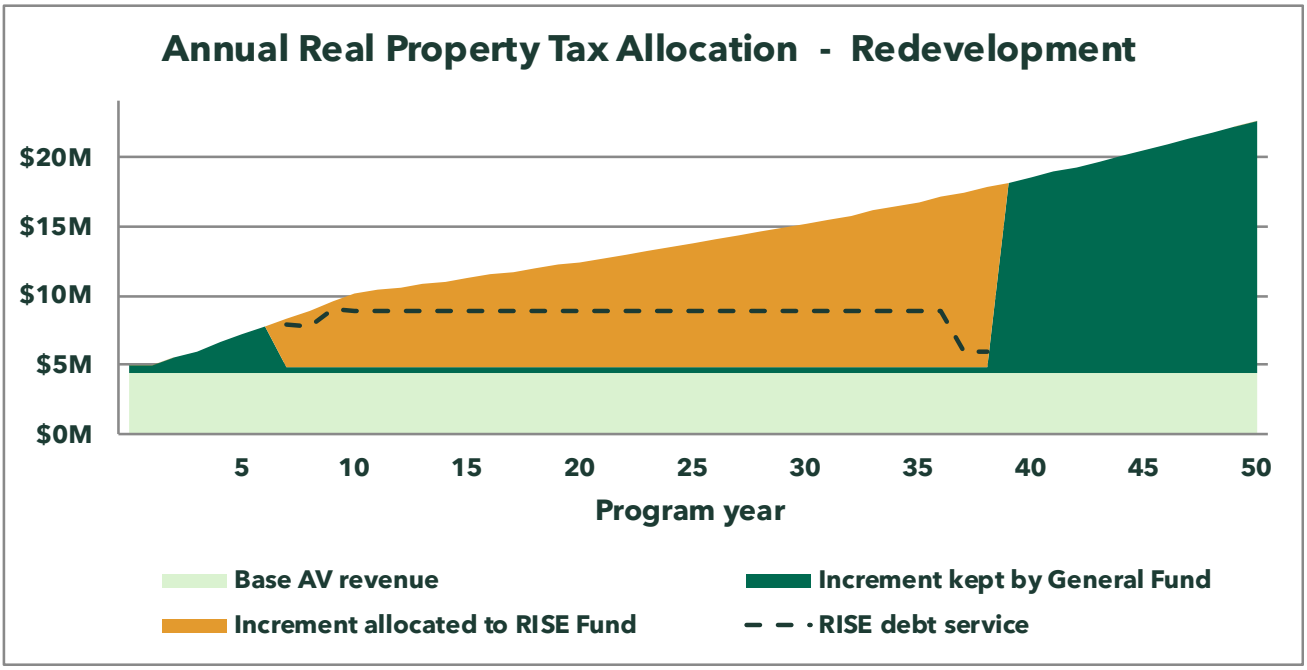


Figure 3. Modeled annual real property tax allocation, upzoning and redevelopment scenario. Orange represents increment allocated to the RISE fund, not necessarily a permanent general fund loss.

RISE can be a useful redevelopment tool when a specific public improvement enables identified housing or mixed-use development, the district has a diversified taxpayer base, and the incremental revenue can be measured. It is less effective when the public investment primarily supports value that likely would have materialized without the district.

The Portland analysis discussed in Section III found strong development and housing outcomes, but also identified uneven community impacts. Any project requirements or conditions that could affect development costs, timing, taxable value, or financing feasibility should be incorporated into the project-specific financial analysis. (Prosper Portland / ECOnorthwest, Understanding Portland Tax Increment Finance District Investment Impacts 2000-2022 (2024), https://prosperportland.us/tif-impact-report/)

C) Risk Mitigation of Aging Infrastructure

Pure replacement of aging infrastructure is generally the weakest standalone RISE use case. Replacing a pipe, road, drainage system, or public facility may preserve existing assessed value without creating a large new increment. The modeled aging infrastructure case is not a pure replacement scenario: it assumes that the improvements unlock $250 million of new taxable development over five (5) years. Without that growth component, RISE capacity would be lower and could be negligible.

In the base case, the aging infrastructure district starts with a fixed $500 million assessment base. The model assumes $85 million of general obligation bonds and a single $15 million RISE series in program year 3. The general obligation bonds are supported by the county, while RISE is limited to 15% of the original infrastructure cost. The full annual increment becomes available to the general fund beginning in program year 33, minimum gross increment coverage is 1.39x, and scheduled RISE debt service is approximately $34 million. The 1.39x coverage result reflects the small RISE share and should not be read as evidence that an aging infrastructure project is the strongest standalone RISE credit.

The model allocates approximately $133 million of increment to the RISE fund during the capture period, excluding base tax. The same treatment of RISE fund amounts remaining after scheduled debt service described below Table 1 applies.

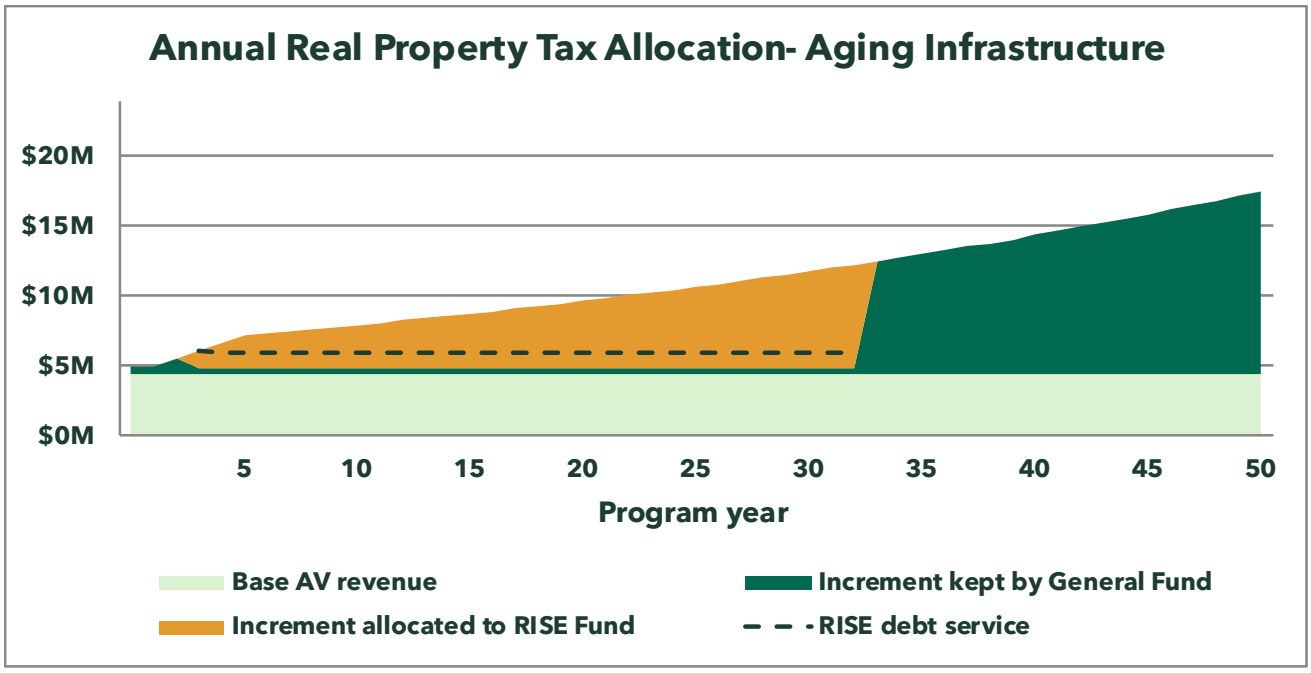


Figure 4. Modeled annual real property tax allocation, aging infrastructure scenario. Orange represents increment allocated to the RISE fund, not necessarily a permanent general fund loss.

General obligation bonds, utility revenue bonds when the improvements are part of a utility system supported by user revenues, assessments, grants, or pay as you go funding may be better suited for

infrastructure that benefits a broad existing service area. RISE may still be useful when the replacement project directly supports a committed housing expansion or redevelopment plan expected to generate identifiable new taxable value. The financial analysis should distinguish value preservation from new value creation and size RISE debt only to the increment supported by reasonable development and assessed value assumptions.

D) Comparison with Alternative Financing Tools

The three scenarios illustrate where RISE may fit among other financing tools, but they are not a complete all-in cost comparison. Each tool differs in timing, security, legal exposure, transaction costs, and effect on the general fund. The scenario allocations are simplifying assumptions rather than optimized financing plans.

General obligation bonds have the lowest assumed borrowing cost in the model, at 5% over twenty five (25) years, because they carry the county's full faith and credit. Debt service is a first charge on the general fund, and the bonds count against the constitutional funded debt limit. Whether GO debt is preferable depends on countywide debt affordability and competing capital priorities, not on the district's assessment base. The most important dynamic that restricts this otherwise ideal form of public financing is Hawaii's constitutional debt limit requirements, which caps qualifying county-held debt at 15% of real property tax revenues. GO bonds are included in this calculation and are thus a high-demand and limited resource available for public infrastructure investments.

A CFD special tax structure may be available earlier than RISE because its levy need not depend on realized assessed value growth. But market access still depends on land value, lien coverage, development commitments, taxpayer concentration, and the affordability of the special tax. The special tax is borne by district parcels, and any conclusion that the structure is neutral to the general fund depends on the absence of a county backstop, reimbursement obligation, or other support.

RISE bonds convert future property tax growth into present infrastructure funding. Prudent issuance would generally wait until value and collections are sufficiently documented, although Act 31 does not require realized collections before sale. RISE does not impose a separate special tax or pledge the county's general credit, but it redirects future county property tax growth and can reduce resources available for countywide services. If SB 3219 is ratified, RISE bonds that satisfy the constitutional and statutory definition are excluded from the county funded debt limit. Bond counsel should confirm that any supplemental security is consistent with that definition and exclusion.

Developer capital is modeled at a 12% assumed annual return or carrying cost, which is not directly comparable to a bond coupon. It may provide flexible early funding without using county debt capacity, but the return may be reflected in land or housing costs, and reimbursement, acquisition, or takeout agreements can create contingent county obligations. Actual carry, priority, repayment, and takeout terms must be modeled explicitly.

