
A BILL FOR AN ACT

RELATING TO TRANSIT-ORIENTED DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. The legislature finds that the State has a
3 unique opportunity to address economic diversification and
4 affordable housing shortages through transit-oriented
5 development. The majority of state-owned lands along the
6 transit corridor should be used in the development of rental
7 housing at all price points. However, despite being one of the
8 largest landowners alongside the rail transit stations, the
9 State has yet to formulate a master plan to develop these
10 parcels so they are transit-ready.

11 The legislature further finds that, prior to any
12 redevelopment effort, there is a need to increase all
13 infrastructure capacity along the transit corridor, especially
14 around each of the twenty-one transit stations. In preparation
15 for the completion of the Honolulu rail transit project, the
16 State must maximize the opportunities for development of land
17 around rail stations, thereby supporting the local economy,



1 improving access to transportation, and increasing rail
2 ridership.

3 The legislature recognizes the need for a focused effort on
4 increasing the capacity of infrastructure to support
5 redevelopment efforts at each of the transit stations and to
6 avoid the need to create another government entity for this
7 reason. The purpose of this Act is to require the Hawaii
8 community development authority to use its existing authority to
9 designate transit-oriented development districts to plan and
10 develop, pursuant to chapter 206E, Hawaii Revised Statutes,
11 infrastructure capacity. The development and redevelopment
12 around the transit stations will support the planned growth and
13 density at each station.

14 For the purpose of this Act, the initial focus shall be
15 limited to one transit station that is adjacent to state-owned
16 lands. The Hawaii community development authority shall plan
17 and develop infrastructure to service state owned lands within a
18 half-mile radius from the following stations: Aloha Stadium
19 transit station, Kalihi transit station, Iwilei transit station,
20 or Leeward Community College transit station.



1 In order to facilitate the investment of private capital in
2 public infrastructure, chapter 206E is further amended to allow
3 the authority to enter into "public private partnerships"
4 established through a "lease back" arrangement between the
5 authority and private investors.

6 PART II

7 SECTION 2. Section 206E-6, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "§206E-6 District-wide improvement program. (a) The
10 authority shall develop a district-wide improvement program to
11 identify necessary district-wide public facilities within a
12 community development district.

13 (b) Whenever the authority shall determine to undertake,
14 or cause to be undertaken, any public facility as part of the
15 district-wide improvement program, the cost of providing the
16 public facilities shall be assessed against the real property in
17 the community development district specially benefiting from
18 such public facilities. The authority shall determine the areas
19 of the community development district which will benefit from
20 the public facilities to be undertaken and, if less than the
21 entire community development district benefits, the authority



1 may establish assessment areas within the community development
2 district. The authority may issue and sell bonds in such
3 amounts as may be authorized by the legislature to provide funds
4 to finance such public facilities. The authority shall fix the
5 assessments against real property specially benefited. All
6 assessments made pursuant to this section shall be a statutory
7 lien against each lot or parcel of land assessed from the date
8 of the notice declaring the assessment until paid and such lien
9 shall have priority over all other liens except the lien of
10 property taxes. As between liens of assessments, the earlier
11 lien shall be superior to the later lien.

12 (c) Bonds issued to provide funds to finance public
13 facilities shall be secured solely by the real properties
14 benefited or improved, the assessments thereon, or by the
15 revenues derived from the program for which the bonds are
16 issued, including reserve accounts and earnings thereon,
17 insurance proceeds, and other revenues, or any combination
18 thereof. The bonds may be additionally secured by the pledge or
19 assignment of loans and other agreements or any note or other
20 undertaking, obligation, or property held by the authority.
21 Bonds issued pursuant to this section and the income therefrom



1 shall be exempt from all state and county taxation, except
2 transfer and estate taxes. The bonds shall be issued according
3 and subject to the provisions of the rules adopted pursuant to
4 this section.

5 (d) Any other law to the contrary notwithstanding, in
6 assessing real property for public facilities, the authority
7 shall assess the real property within an assessment area
8 according to the special benefits conferred upon the real
9 property by the public facilities. These methods may include
10 assessment on a frontage basis or according to the area of real
11 property within an assessment area or any other assessment
12 method which assesses the real property according to the special
13 benefit conferred, or any combination thereof. No such
14 assessment levied against real property specially benefited as
15 provided by this chapter shall constitute a tax on real property
16 within the meanings of any constitutional or statutory
17 provisions.