Tool	Counts against debt limit	Illustrative cost	Role and effect on the general fund
GO bonds	Yes; 15% of AV funded debt limit	Assumed 5% fixed / 25 yr	Lowest assumed rate; full faith and credit; debt service is a first charge on the general fund
CFD special tax	Generally excluded if secured solely by special taxes or benefited properties	Assumed 6% fixed / 30 yr	May fund an earlier phase; special tax burdens district parcels; county exposure depends on documents
RISE bonds	Excluded if SB 3219 is ratified and the bonds satisfy the constitutional and statutory definition	Assumed 6% fixed / 30 yr / 1.25x minimum gross coverage	No separate special tax or GO pledge, but redirects future property tax growth; adjustment payment is subordinate

Tool	Counts against debt limit	Illustrative cost	Role and effect on the general fund
Developer capital	No county debt unless a reimbursement, acquisition, or support obligation is provided	Assumed 12% carrying cost	Flexible early capital; may raise project cost; carry and takeout terms matter

Table 2. Illustrative comparison of the financing tools used in the model. Legal treatment and market cost must be confirmed for each transaction.

The comparison illustrates how RISE may be combined with other financing tools rather than establishing a fixed order of preference. RISE may fund a larger share of the original infrastructure cost when new development is substantial and the existing assessment base is relatively small, but the result also depends on absorption, tax classification, interim financing costs, taxpayer concentration, coverage, and the treatment of amounts remaining after scheduled debt service. Amounts allocated to the RISE fund should not be viewed as a permanent general fund loss. The fiscal effect depends on whether those amounts are used for approved project costs, reserves, future debt service, redemption or defeasance, or transfers to the general fund.

E) Project Specific Financial Analysis

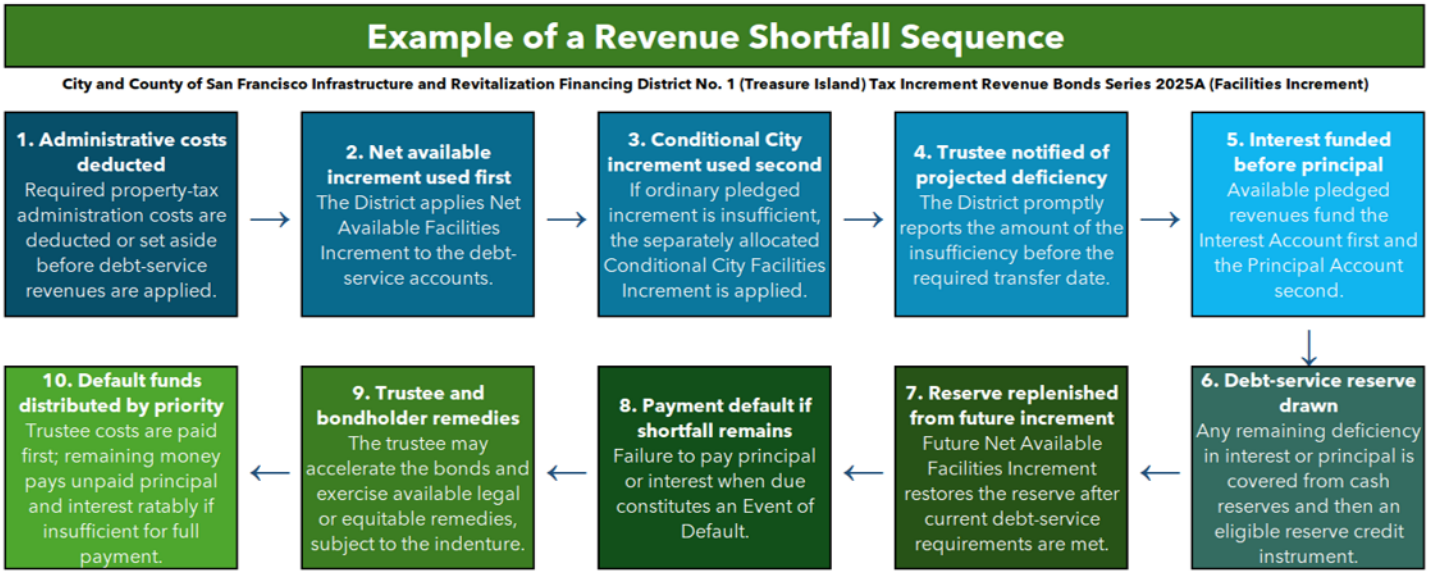
These scenarios are illustrative and should not be used to evaluate a specific RISE district. Before establishing a district or issuing RISE bonds, a county should prepare a project specific financial analysis of the anticipated development. At a minimum, the analysis should use parcel level tax roll data; property classifications, exemptions, and net taxable values; development, absorption, and reassessment schedules; infrastructure costs; more detailed sources and uses and debt service modeling based on the simplified bond structures presented in this analysis; and an annual flow of funds showing expected increment, debt service capacity, and effects on the general fund. The analysis should also evaluate downside risks, including slower development, lower assessed values, reassessment delays, appeals, collection losses, and higher borrowing costs; specify how increment remaining after scheduled debt service would be used or released; and report annual coverage, funding shortfalls, issuance timing, final maturity, total financing cost, and general fund receipts.

For purposes of this memorandum, the analysis has been simplified by using a consistent set of assumptions. In practice, each development project will present its own unique facts and circumstances, and it is possible that multiple financing tools will be used in combination for projects that consider RISE bonds.

VI. Financial Risks and Mitigation Measures

A) What If Projected Revenues Are Not Realized

RISE bonds depend on the future growth in taxable property values producing sufficient tax increment to pay for debt service and the other authorized costs. If RISE development is slower than projected, assessed values decline, tax appeals or exemptions reduce the tax base, or collection and tax rates differ from assumptions, actual RISE revenue may fall below expectations. Any of these potential shortfalls could require the use of reserves, delay or reduce funding for planned improvements, limit payments otherwise available to the county, restrict the issuance of additional debt, or in a worst case scenario, result in a payment default. As discussed in Section IV.B., because RISE bonds are limited obligations and counties are not legally required to tap into the general fund to remedy a shortfall, an unsuccessful RISE district could create financial, operational, political, and reputational consequences for the county. For that reason, the RISE financing documents should establish a clear revenue waterfall, reserve-draw and replenishment procedures, shortfall notification requirements, corrective actions, and bondholder remedies before bonds are issued.



San Francisco's Treasure Island Infrastructure and Revitalization Financing District ("IRFD") illustrates how a TIF district can establish a detailed revenue shortfall sequence while preserving the limited obligation nature of the bonds. The IRFD's 2025 Facilities tax increment revenue bonds are paid first from the applicable net available tax increment and, if that revenue is insufficient, the shortfall may be covered by separately allocated conditional city increment. Available revenues are applied first to interest and then to principal. If a shortfall remains, the debt-service reserve may be drawn and later replenished from future tax increment. If pledged revenues and reserve funds are still insufficient to pay debt service when due, an event of default occurs, allowing the trustee to accelerate the bonds and exercise available remedies. Any recovered funds are applied first to trustee costs and then to unpaid principal and interest. This structure shows the importance of clearly establishing the revenue waterfall, backup revenue sources, reserve procedures, default triggers, and bondholder remedies before debt is issued. For RISE bonds, the financing documents should similarly identify each source available to address a shortfall and confirm that the county's general fund and taxing power are not responsible for any deficiency unless the county expressly agrees otherwise. (City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) Tax Increment Revenue Bonds Series 2025A (Facilities Increment) Official Statement (Summary of Indenture) - https://emma.msrb.org/P21993801-P21519383-P21973985.pdf)

B) Examples of TIF District Underperformance and Failures

Across the mainland, TIF districts have produced mixed results. Many TIF districts have successfully revitalized underdeveloped or economically distressed areas, financed public infrastructure, and encouraged private investment. Others have struggled when anticipated development, property value appreciation, or taxable economic activity did not materialize. The examples below include TIF districts that have experienced payment defaults, debt-service reserve draws, projected payment shortfalls, partial interest payments, and ratings lowered to speculative-grade or deeply distressed levels. They also demonstrate that the effectiveness of a RISE district will depend heavily on realistic projections, economic conditions, project diversification, financing structure, and the timing of public improvements.

Chicago, Illinois. The city of Chicago continues to operate one of the largest TIF programs in the country, encompassing numerous TIF districts and substantial accumulated revenues. The principal concerns

surrounding Chicago's TIF program have focused on transparency, geographic equity, and the allocation of public resources. Critics have questioned the use of TIF subsidies in areas considered prosperous, and whether some subsidized TIF projects would have proceeded without TIF assistance. Concerns have also arisen regarding the diversion of property tax growth from schools and other overlapping taxing entities. Chicago's experience is an example reflecting that although a TIF program may be financially viable it can still face significant public policy challenges regarding the necessity, distribution, and oversight of tax increment revenues. (City of Chicago TIF Program - https://www.chicago.gov/city/en/depts/dcd/provdrs/tif.html; City of Chicago Office of Inspector General: TIF Transparency Follow-up – https://igchicago.org/2023/11/29/oig-follow-up-finds-improvements-in-tif-transparency/)

Detroit, Michigan. The city of Detroit's redevelopment experience demonstrates the difficulty of using TIF in an area undergoing severe and sustained economic contraction and provides more of an economic warning rather than a documented example of a particular TIF bond default. Before the city filed for bankruptcy, some redevelopment districts in the city were underperforming as declining property values reduced the tax increment available to support planned projects and obligations. Because the anticipated development and assessed value growth did not occur at the expected pace, the city was limited in carrying out their redevelopment plans. In Detroit's example, economic decline, population loss, and weakening real estate conditions overwhelmed its redevelopment efforts. The lesson for RISE is that TIF cannot independently reverse underlying economic conditions when the broader tax base continues to contract. (An Assessment of Detroit's Economic Condition and a Critique of its Economic Development Efforts - https://crcmich.org/publications/detroit_economic_climate_use_economic_development_tools)

Kansas City, Missouri. Kansas City's Power & Light District illustrates the risk created when project generated revenues are insufficient to pay debt service and the municipality has pledged or agreed to provide supplemental support. Although this district contributed to substantial downtown redevelopment, project related revenues did not fully meet debt service requirements, requiring Kansas City to contribute other city revenues. In this example, the TIF district's bonds were structured subject to annual appropriation, so project generated tax increment and related revenues were applied first to the debt service according to its revenue waterfall. The City Council could appropriate other legally available municipal revenues to cover the remaining debt service and protect the city's credit. This example demonstrates that a TIF project can produce visible redevelopment benefits while still creating a continuing fiscal burden if pledged revenues fall short of projections. (Missouri State Auditor's TIF Database – https://auditor.mo.gov/TIF/Search; Kansas City TIF Commission and Program Materials - https://edckc.com/what-we-do/land-development/tif/; The Beacon: Discussion of Kansas City covering Power & Light District debt payments - https://thebeaconnews.org/stories/2026/06/16/missouri-lawmakers-revive-modesa-tax-incentive-power-light-district/)

Before 2012, California redevelopment agencies relied extensively on TIF to finance redevelopment projects. Although many projects were successful, the program became controversial because the allocation of property tax increment reduced revenues otherwise available to schools, counties, and other taxing entities. Critics also argued that some redevelopment agencies designated areas as blighted even though those areas were already experiencing growth and used public subsidies for retail or other development that might have occurred without TIF assistance. During the Great Recession, declining and slow-growing property values further constrained tax increment revenues. California dissolved its redevelopment agencies in 2012 primarily in response to state budget pressures and disputes over the allocation of property tax revenues, rather than because of widespread defaults on redevelopment bonds. Outstanding TIF obligations generally continued to be administered and repaid through successor agencies. Next are four examples of California Redevelopment Agencies that demonstrate lessons for RISE districts.

Paradise, California. In July 2003, the Paradise Redevelopment Agency created a TIF district to use property tax increment from its 694-acre redevelopment project area to finance redevelopment activities and related obligations. The 2009 Tax Allocation Refunding Bonds were later issued to refund earlier agency debt rather than to. The Agency's 2009 Tax Allocation Refunding Bonds were secured by property tax increment generated within the redevelopment project area, with debt service dependent on taxable assessed value above the project area's assessment base. The 2018 Camp Fire devastated Paradise, destroying most of the community and a substantial share of the redevelopment project area, which caused a severe and lasting collapse in the taxable assessed value supporting the bonds. Temporary state payments supported property tax collections for a limited period, but those payments ended after fiscal year 2020–21, leaving pledged revenues insufficient to meet scheduled debt service without draws on the debt service reserve. As the revenue deteriorated, S&P progressively lowered the bond rating and ultimately downgraded the bonds to "D" (a non-investment-grade rating indicating payment default) following a payment default on June 1, 2023. A second payment default occurred on December 1, 2023, and S&P withdrew the "D" rating in January 2024. Paradise provides a clear example of a conventional property tax increment financing failing after the sudden physical destruction of its incremental tax base. Currently, the Successor Agency to the Paradise Redevelopment Agency has not fully recovered and the 2009 bonds remain in default with insufficient available tax increment revenue. Takeaways for RISE from the Paradise example are that: 1) debt service reserves and temporary governmental assistance can provide short-term protection, but they may not be sufficient when a natural disaster causes a prolonged loss of taxable value and the district's revenues do not recover before the temporary support expires, and 2) the risk of including unimproved properties within a TIF district (e.g. single-walled aging housing vs. new hurricane-resistant development) can impact property tax revenues within a TIF district even if improved parcels are OK and are not impacted. (S&P Global Ratings - https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3115570; S&P Global Ratings- https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/1068426; Town of Paradise Redevelopment Plan - https://ceqanet.lci.ca.gov/2003012078/2; EMMA Official Statement for Paradise Redevelopment Project 2016 Subordinate Tax Allocation Refunding Bonds - https://emma.msrb.org/EP957608-EP742828-EP1144406.pdf; EMMA Continuing Disclosure Annual Report for Paradise Redevelopment Project 2016 Subordinate Tax Allocation Refunding Bonds - https://emma.msrb.org/P11929491-P11473630-P11923903.pdf)

Riverbank, California. The Riverbank Redevelopment Agency's Series 2007A Nonhousing and Series 2007B Housing Tax Allocation Bonds were secured by property tax increment generated within a predominantly residential redevelopment project area. The concentration in residential property made pledged revenues particularly sensitive to changes in assessed value and the volatility of the local housing market. Following a severe residential real estate correction, S&P lowered the bonds to "CCC" (a non-investment-grade junk bond rating indicating substantial credit risk) in January 2011 because debt-service coverage had weakened and available cash remained limited even after considering the debt-service reserve. S&P lowered the rating again to "CC" (a non-investment-grade junk bond rating indicating very high credit risk and likely default) in March 2012 because the Agency needed to draw on reserves to pay 2012 debt service and, following the dissolution of California redevelopment agencies, no longer had access to previously available unpledged revenues. By May 2013, the project area had experienced five consecutive years of assessed-value declines, fiscal year 2013 tax increment revenue had fallen by 96%, debt-service coverage had declined to 0.04 times, and a shortfall was projected for the August 1, 2013 debt-service payment. Riverbank illustrates the leveraged effect that a declining property-tax base can have on tax increment revenues, because the frozen base remains fixed, a sustained reduction in total assessed value can eliminate most or nearly all of the increment even though the project area continues to contain substantial taxable property. Currently, the Successor Agency to the Riverbank Redevelopment Agency is receiving rising tax-increment revenue and paying current debt service while gradually addressing earlier shortfalls. Although this indicates improvement the Agency has not fully recovered, and their 2007 bonds and accumulated unfunded obligations remain outstanding through 2037. A takeaway for RISE is that districts with concentrated or

volatile property types should be evaluated under severe assessed value decline scenarios and should not rely solely on the continued existence of taxable property as evidence that sufficient increment will remain available for debt service. (S&P Global Ratings - https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/845543; California Department of Finance: Recognized Obligation Payment Schedule 2025-26 Summary – https://dof.ca.gov/media/docs/programs/redevelopment/rops/last-and-final-forms/Riverbank_Approved_Last_and_Final_ROPS.pdf ; S&P Global Ratings - https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/947713; S&P Global Ratings - https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/1129788)

Hercules, California. The Hercules Redevelopment Agency's Series 2005 and Series 2007A Tax Allocation Revenue Bonds were secured by net property tax increment generated within the Agency's merged redevelopment project area after deducting required housing set-asides and certain senior pass-through payments. The bonds' debt service reserves were supported by Ambac surety policies, financial guaranty insurance policies under which Ambac agreed to provide funds if needed to cover debt service shortfalls, rather than by fully funded cash reserves. Following significant assessed value declines over three consecutive years, tax increment revenues fell, while required set-asides and pass-through payments were deducted first, leaving less revenue available to pay bond debt service. In April 2011, S&P lowered the bond ratings from "BB" (a non-investment-grade junk bond rating indicating elevated but less severe credit risk) to "CCC", citing inadequate debt-service coverage from pledged net tax increment, a negative cash position, and the Agency's need to borrow from unpledged housing revenues to pay nonhousing debt service. This Agency example demonstrates that gross assessed value and gross tax increment do not necessarily measure the revenues available to bondholders. The relevant credit measure is the net increment remaining after all statutory and contractual deductions, which can leave debt service undercovered when assessed values decline. Currently, the Successor Agency to the Hercules Redevelopment Agency is receiving sufficient tax increment revenues to service its debt obligations, indicating substantial financial recovery. A takeaway for RISE is that revenue projections and coverage calculations should incorporate every payment senior to or deducted before bond debt service, including administrative costs, required set-asides, adjustment rate payments, statutory pass-throughs, and other priority project costs. (S&P Global Ratings – https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/861712; California Department of Finance: Recognized Obligation Payment Schedule 2025-26 Summary – https://dof.ca.gov/media/docs/programs/redevelopment/rops/rops-2025-26-forms-submitted-by-successor-agency/Hercules_Annual_ROPS_2025-26.pdf)

C) Lessons Learned from other TIF Districts

Many of the geographic and market risks that apply to TIF financings are relevant to local communities, and are generally present for all forms of available county financing that is dependent on the geographic collection of revenues such as revenue bonds and general obligation bonds. Overall, when looking at TIF districts that have struggled, it's generally for these recurring reasons - overly optimistic assumptions regarding property value growth; economic recessions that have reduced assessed values; dependence on a single developer, employer, taxpayer, or commercial project; natural disasters and unmitigated property/infrastructure failure risks; and changes in retail that shift activity without creating meaningful net growth. Other contributing factors to a TIF district's struggles have also sometimes included constructing infrastructure before sufficient development is underway, political changes that alter development priorities, and issuing too much debt relative to existing revenues. Highly leveraged TIF districts have limited flexibility when development is delayed or tax increment grows more slowly than forecasted. More recently issued TIF financings frequently attempt to address these risks through more conservative underwriting and stronger structural protections. Common practices of this have included obtaining independent market and economic analyses, stress testing assessed value and revenue assumptions, limiting debt service to a portion of projected tax increment, requiring developer equity or other forms of participation, and establishing debt service reserves or supplemental security. Many TIF issuers have also used phased financing, under which

debt is issued as development milestones are achieved, rather than issuing the maximum amount supported by optimistic long term projections at the beginning of a project. This can be accomplished by issuing a series of bonds with lower par amounts instead of one series with a larger par amount.

The experience of these TIF district examples can provide an important lesson for RISE districts. The strongest RISE districts will finance infrastructure supporting development that is already underway or has a high probability of occurring, rather than relying primarily on speculative future growth. RISE districts should therefore use conservative revenue projections, evaluate downside scenarios, limit leverage, diversify the sources supporting project costs, and align the timing of debt issuance with demonstrated development progress. This distinction between financing and established or highly probable development and borrowing against speculative future growth has been one of the most important indicators of long term TIF performance.

VII. Recap of Risks and Best Practices

Counties should adopt a written RISE policy before any RISE project-specific negotiations begin and Act 31 should be treated as an enabling authority, not as the county's policy.

Each county's RISE policy should apply consistently across all of its RISE projects and should include at least the following standards:

Policy area	Recommended county standard
Debt service coverage	Set a stated minimum based on stabilized and downside revenue. A 1.25x base-case benchmark can be a starting point, but higher coverage may be needed while development is incomplete or concentrated.
Debt service reserve	Require cash, a marketable surety, or another liquidity mechanism sized to development, collection, and concentration risk.
Additional-bonds test	Require assessed-value certification, specified historical or projected coverage, development milestones, no default, and full reserve funding.
Pay-go priority	Prohibit project-cost disbursement before current debt service and required reserve deposits.
Capitalized interest	Limit it to a documented development and collection ramp and require a credible transition when the capitalized period ends.
Cash sweep	Retain or redeem surplus until coverage, reserve, project-completion, and development tests are met.
District term	Set a fixed end date and permit extension only after public findings and a determination that outstanding bonds will not be impaired.
Exposure limits	Limit RISE debt by district assessed value, projected increment, taxpayer concentration, and the countywide tax base.
Adjustment rate	Use a transparent service-cost method, state when the rate may be revised, and disclose the effect of first-tier subordination.
Sale and pricing	Require a written method-of-sale determination, professional selection procedures, pricing review, and investor-suitability analysis.
Disclosure and reporting	Require annual tax-roll, development, project, collection, coverage, reserve, appeal, and covenant reporting.
Independent review	Use the municipal advisor and independent feasibility or tax-roll consultants before formation, issuance, and additional bonds.