18 (e) The authority shall adopt rules pursuant to chapter
19 91, and may amend the rules from time to time, providing for the
20 method of undertaking and financing public facilities in an
21 assessment area or an entire community development district.



1 The rules adopted pursuant to this section shall include, but
2 are not limited to, the following: methods by which the
3 authority shall establish assessment areas; the method of
4 assessment of real properties specially benefited; the costs to
5 be borne by the authority, the county in which the public
6 facilities are situated, and the property owners; the procedures
7 before the authority relating to the creation of the assessment
8 areas by the owners of real property therein, including
9 provisions for petitions, bids, contracts, bonds, and notices;
10 provisions relating to assessments; provisions relating to
11 financing, such as bonds, revolving funds, advances from
12 available funds, special funds for payment of bonds, payment of
13 principal and interest, and sale and use of bonds; provisions
14 relating to funds and refunding of outstanding debts; and
15 provisions relating to limitations on time to sue, and other
16 related provisions.

17 (f) Any provisions to the contrary notwithstanding, the
18 authority may, in its discretion, enter into any agreement with
19 the county in which the public facilities are located, to
20 implement all or part of the purposes of this section.



1 (g) All sums collected under this section shall be
2 deposited in the Hawaii community development revolving fund
3 established by section 206E-16; except that notwithstanding
4 section 206E-16, all moneys collected on account of assessments
5 and interest thereon for any specific public facilities financed
6 by the issuance of bonds shall be set apart in a separate
7 special fund and applied solely to the payment of the principal
8 and interest on these bonds, the cost of administering,
9 operating, and maintaining the program, the establishment of
10 reserves, and other purposes as may be authorized in the
11 proceedings providing for the issuance of the bonds. If any
12 surplus remains in any special fund after the payment of the
13 bonds chargeable against such fund, it shall be credited to and
14 become a part of the Hawaii community development revolving
15 fund. Moneys in the Hawaii community development revolving fund
16 may be used to make up any deficiencies in the special fund.

17 (h) If the public facilities to be financed through bonds
18 issued by the authority may be dedicated to the county in which
19 the public facilities are to be located, the authority shall
20 ensure that the public facilities are designed and constructed
21 to meet county requirements.



1 (i) Notwithstanding any law to the contrary, whenever as
2 part of a district-wide improvement program it becomes necessary
3 to remove, relocate, replace, or reconstruct public utility
4 facilities, the authority shall establish by rule the allocation
5 of cost between the authority, the affected public utilities,
6 and properties that may specially benefit from such improvement,
7 if any. In determining the allocation of cost, the authority
8 shall consider the cost allocation policies for improvement
9 districts established by the county in which the removal,
10 relocation, replacement, or reconstruction is to take place.

11 (j) Notwithstanding any law to the contrary, the authority
12 may enter into a partnership agreement with any private investor
13 for the leasing of public infrastructure to the private
14 investor; provided that the partnership agreement contains the
15 following requirements:

16 (1) The authority shall lease the infrastructure facility
17 to the private investor, who shall:

18 (A) Renovate, improve, or construct for the authority
19 public infrastructure, pursuant to a ground lease
20 or easement, and may maintain the facility; and



1 (B) Lease back the public infrastructure to the
2 authority, pursuant to a lease or easement;
3 (2) The land upon which the public infrastructure rests
4 shall not be sold to the private investor; provided
5 that the land may be leased at a nominal rate to the
6 private investor for a term that would, at a minimum,
7 allow the private investor to recover the capital
8 investment that has been made to the public
9 infrastructure, including depreciation; and
10 (3) The authority shall have the option of purchasing the
11 public infrastructure from the private investor for
12 the remaining balance of the debt service costs
13 incurred by the private investor at any time; provided
14 that the lease shall terminate concurrently."

PART III

16 SECTION 3. Chapter 206E, Hawaii Revised Statutes, is
17 amended by adding a new part to be appropriately designated and
18 to read as follows:

19 "PART . TRANSIT-ORIENTED DEVELOPMENT COMMUNITY DISTRICTS
20 §206E-A Definitions. As used in this part:



1 "District" means a transit-oriented development community
2 district.