Policy area	Recommended county standard
No implied backstop	State clearly whether the county has any appropriation, completion, reserve-replenishment, or moral-obligation commitment.
Public outcomes	Set measurable housing, affordability, equity, resilience, or anti-displacement outcomes if those are program goals, and report actual results.

Selected Mainland Practices and Relevance to Hawai'i

U.S. City or Issuer / TIF District or Framework	What it shows	Application to RISE
Portland / ECOnorthwest	Strong development and housing outcomes can coexist with displacement and uneven distribution.	Require necessity and benefit findings, affordability and anti-displacement measures, and outcome reporting.
Dallas / State-Thomas	A defined public-improvement program on underused urban land can produce substantial taxable value and later general-fund benefit after sunset.	Use a finite term, staged investment, and parcel and taxpayer diversification. Do not rely on acreage alone.
Denver / Union Station	Large TOD infrastructure can require tax increment plus federal credit, grants, agency contributions, land proceeds, and other pledged revenues.	Treat RISE as one layer in a capital stack and state lien priority and non-incremental support clearly.
Washington / TIF framework	Statutory caps, a 25-year sunset, project analysis, public hearings, service-impact review, and mitigation providing guardrails.	Adopt analogous local exposure limits, impact analysis, hearings, reporting, and mitigation because Act 31 currently does not provide for these considerations.
Kansas City / TIF framework and Power & Light District example	A mature TIF program benefits from a documented "but-for" finding, independent professional analysis, developer certification, cost-benefit and fiscal-impact analysis, a defined project term, and continuing project-level reporting. A TIF project can produce visible redevelopment benefits while generating less revenue than required for debt service, creating an ongoing fiscal burden when the municipality has pledged or agreed to provide supplemental support.	Require an independent necessity and feasibility analysis, disclose impacts on affected public agencies, compare projected and actual revenues and outcomes annually, and require renewed findings for material plan amendments or additional bond issuances. Clearly disclose any county support, prohibit implied general-fund backing, stress test project generated revenues, and establish limits and approval requirements for supplemental county contributions.
Chicago / TIF framework	A financially productive TIF program can still raise significant public-policy concerns involving transparency, geographic equity, the "but-for" justification for subsidies, accumulated revenues, and the allocation and timing of property-tax growth among overlapping taxing entities.	Require transparent project selection criteria, documented necessity findings, geographic and community benefit analysis, annual reporting, and clear policies governing surplus revenues and their release to affected taxing entities.
Detroit / TIF framework	TIF cannot independently overcome sustained population loss, declining property values, weak real estate conditions, or contraction of the broader tax base. Economic deterioration can reduce increment and limit the ability to complete planned redevelopment.	Evaluate regional economic and demographic conditions, require downside scenarios for declining assessed values and delayed development, and avoid relying on TIF as the primary solution to underlying economic weakness.

U.S. City or Issuer / TIF District or Framework	What it shows	Application to RISE
California - Former Redevelopment Agencies / TIF framework	Extensive use of property tax increment can create disputes over blight findings, project necessity, fiscal impacts on schools and other taxing entities, and the allocation of public revenues. Dissolution did not eliminate existing debt, which continued to be administered by successor agencies.	Require credible eligibility and necessity findings, analyze effects on affected public agencies, limit leverage and district duration, and establish procedures for administering outstanding obligations if a RISE district is terminated.
Paradise / TIF district	A natural disaster can suddenly destroy a substantial portion of the incremental tax base. Debt-service reserves and temporary governmental backfill may provide only short-term protection if assessed values do not recover before assistance expires.	Require disaster stress testing, adequate cash funded reserves, insurance and resilience planning, conservative recovery assumptions, and clear disclosure that temporary governmental assistance may not prevent default.
Riverbank / TIF district	A predominantly residential and volatile tax base can experience multiple years of assessed-value declines that eliminate most of the tax increment even though substantial taxable property remains in the district.	Evaluate the relationship between total assessed value and the frozen base, stress test severe and prolonged assessed value declines, diversify property types and taxpayers, and avoid relying on the continued existence of taxable property as evidence of adequate increment.
Hercules / TIF district	Gross assessed value and gross tax increment do not measure the revenues available for debt service when housing set-asides, pass-through payments, administrative costs, and other senior deductions reduce the pledged net increment.	RISE bond debt service will be the first lien debt service. Make every statutory and contractual deduction, including administrative costs, adjustment rate payments, pass-throughs, priority project costs, and other payments subordinate.

The mainland examples listed are not directly comparable to RISE and should not be treated as proof of a RISE project's feasibility. They are being cited in order to illustrate potential design choices of a RISE district, certain credit risks and lessons learned from these TIF districts, and governance controls that Hawai'i can evaluate when developing each county's RISE policy.

Recommended pre-issuance sequence

- Confirm voter ratification, legal effectiveness, final codification, county charter authority, and the local approval process.
- Map every parcel, confirm TOD eligibility, exclude chapter 205 agricultural land, and document the nexus for noncontiguous components.
- Complete the CFD or HCDA analysis and obtain independent support for the §46-104 CFD or HCDA financial-infeasibility finding.
- Prepare an infrastructure financing plan, built on a parcel-level revenue model (tax classifications, rates, appeals, exemptions, collections, development milestones, service costs, concentration, and downside cases), with the project cost schedule, assessed-value certification, district term, projected tax increment, proposed financing and debt, fiscal impacts, anticipated revenues, debt-service coverage, and any limits on tax allocations, and state an express feasibility determination as a precondition to bond authorization.
- Resolve the assessment base date, sole security, first tier priority, and debt limit questions with bond counsel.
- Approve the district ordinance and bond ordinance with clear delegations and policy limits.
- Prepare the financing, development, collection, project draw, disclosure, and post-closing documents.
- Prepare the annual and pre-delivery HRS chapter 47C debt schedules.
- Establish post-closing controls for tax-roll certification, project reporting, covenant testing, use of proceeds, continuing disclosure, and additional bonds.

VIII. Conclusion

Hawai'i has a credible legal and policy pathway for issuing RISE bonds. Act 31 and SB 3219 could create a workable value-capture financing tool for housing-enabling and community-development capital projects. This authority is conditional, specialized, and flexible. That flexibility is also the program's main weakness because the measures do not establish all of the credit standards needed for prudent RISE bond issuances. Although the current statutes provide a solid framework for RISE and the counties' control over real-property taxation supply a strong foundation for allocating RISE bonds, the principal issue county enabling legislation and policies must address are scenarios where actual assessed-value growth occurs later or is lower than projected. County safeguards will need to be put in place when and if this were to happen and can be used to insulate projects from negative outcomes. Tax revenue projections and analysis must use conversative assumptions to mitigate this risk.

In this evaluation of RISE for HIPA, the strongest case for RISE bonds is not that it creates new money without cost. The stronger case is that it can match part of the cost of RISE district infrastructure with the future tax receipts generated by that RISE district, while preserving legal GO debt capacity. The trade-off is that the county gives up unrestricted use of those future receipts and may still bear service, administrative, political, and reputational risk much like any other financing, policy, and budgetary decision made by government.

The strongest projects will have a clear public infrastructure need, a defensible connection between the investment and new taxable value, a documented CFD or HCDA analysis, conservative leverage, and enough realized or highly certain tax increment to pay debt service under downside conditions. Greenfield projects may use RISE later in the development cycle. Redevelopment projects may be suitable when the increment is truly project driven. Aging infrastructure projects are generally poor standalone candidates for a RISE project unless they are tied to committed new development.

A successful RISE program would make sure that there was an even distribution of benefits, along with good transparency from the beginning of formation through the closing of the RISE district. RISE bonds have the potential to be a financing tool that would add no additional tax burden to Hawai'i's taxpayers with costs of infrastructure in the RISE district paid for by the RISE district that receives the benefit.

In conclusion, a policy position supporting the contingent authority should require each county in Hawai'i to adopt its own written RISE policy before any bonds are marketed. Each policy should address debt service coverage, reserves, additional-bonds tests, district term, countywide exposure, and reporting standards. RISE financing plans should quantify both bondholder risks and the general-fund opportunity cost, and bond counsel should resolve any remaining legal ambiguities. With these safeguards in place, RISE can be a useful financing tool. Without them, Act 31 provides legal flexibility but not a complete credit structure for RISE bonds.

Appendix A. Legislative Source Guide

The following references identify the principal provisions supporting the analysis. Bill page references are to the printed page numbers in the final conference versions of Act 31 and SB 3219.

Topic	Exact source	Memo section
Act 31 contingency	Act 31, section 11, printed bill pp. 28-29	Summary; I.A
RISE bonds definition	Act 31, HRS §46-102, printed bill pp. 1	I.B; III.C
TOD zone definition	Act 31, HRS §46-102, printed bill pp. 1-2	III.B
Adjustment rate	Act 31, HRS §46-102, printed bill p. 2	II.A; IV
Assessment base and increment	Act 31, HRS §46-102, printed bill p. 3	II.A; III.C

Topic	Exact source	Memo section
Project costs	Act 31, HRS §46-102, printed bill pp. 4-6	II.B; III.E
District and financing plan	Act 31, HRS §46-102, printed bill pp. 6-8	III.B; III.E
CFD / HCDA gate	Act 31, HRS §46-104(1), printed bill pp. 9-10	III.A
Independent infeasibility analysis	Act 31, HRS §46-104(1)(A)-(C), printed bill p. 9-10	III.A
Agricultural land exclusion	Act 31, HRS §46-104(1), printed bill p. 10	III.A
Base allocation and waterfall	Act 31, HRS §46-105(b), printed bill pp. 11-13	II.A; III.F; IV
Refunding and RISE fund security	Act 31, HRS §46-106(a), printed bill pp. 13-14 and 18	II.C; III.C
Bond ordinance, multiple series, term, and sale	Act 31, HRS §46-106(b), printed bill pp. 14-15	II.C; III.D
Statutory lien	Act 31, HRS §46-106(h), printed bill p. 18	II.C
Limited-obligation language	Act 31, HRS §46-106(i), printed bill p. 18-19	II.C; IV
Principal cap	Act 31, HRS §46-106(k), printed bill p. 20	II.B
Excess increment	Act 31, HRS §46-110(c), printed bill p. 21	III.F; III.H
Annual debt statement	Act 31, HRS §47C-2, printed bill pp. 24-27	III.D; III.G
Pre-delivery debt statement	Act 31, HRS §47C-3, printed bill pp. 27-28	III.D; III.G
Community development is capital-only	SB 3219, Article VII, §12(2), printed bill pp. 5-6	II.B
RISE definition and sole incremental-tax security	SB 3219, Article VII, §12(5), printed bill p. 6	I.B; III.C
General-law and governing-body authorization	SB 3219, Article VII, §12, printed bill pp. 8-9	I.B
County debt limit	SB 3219, Article VII, §13, printed bill p. 12	I.B; IV
Clause 10 debt exclusion	SB 3219, Article VII, §13, printed bill p. 15	I.B; III.D
Ballot question	SB 3219, section 4, printed bill pp. 15-16	I.B; III.G
SB 3219 effective date	SB 3219, section 6, printed bill p. 16	Summary; I.A
District formation	Existing HRS §46-103; Act 31, section 6, printed bill pp. 21-22	I.B; III.B
Bond anticipation notes	Existing HRS §46-107; Act 31, section 6, printed bill pp. 21-22	II.C
Optional annual district report	Existing HRS §46-108; Act 31, section 6, printed bill pp. 21-22	III.G
District termination	Existing HRS §46-109; Act 31, section 6, printed bill pp. 21-22	III.H

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Exhibit 1

City of Bellevue, Washington, Grand Connection Crossing Tax Increment Financing Project Analysis, March 5, 2026

Tax Increment Financing Project Analysis Review

– City of Bellevue –

March 5, 2026

Legislative Building, P.O. Box 40200 Olympia, Washington 98504-0200
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March 5, 2026

Diane Carlson
City Manager
City of Bellevue
450 110th Avenue NE
Bellevue, WA 98004

Dear Diane Carlson:

This letter confirms the Office of the State Treasurer's ("OST") receipt and review of the City of Bellevue's (the "City") tax increment financing ("TIF") draft project analysis, dated January 14, 2026. OST and PFM Financial Advisors LLC, the state's municipal advisor, have reviewed the provided materials. Based on our review, which is detailed in the sections to follow, we believe that the City's project analysis generally addresses the topics listed in section 020(2) of RCW 39.114 (the "TIF Statute"). However, please see our recommendations provided at the end of this letter.

Please note that this review is based on the information, projections, and assumptions provided by the City and its consultants in the project analysis. OST has not independently verified the data, as to either its accuracy or completeness, nor performed any feasibility analyses or projections of its own.

Statutory Role and Purpose of Review

RCW 39.114.020(7)(c) of the TIF Statute requires that prior to the adoption of an ordinance authorizing the creation of a tax increment area ("TIA"), the local government proposing the TIA must provide a project analysis to OST for review. Upon completing the review, OST must provide to the local government any comments regarding suggested revisions or enhancements to the project analysis that OST deems appropriate. OST received the City's draft project analysis on January 14, 2026.

OST's primary goal in our statutorily mandated review is to ensure that the project analysis addresses the topics listed in the TIF Statute and also adequately discloses the potential risks that might result from the implementation of the project.

Project Team

Jurisdiction: City of Bellevue
Redevelopment Area: Downtown Bellevue & Wilburton – Grand Connection Crossing
Consultants: Bob Stowe, ECONorthwest

Proposed Tax Increment Area

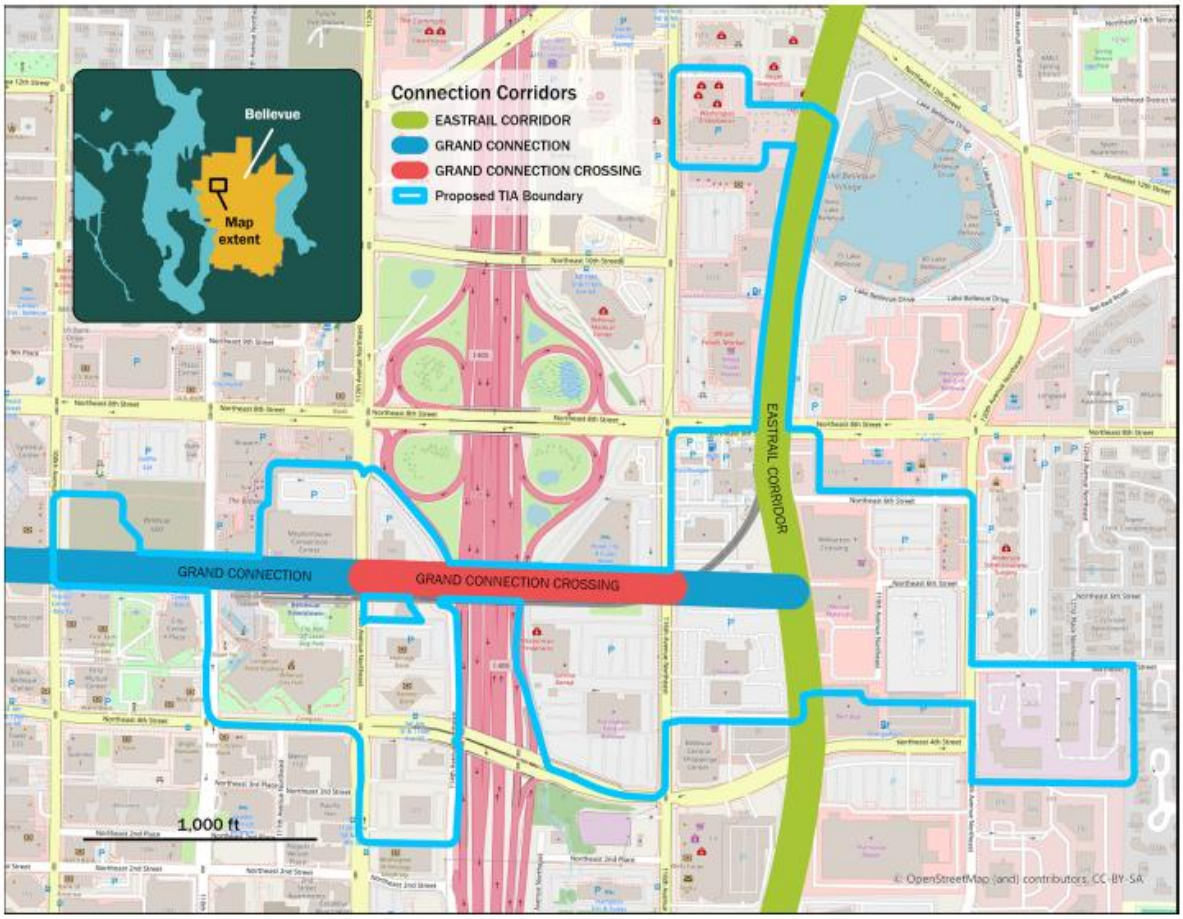
The City's proposed TIA encompasses approximately 63.3 total acres of parcels in downtown Bellevue and the Wilburton neighborhood (not including right-of-way). The objective of the TIA is to create a pedestrian-friendly downtown area that supports the City's growth, economic competitiveness, and transportation goals.

According to the project analysis, the parcels selected "are well positioned to benefit from Grand Connection Crossing improvements – such as enhanced public spaces, connectivity, and infrastructure – and includes a mix of sites with known development interest, underutilized private parcels and publicly-owned properties with long-term redevelopment potential" (page 12 of the project analysis). The area outlined in light blue in Figure 1 represents the proposed TIA boundary.

When developing the TIA boundary, three categories of parcels were targeted:

1. Sites with known development interests
2. Underutilized private parcels, relative to allowed zoning capacity
3. Publicly owned properties, which will likely become surplus and suitable for long-term redevelopment

Figure 1 – Map of Proposed Tax Increment Area



Source: The City of Bellevue, ECONorthwest.

Engrossed Substitute Senate Bill 5801 (Chapter 417, Laws of 2025)

In 2025, the Legislature approved Engrossed Substitute Senate Bill 5801 ("ESSB 5801"), which included an amendment to the TIF Statute for certain projects meeting specific criteria. The new provisions in RCW 39.114.020(1)(c)(ii) enable a sponsoring jurisdiction to exceed the $200 million assessed valuation ("AV") limit, up to a maximum $500 million of total assessed value, if:

> (A) The sponsoring jurisdiction is a city with a population over 150,000 but less than 170,000 and is located in a county with a population of over 1,500,000;
>
> (B) The tax increment area is connected to Interstate 405 and the transportation-related public improvements that will be funded enhance the integration and connection of neighborhoods within and adjacent to the increment area;
>
> (C) The sponsoring jurisdiction enacted an ordinance designating the increment area no later than June 30, 2026; and
>
> (D) A governing body of any taxing district within the increment area approves by a majority vote, and according to the governing body's ordinance and publication procedures, the taxing district's partial or full participation in the tax increment project. If the governing body does not approve its participation, the taxing district's property taxes are not subject to apportionment under this chapter and the taxing district is excluded from the provisions of this section.

The City of Bellevue's 2024 estimated population is 155,000 (addressing 39.114.020(1)(c)(ii)(A)), King County's population exceeds 1.5 million, and the proposed TIA is connected to Interstate 405 and is expected to fund transportation related improvements (addressing 39.114.020(1)(c)(ii)(B)). Accordingly, the City of Bellevue is able to rely on the higher maximum AV limit for its proposed TIA. The authority granted to the City by ESSB 5801 expires on June 30, 2026.

Impacted Taxing Districts

Seven taxing districts with regular property tax levies have been identified as being directly impacted by the TIA. The impacted districts identified in the project analysis are:

(1) City of Bellevue,
(2) King County*,
(3) Port of Seattle,
(4) Sound Transit,
(5) EMS (County),
(6) King County Library District, and
(7) Flood Control

*Includes current expense, Veterans' Aid, Mental Health, Parks, Family-Seniors, Crisis Care, Best Start for Kids, Countywide Hospital, Transportation, Marine/Ferry, and Conservation Futures.

After the effective date of the TIA, the levy rate for each of these taxing districts whose governing body approves their participation will be applied to the increased AV within the TIA. The tax increment revenues

generated will be remitted to reimburse the City for debt service on any bonds issued in connection with the project and to potentially pay for any remaining unfunded public improvements.

The TIF Statute requires a mitigation plan if at least 20% of the AV of a public hospital district, regional fire protection district, and/or EMS district is expected to be impacted by the TIA. In the "Impact Assessment and Mitigation" section of the project analysis (page 74), the text recognizes the statutory requirement for mitigation on behalf of fire districts and hospital districts but does not mention EMS districts. We suggest adding language to the project analysis to confirm that there is no need for a mitigation plan with the King County EMS district.

Additionally, the list of levies included in Table 4 of the project analysis includes the King County-wide hospital levy. The TIF statute is unclear about whether mitigation would be required for a County-owned hospital, as opposed to a standalone hospital district. RCW 39.114.020(2)(j) states the project analysis must include an assessment of impacts and any necessary mitigation to local public hospital **service**, but 39.144.020(5)(a) states mitigation is only required for public hospital **districts** (emphasis added). While the County-wide AV is large enough to likely not require mitigation, we suggest adding language to confirm the relative impact to the County hospital, and whether there is a need for a mitigation plan, in the project analysis.

ESSB 5801 specifies that in order for the City of Bellevue to exceed the $200 million AV limit, the City must receive approval by the governing body of each impacted taxing district by a simple majority vote (RCW 39.114.020(1)(c)(ii)(D)). The project analysis states that outreach to the impacted districts has begun and is ongoing, and the City expects to pursue formal agreements with each participating district.

Project Description

Public Improvements within the TIA

There is only one capital project associated with the TIA: the Grand Connection Project. The initial phase of the project is the Grand Connection Crossing (the "Crossing"). The Crossing is a 1.5-mile walkway that will allow pedestrian access between the edge of Lake Washington at Meydenbauer Bay Park, through Old Bellevue and Downtown Park, and continuing to the Wilburton area and the Eastrail Corridor. The Crossing will be a minimum of 30 feet wide, expanding to 40 feet over I-405. Other project elements include modal separation, landscaping, gathering spaces, vertical connections to an elevated walkway, and modifications to City Hall Plaza. The estimated project cost of the Crossing is $230 million, with the project expected to be open by 2030. The project analysis references the Crossing as the initial phase, and does not include description of any additional phases.

The project is expected to be funded through a variety of sources, which the analysis breaks down into three "tiers", classified by political viability and ease of access:

- **Tier 1:** TIF; Transportation Benefit District ("TBD") sales tax and vehicle tax
- **Tier 2:** Philanthropic and Private Funds, Dedicated or Specific Funds, Federal and State Grants, and Local Improvement Districts
- **Tier 3:** Business and Occupation Tax, Banked Property Tax levy capacity

TIF revenues are projected to cover between $84.45 and $128.81 million (depending on levels of private development, described later in this review) of the $230 million project and related debt service. The project analysis acknowledges that other sources will be required to pay the difference between projected increment revenue and total project costs and related debt service, but does not provide a clear breakdown of these other sources.

Private Development within the TIA

As seen below in Table 1, the City's project analysis describes four major types of private development within the Bellevue TIA: multi-family housing, office, convention, and retail.

The analysis identifies three development scenarios: full buildout, phased full buildout, and market-responsive limited buildout (the "base case"), the latter of which is assumed as the most likely scenario. The three scenarios are projected to add between 6.5 million and 10.7 million square feet of development. The development horizon ranges between the scenarios. For the Full Buildout, construction is assumed to take place from 2028 to 2031, 2035 to 2036, and 2040 to 2046. The Phased Full Buildout has initial construction from 2030 to 2034, 2037 to 2039, and 2042 to 2049. Finally, the base case assumes construction from 2028 to 2031 and 2035 to 2036.

Table 1 – Comparison of Buildout Scenarios (Sq. Ft)

Product Type	Full Buildout	Phased Full Buildout	Market-Responsive Limited Buildout
Multi-Family	2,867,000	2,867,000	2,338,000
Office	7,555,610	7,555,610	4,114,400
Convention	200,000	200,000	0
Retail	86,630	86,630	86,630
Total	10,709,240	10,709,240	6,539,030

Source: City of Bellevue, ECONorthwest.

The project analysis identifies the base case as the most refined and realistic of the three private developments, as it "focuses on the parcels most likely to redevelop in the near to mid-term – those with known development interest, favorable market conditions, or adjacency to public infrastructure investments" (page 19). However, the project analysis does acknowledge that much of the projected development within the TIA is uncertain and speculative.

The City has a multifamily tax exemption ("MFTE") program. The MFTE applies to existing multifamily projects for a 12-year period and can be recertified for an additional 12-year period. Additionally, the project analysis cites state legislation passed in 2025 that extends the MFTE up to a 20-year period. As such, the multi-family developments are excluded from the TIA revenue projections. Finally, the Convention Center, as a publicly-owned facility, is also excluded from the revenue projections. As a minor note, the project analysis cites the 2025 MFTE bill as HB 1490, which appears to be a typo. We believe HB 1494 is likely the correct legislation since it concerns property tax exemptions for new and rehabilitated multiple-unit dwellings in urban centers.

"But For" Finding

In the project analysis, the City includes a comprehensive analysis framework that establishes the foundation for its "but for" finding, concluding that the analysis "demonstrates that the Grand Connection Crossing is necessary to attract private investment at the scale, timing, and quality envisioned by the community" (page 66). Table 2 shows the expected increases in taxable assessed values among the three development scenarios, as well as a scenario without the establishment of the TIA.

Table 2 – Taxable Real Property – TIF Enabled Scenarios compared to No TIF Scenario

Assessment Year	2027	2032	2037	2042	2047	2052
Full Buildout	$0	$1,449,000,000	$3,630,100,000	$5,343,490,000	$7,735,300,000	$10,351,600,000
Phased Full Buildout	$0	$676,500,000	$2,345,000,000	$4,583,250,000	$7,077,500,000	$9,636,300,000
Market-Responsive Limited Buildout	$0	$1,245,800,000	$2,543,100,000	$3,403,280,000	$4,554,400,000	$6,094,800,000
No TiF	$0	$0	$905,200,000	$2,164,170,000	$3,064,600,000	$4,101,200,000

Source: ECONorthwest Calculations, 2025.

Assessed Value of the TIA

As previously mentioned, ESSB 5801 permits the City's proposed TIA to exceed the $200 million AV established in the TIF Statute, with an amended maximum AV of $500 million. The project analysis states that the parcels listed within the TIA have an aggregate AV of $489.46 million (based on 2025 certified values), which is below the amended statutory limit of $500 million.

Assessed Value Growth Within the TIA

The timing and magnitude of real property development in the TIA will drive growth in incremental AV, which in turn will determine the amount of tax increment revenues generated by the TIA. As shown in Table 2, the project analysis includes three development scenarios which assume different levels and/or timing of private investment in the TIA, and thus different corresponding amounts of tax increment revenues. By the end of the TIA, the full buildout, phased full buildout, and market-responsive limited buildout scenarios are expected to add $10.4 billion, $9.6 billion, and $6.1 billion of AV, respectively. In addition to new construction, a 3% annual inflation assumption is applied to calculate the estimated growth in AV over time. We note that the values in Table 2 (Figure 11 in the project analysis), which are cited here, do not match the projected AV growth included in Tables 10 through 16 of the project analysis. We suggest updating the project analysis to bring consistency to these projections.

The project analysis offers different estimations of when private development will be completed for each of the three scenarios. Private development is assumed to conclude in 2046 for the full buildout scenario, 2049 for the phased full buildout scenario, and 2036 for the market-responsive limited buildout scenario.

Levy Rate

Under the TIF Statute, only certain regular levies are included in the calculation of tax increment revenues. Both parts of the state school levy, local school district excess levies, voted bond levies, and levies of port districts used for bond payments are excluded from the TIA levy rate. The TIA's annual levy rate may change year-to-year based on several factors including future increases in the AV of the TIA, the future AV and levy rates of the overlapping taxing districts, and relevant levy limits. The project analysis includes

the 2025 levy rate for each of these jurisdictions for the base year, which is applied to the projected incremental AV within the TIA to calculate the projected tax allocation revenues provided below in Table 3. The levy rate is adjusted annually based on the forecasted assessed value increases and each jurisdiction's highest lawful levy.

As previously noted, ESSB 5801 requires the legislative bodies of impacted taxing districts to approve their participation in the proposed TIA. If a district doesn't approve the City's proposal, that district's levy rate will be omitted from the tax increment revenue calculation.

Tax Increment Revenue Projections

The project analysis assumes 2027 is the base year for the TIA, with 2028 representing the first year of possible collections. The project analysis conservatively assumes no new assessed value will be added in 2028. The City expects to approve the TIA in May of 2026, which would enable 2027 to serve as the base year as included in the projections.

The full buildout scenario projects that $10.4 billion in incremental AV will be added to the TIA over the 25-year period, resulting in $128.8 million in total tax increment revenues. The phased full buildout scenario projects $9.6 billion in incremental AV will be added to the TIA over the 27-year period, resulting in $104.4 million in total tax increment revenues. The market-responsive limited buildout scenario projects $6.1 billion in incremental AV will be added to the TIA over the 27-year period, resulting in $84.4 million in total tax increment revenues. See Table 3 – Tax Allocation Revenues.

Table 3 – Tax Allocation Revenues

Year	Full	Phased Full	Market-Responsive
2026	$ -	$ -	$ -
2027	$0	$0	$0
2028	0	0	0
2029	337,000	0	249,000
2030	671,000	0	495,000
2031	1,763,000	217,000	1,474,000
2032	2,847,000	433,000	2,447,000
2033	2,880,000	1,344,000	2,475,000
2034	2,914,000	2,045,000	2,503,000
2035	2,948,000	2,741,000	2,533,000
2036	4,300,000	2,773,000	3,244,000
2037	5,647,000	2,805,000	3,953,000
2038	5,714,000	3,687,000	4,000,000
2039	5,779,000	4,564,000	4,044,000
2040	5,846,000	5,439,000	4,093,000
2041	6,034,000	5,501,000	4,139,000
2042	6,221,000	5,565,000	4,187,000
2043	6,660,000	5,706,000	4,236,000
2044	7,099,000	5,846,000	4,284,000
2045	7,182,000	6,226,000	4,333,000
2046	7,365,000	6,530,000	4,384,000
2047	7,547,000	6,834,000	4,434,000
2048	7,633,000	6,975,000	4,484,000
2049	7,722,000	7,120,000	4,536,000
2050	7,811,000	7,262,000	4,587,000
2051	7,901,000	7,347,000	4,640,000
2052	7,993,000	7,433,000	4,693,000
Total	$ 128,814,000	$ 104,393,000	$ 84,447,000

Source: City of Bellevue, ECONorthwest.

While much of the private development is speculative, adding risk to the revenue projections, the exclusion of multi-family developments adds some conservatism to the tax increment revenue projections.

Financing Plan for Public Improvements

The project analysis indicates that the Crossing will be funded using three series of LTGO bonds, timed and structured to align with the project's construction schedule. The plan of finance includes a bond issuance of $75 million in 2026, $80 million in 2027, and $75 million in 2028. All three series are structured as 20-year bonds with level debt service. The City assumes a 4.5% planning interest rate.

TIF revenues are expected to be sufficient to only cover a portion of the total debt service. Because of the general obligation pledge, the City will be required to pay the full debt service due on the bonds from

available resources, regardless of the amount of tax increment revenues generated within the TIA. The project analysis provides a five-level mitigation framework to address the projected shortfall between the tax increment revenue generated by the TIA and debt service on bonds issued to finance project costs. The various levels of mitigation roughly track with the tiers of funding discussed on page four of this review, which represent the political viability and ease of access of each revenue source.

Level 1 of the mitigation framework includes an alternative debt structure that includes up to five years of interest only payments, as well as interfund loans from the General Fund. The project analysis states the City maintains approximately $158 million in reserves that can be deployed as interfund loans that could be available to cover tax increment revenue deficiencies.

Level 2 incorporates additional non-tax increment revenues that are generated within the TIA. These include increased sales taxes from construction and commercial activity in the TIA, Business & Occupation ("B&O") taxes, utility taxes, and Real Estate Excise Taxes. In the Market-Responsive Limited Buildout Scenario, the project analysis estimates an additional $146 million in additional non-property tax incremental revenue over the 25-year period, with 30% (approximately $43.8 million) expected to be used to cover a portion of the shortfall between the tax increment revenue generated by the TIA and debt service on bonds issued to finance project costs.

Level 3 is specific to the City's Transportation Benefit District ("TBD"). The TBD was approved by City Council in 2023 and is expected to fund approximately 40% ($141.4 million) of the total cost of the Grand Connection Crossing Project. Additionally, philanthropic private funds and dedicated/specific funds of the City are expected to cover 36% (approximately $127.8 million) of Grand Connection Crossing costs.

Level 4 considers the deployment of reserves and the reprioritization of capital projects. If the revenues identified in Levels 1 through 3 prove to be insufficient, the City could strategically deploy its $158 million of reserves directly, rather than through interfund loans. Additionally, the City could elect to delay other capital projects, as necessary, if additional city revenue is required to pay the debt service on the bonds issued in connection with the project.

Finally, in Level 5 of the mitigation framework, the City could tap into its banked property tax levy capacity if needed. Additionally, Council could consider increasing its B&O taxes. The Level 5 measures are considered a strategy of last resort.

Debt Capacity

Based on its 2024 total AV, the City has $1.4 billion in total non-voted debt capacity (1.5% of 2024 tax year AV). With $297.2 million of outstanding non-voted general obligation debt, the current net non-voted debt capacity is $1.1 billion, before $230 million of bonds are issued to fund the public improvements. After the debt issuances, the City's remaining non-voted debt capacity will be approximately $863.6 million, or 62.10%. We note that while the project analysis specifies the TIA AV is based off 2025 values, the debt capacity table is using 2024 AV figures.

Table 4 – Non-Voted Debt Capacity

Assessed Valuation for 2025 Tax Year	$ 92,718,111,139
Non-Voted Debt Capacity (1.5% of AV)	1,390,771,667
Less: Outstanding Non-Voted Debt	297,152,000
Remaining Non-Voted Debt Capacity	1,093,619,667
Less: Proposed Financing (in total)	230,000,000
Projected Remaining Non-Voted Capacity	**$ 863,619,667**
Projected Remaining Non-Voted Capacity %	**62.10%**

Source: City of Bellevue, Stowe Development & Strategies.

Projected Debt Service Coverage

The City provided one financing scenario, which was modeled and compared to the three development scenarios. Tables 5 and 6 below summarize the total tax increment revenues, revenue surpluses (deficits), and debt service coverage for the $230 million financing. The aggregate debt service coverage ratio is 0.36x for the full buildout scenario, 0.30x for the phased full buildout scenario, and 0.24x for the market-responsive limited buildout scenario. Increment revenues are never projected to exceed annual debt service while all three series of bonds are outstanding.

Table 5 – Tax Allocation Revenues and Debt Service Coverage[1]

Buildout Scenario	First Year Tax Increment Revenues Exceed Debt Service	Years of Shortfall	Year That Tax Increment Revenues Fully Reimburse Debt Service Shortfalls	Total Projected TIF Revenue ($MMs)	Total Projected TIF Debt Service ($MMs)	Projected Maximum Cumulative Shortfall ($MMs)	Total Surplus/ (Shortfall) Through End of TIA ($MMs)	Aggregate Debt Service Coverage Ratio
Full	22	21	N/A	$128.81	$353.63	($265.66)	($224.82)	0.36x
Phased Full	22	21	N/A	$104.39	$353.63	($286.44)	($249.24)	0.30x
Market-Responsive Limited	22	21	N/A	$84.45	$353.63	($292.12)	($269.18)	0.24x

[1] *May not foot due to rounding.*
Source: City of Bellevue, ECONorthwest.

Table 6 – TIF Debt Service Coverage[1]

Year	Full Buildout Scenario					Phased Full Buildout Scenario					Market-Responsive Limited Buildout Scenario				
	Tax Increment Revenues	TIF Debt Service	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	TIF DSC	Tax Increment Revenues	TIF Debt Service	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	TIF DSC	Tax Increment Revenues	TIF Debt Service	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	TIF DSC
2026	$ -	$ 5,765,711	$ (5,765,711)	$ (5,765,711)	0x	$ -	$ 5,765,711	$ (5,765,711)	$ (5,765,711)	0x	$ -	$ 5,765,711	$ (5,765,711)	$ (5,765,711)	0x
2027	-	11,915,802	(11,915,802)	(17,681,513)	0x	-	11,915,802	(11,915,802)	(17,681,513)	0x	-	11,915,802	(11,915,802)	(17,681,513)	0x
2028	-	17,681,513	(17,681,513)	(35,363,026)	0x	-	17,681,513	(17,681,513)	(35,363,026)	0x	-	17,681,513	(17,681,513)	(35,363,026)	0x
2029	337,000	17,681,513	(17,344,513)	(52,707,539)	0.02x	-	17,681,513	(17,681,513)	(53,044,539)	0x	249,000	17,681,513	(17,432,513)	(52,795,539)	0.01x
2030	671,000	17,681,513	(17,010,513)	(69,718,052)	0.04x	-	17,681,513	(17,681,513)	(70,726,052)	0x	495,000	17,681,513	(17,186,513)	(69,982,052)	0.03x
2031	1,763,000	17,681,513	(15,918,513)	(85,636,565)	0.1x	217,000	17,681,513	(17,464,513)	(88,190,565)	0.01x	1,474,000	17,681,513	(16,207,513)	(86,189,565)	0.08x
2032	2,847,000	17,681,513	(14,834,513)	(100,471,078)	0.16x	433,000	17,681,513	(17,248,513)	(105,439,078)	0.02x	2,447,000	17,681,513	(15,234,513)	(101,424,078)	0.14x
2033	2,880,000	17,681,513	(14,801,513)	(115,272,591)	0.16x	1,344,000	17,681,513	(16,337,513)	(121,776,591)	0.08x	2,475,000	17,681,513	(15,206,513)	(116,630,591)	0.14x
2034	2,914,000	17,681,513	(14,767,513)	(130,040,104)	0.16x	2,045,000	17,681,513	(15,636,513)	(137,413,104)	0.12x	2,503,000	17,681,513	(15,178,513)	(131,809,104)	0.14x
2035	2,948,000	17,681,513	(14,733,513)	(144,773,617)	0.17x	2,741,000	17,681,513	(14,940,513)	(152,353,617)	0.16x	2,533,000	17,681,513	(15,148,513)	(146,957,617)	0.14x
2036	4,300,000	17,681,513	(13,381,513)	(158,155,130)	0.24x	2,773,000	17,681,513	(14,908,513)	(167,262,130)	0.16x	3,244,000	17,681,513	(14,437,513)	(161,395,130)	0.18x
2037	5,647,000	17,681,513	(12,034,513)	(170,189,643)	0.32x	2,805,000	17,681,513	(14,876,513)	(182,138,643)	0.16x	3,953,000	17,681,513	(13,728,513)	(175,123,643)	0.22x
2038	5,714,000	17,681,513	(11,967,513)	(182,157,156)	0.32x	3,687,000	17,681,513	(13,994,513)	(196,133,156)	0.21x	4,000,000	17,681,513	(13,681,513)	(188,805,156)	0.23x
2039	5,779,000	17,681,513	(11,902,513)	(194,059,669)	0.33x	4,564,000	17,681,513	(13,117,513)	(209,250,669)	0.26x	4,044,000	17,681,513	(13,637,513)	(202,442,669)	0.23x
2040	5,846,000	17,681,513	(11,835,513)	(205,895,182)	0.33x	5,439,000	17,681,513	(12,242,513)	(221,493,182)	0.31x	4,093,000	17,681,513	(13,588,513)	(216,031,182)	0.23x
2041	6,034,000	17,681,513	(11,647,513)	(217,542,695)	0.34x	5,501,000	17,681,513	(12,180,513)	(233,673,695)	0.31x	4,139,000	17,681,513	(13,542,513)	(229,573,695)	0.23x
2042	6,221,000	17,681,513	(11,460,513)	(229,003,208)	0.35x	5,565,000	17,681,513	(12,116,513)	(245,790,208)	0.31x	4,187,000	17,681,513	(13,494,513)	(243,068,208)	0.24x
2043	6,660,000	17,681,513	(11,021,513)	(240,024,721)	0.38x	5,706,000	17,681,513	(11,975,513)	(257,765,721)	0.32x	4,236,000	17,681,513	(13,445,513)	(256,513,721)	0.24x
2044	7,099,000	17,681,513	(10,582,513)	(250,607,234)	0.4x	5,846,000	17,681,513	(11,835,513)	(269,601,234)	0.33x	4,284,000	17,681,513	(13,397,513)	(269,911,234)	0.24x
2045	7,182,000	17,681,513	(10,499,513)	(261,106,747)	0.41x	6,226,000	17,681,513	(11,455,513)	(281,056,747)	0.35x	4,333,000	17,681,513	(13,348,513)	(283,259,747)	0.25x
2046	7,365,000	11,915,802	(4,550,802)	(265,657,549)	0.62x	6,530,000	11,915,802	(5,385,802)	(286,442,549)	0.55x	4,384,000	11,915,802	(7,531,802)	(290,791,549)	0.37x
2047	7,547,000	5,765,711	1,781,289	(263,876,260)	1.31x	6,834,000	5,765,711	1,068,289	(285,374,260)	1.19x	4,434,000	5,765,711	(1,331,711)	(292,123,260)	0.77x
2048	7,633,000	0	7,633,000	(256,243,260)	N/A	6,975,000	0	6,975,000	(278,399,260)	N/A	4,484,000	0	4,484,000	(287,639,260)	N/A
2049	7,722,000	0	7,722,000	(248,521,260)	N/A	7,120,000	0	7,120,000	(271,279,260)	N/A	4,536,000	0	4,536,000	(283,103,260)	N/A
2050	7,811,000	0	7,811,000	(240,710,260)	N/A	7,262,000	0	7,262,000	(264,017,260)	N/A	4,587,000	0	4,587,000	(278,516,260)	N/A
2051	7,901,000	0	7,901,000	(232,809,260)	N/A	7,347,000	0	7,347,000	(256,670,260)	N/A	4,640,000	0	4,640,000	(273,876,260)	N/A
2052	7,993,000	0	7,993,000	(224,816,260)	N/A	7,433,000	0	7,433,000	(249,237,260)	N/A	4,693,000	0	4,693,000	(269,183,260)	N/A
Total	$ 128,814,000	$ 353,630,260	$ (224,816,260)		0.36x	$ 104,393,000	$ 353,630,260	$ (249,237,260)		0.3x	$ 84,447,000	$ 353,630,260	$ (269,183,260)		0.24x

[1] Totals may not foot due to rounding

Source: City of Bellevue, ECONorthwest.

Key Risks

From OST's review of the project analysis, it appears that the proposed public improvements and the corresponding plan of finance are reasonably well developed. Nonetheless, the proposed project comes with certain risks and concerns, which we attempt to summarize below:

General Obligation Pledge: In aggregate, the City projects that tax increment revenues will fund, at most, 36% of the estimated debt service in the full buildout scenario, and 24% in the market-responsive limited scenario (described as the most likely scenario). The LTGO bonds expected to be issued in connection with the project's plan of finance will obligate the City to pay the full amount of debt service due from City revenues and resources, regardless of the amount of tax increment revenues generated by the TIA. If tax increment revenues are insufficient to make a full debt service payment, as projected in most years of each financing scenario, the City will be required to make the payment from other sources of funds.

Participating Taxing District Approvals: Unique to the City of Bellevue's project, ESSB 5801 requires the legislative body of every impacted taxing district to approve its participation in the TIA before the City establishes the increment area, subjecting the City to risk and uncertainty until resolved. If the governing body of an impacted taxing district does not approve participation in the TIA, then the apportionment of that entity's respective tax levy will be omitted, negatively impacting the ability of the TIA to generate the projected revenues.

Economic Conditions: Growth in the TIA's assessed value could be negatively impacted by depressed economic conditions. A variety of factors could negatively impact the demand for development, jeopardizing the timeline, scale, and market value of private development, potentially reducing tax increment revenues.

Private Development Assessed Valuations: As private developments are completed, the actual assessed values will depend on factors considered by the County Assessor's office. Tax increment revenues could potentially be lower than projected if the assessed values of the projects are lower than expected or take longer than anticipated to be reflected in the City's tax rolls. The project analysis notes that much of the private development is speculative.

Construction Delays: Delays in constructing either the public improvements or the private developments could impact the TIA's assessed value, potentially reducing tax increment revenues.

Escalation of Project Costs: Inflation could have a significant impact on the cost and timeline of delivering the public improvements, potentially delaying the private developments which in turn could impact the TIA's assessed value and may reduce the amount of tax increment revenues.

Permits: Delays in permitting could negatively impact the construction of private developments within the TIA, potentially reducing tax increment revenues.

Interest Rate Risk: The City will be exposed to interest rate risk until all of the anticipated bonds are sold. The project analysis assumes an interest rate of 4.5%, which we note is appropriately conservative given the strength of the City's credit rating.

Risk Summary: The general impact to the City from any of the risk factors outlined above could potentially be lower than projected tax increment revenues and a greater than expected reliance on the City's other revenues and reserves to pay the debt service on the Bonds issued to fund the public improvements, reducing the City's ability to allocate those funds to other projects or operations.

Recommendations

To help minimize the unanticipated costs and risks associated with the project and to promote transparency, we recommend the City consider the following measures:

1. Prior to approving the TIA, we recommend the City coordinate closely with the County Assessor and the County Finance and Business Operations Division to ensure that all parties have an accurate understanding of the assessment, levy, apportionment process, and timeline, and to provide sufficient time to work through concerns.

2. Prior to approving the TIA, we recommend the City coordinate closely with the impacted taxing districts to ensure that all parties have an accurate understanding of how the TIA will impact them and that each governing body has ample time to approve its participation in the TIA.

3. We recommend that the City establish a clear plan of what sources will be used and prepare future budgets to account for future projected debt service costs that exceed projected tax increment revenues.

4. In the project analysis, the amount of incremental assessed value projected to be added by the TIA as shown in Tables 10 through 16 do not match the amount of additional incremental assessed value shown in Figure 11. We suggest adding language explaining the discrepancy, and/or updating Figure 11 to match the expected added value in each development scenario.

5. We recommend including language in the "Impact Assessment and Mitigation" section (page 74) of the project analysis to confirm whether there is a need for a mitigation plan with the King County EMS.

6. We recommend adding language to the project analysis to confirm if the King County hospital levy will be treated the same as a standalone hospital district and whether or not there is a need for a mitigation plan.

7. We recommend updating the AV figures in the debt capacity table to reflect 2025 actuals for the 2026 tax year.

8. We recommend confirming the house bill number for the 2025 legislation that established the new MFTE.

Thank you for the opportunity to review the City's project analysis. Based upon the information provided to date in connection with these projects, this concludes our review. If there are material changes in the scope, timing, or cost of the projects, please let us know. We wish the City all the best with its project.

Respectfully,

Mike Pellicciotti
Washington State Treasurer

Jason Richter
Deputy Treasurer

Exhibit 2

Twenty Years of State of Hawai'i County Tax Rates & Assessed Valuations

Real Property Tax Valuation (AV and Tax Rate) 20-Year History for the Four Counties of the State of Hawai'i (in thousands of dollars)										
	Honolulu		Maui		Hawai'i		Kaua'i		All Counties	
Years	AV for Tax Rate	Annual Change	AV for Tax Rate	Annual Change	AV for Tax Rate	Annual Change	AV for Tax Rate	Annual Change	**AV for Tax Rate**	**Annual Change**
2007-08	$167,024,730	-	$41,167,721	-	$26,267,485	-	$18,898,916	-	**$253,358,852**	**-**
2008-09	166,337,947	-0.41%	42,579,099	3.43%	29,505,635	12.33%	19,291,604	2.08%	**257,714,285**	**1.72%**
2009-10	165,782,078	-0.33%	43,068,285	1.15%	28,151,423	-4.59%	18,747,784	-2.82%	**255,749,570**	**-0.76%**
2010-11	153,109,105	-7.64%	37,256,859	-13.49%	25,518,841	-9.35%	16,598,147	-11.47%	**232,482,952**	**-9.10%**
2011-12	153,592,621	0.32%	32,920,591	-11.64%	24,406,105	-4.36%	15,632,801	-5.82%	**226,552,118**	**-2.55%**
2012-13	155,333,752	1.13%	32,473,303	-1.36%	23,527,573	-3.60%	15,277,121	-2.28%	**226,611,749**	**0.03%**
2013-14	159,095,726	2.42%	33,411,557	2.89%	23,542,277	0.06%	15,707,050	2.81%	**231,756,610**	**2.27%**
2014-15	174,335,550	9.58%	36,249,112	8.49%	25,198,051	7.03%	16,010,818	1.93%	**251,793,531**	**8.65%**
2015-16	187,718,834	7.68%	40,711,720	12.31%	26,392,847	4.74%	17,258,493	7.79%	**272,081,894**	**8.06%**
2016-17	199,626,577	6.34%	44,363,537	8.97%	28,673,884	8.64%	18,126,878	5.03%	**290,790,876**	**6.88%**
2017-18	211,569,917	5.98%	45,894,427	3.45%	30,455,034	6.21%	19,015,224	4.90%	**306,934,602**	**5.55%**
2018-19	226,641,985	7.12%	48,848,592	6.44%	32,025,997	5.16%	19,914,682	4.73%	**327,431,256**	**6.68%**
2019-20	242,256,423	6.89%	51,168,455	4.75%	33,443,466	4.43%	21,175,713	6.33%	**348,044,057**	**6.30%**
2020-21	242,631,369	0.15%	54,758,991	7.02%	35,242,548	5.38%	22,427,333	5.91%	**355,060,241**	**2.02%**
2021-22	240,122,162	-1.03%	54,115,157	-1.18%	36,964,518	4.89%	23,012,973	2.61%	**354,214,810**	**-0.24%**
2022-23	265,462,517	10.55%	58,699,851	8.47%	43,789,620	18.46%	26,320,241	14.37%	**394,272,229**	**11.31%**
2023-24	300,501,973	13.20%	70,342,064	19.83%	47,817,495	9.20%	30,780,394	16.95%	**449,441,926**	**13.99%**
2024-25	300,173,981	-0.11%	73,268,638	4.16%	51,359,764	7.41%	32,166,196	4.50%	**456,968,579**	**1.67%**
2025-26	307,226,722	2.35%	83,728,058	14.28%	55,336,572	7.74%	32,994,105	2.57%	**479,285,457**	**4.88%**
2026-27	309,829,979	0.85%	83,177,789	-0.66%	56,854,636	2.74%	35,541,225	7.72%	**485,403,629**	**1.28%**
AVERAGE	**$216,418,697**	**3.42%**	**$50,410,190**	**4.07%**	**$34,223,689**	**4.34%**	**$21,744,885**	**3.57%**	$322,797,461	3.61%

Source: https://realproperty.honolulu.gov/statewide-reports/tax-year-2026-2027/