3 §206E-B Transit-oriented development community district;
4 purpose. The legislature finds that:

5 (1) The State has significant assets in four of the
6 transit station locations on Oahu. The twenty-one
7 stations proposed along the transit alignment are
8 intended to provide for much of the planned growth and
9 urban expansion through increased density concentrated
10 within the urban core. The State must take
11 appropriate steps to ensure that its land assets along
12 the transit corridor are used most efficiently and
13 economically to support the best interests of the
14 State;

15 (2) Due to its present low-density function, the districts
16 are relatively underdeveloped and underutilized
17 especially in view of its proximity to the proposed
18 Honolulu area rapid transit system. The pressure for
19 all land uses is strong in the urban core where the
20 potential for increased growth and development may
21 alleviate community needs such as workforce



1 employment, affordable housing, parks and open space,
2 public facilities, and commercial and industrial
3 facilities;

4 (3) The districts, if not redeveloped or renewed, have the
5 potential to become blighted and deteriorated areas.
6 Due to these areas' present economic importance to the
7 State for industry development and resultant
8 employment, there is a need to preserve and enhance
9 its value and potential; and

10 (4) The transit stations have the potential, if properly
11 developed and improved, to become planned new
12 communities in consonance with surrounding urban
13 areas.

14 In coordinating community development at each of the
15 districts, the authority shall plan a mixed-use district whereby
16 industrial, commercial, residential, and public uses may coexist
17 compatibly within the same area. The authority, however, shall
18 also respect and support the present function of the transit
19 stations as major economic centers, providing significant
20 employment in areas such as light industrial, wholesaling,
21 service, and commercial activity.



1 **§206E-C Prohibitions.** Notwithstanding any contrary
2 provision in this chapter, the authority is prohibited from
3 selling or otherwise assigning the fee simple interest in any
4 lands in the districts to which the authority in its corporate
5 capacity holds title, except with respect to:

- 6 (1) Utility easements;
- 7 (2) Remnants as defined in section 171-52;
- 8 (3) Grants to any state or county department or agency;
- 9 (4) Private entities for purposes of any easement,
10 roadway, or infrastructure improvements; or
- 11 (5) Reserved housing as defined in section 206E-101.

12 **§206E-D Lease of projects.** (a) Notwithstanding any law
13 to the contrary, including 206E-14, except as prohibited by
14 section 206E-31.5, the authority may, without recourse to public
15 auction or public notice for sealed bids, lease for a term not
16 exceeding ninety-nine years all or any portion of the real or
17 personal property constituting a project to any person, upon
18 such terms and conditions as may be approved by the authority,
19 if the authority finds that the lease is in conformity with the
20 community development plan.



1 (b) In the case of any sale of the leasehold interest in
2 the project, the terms of the sale shall provide for the
3 repurchase of the leasehold property by the authority at its
4 option, in the event that the purchaser, if other than a state
5 agency, desires to sell the property within ten years; provided
6 that this requirement may be waived by the authority if the
7 authority determines that a waiver will not be contrary to the
8 community development plan. The authority shall establish at
9 the time of original sale a formula setting forth a basis for a
10 repurchase price based on market considerations including but
11 not limited to interest rates, land values, construction costs,
12 and federal tax laws.

13 If the purchaser in a residential project is a state
14 agency, the authority may include as a term of the sale a
15 provision for the repurchase of the property in conformance with
16 this section.

17 **§206E-E Transit-oriented development community districts**
18 **established; boundaries.** (a) Four transit-oriented development
19 community districts are established. Each district shall
20 include area within the boundaries of transit stations where



1 there is significant state owned land interest within a half
2 mile radius around each of the following transit stations:

- 3 (1) Iwilei transit station;
- 4 (2) Kapalama transit station;
- 5 (3) Aloha Stadium transit station; and
- 6 (4) Leeward Community College transit station.

7 **§206E-F Transit-oriented development community district;**
8 **development guidance policies.** The following shall be the
9 development guidance policies generally governing the
10 authority's action in the district:

- 11 (1) Development shall result in a community which permits
12 an appropriate land mixture of residential,
13 commercial, industrial, and other uses. A majority of
14 the state-owned lands within each district shall be
15 used for the development of rental housing at all
16 price points. In view of the innovative nature of the
17 mixed use approach, urban design policies should be
18 established to provide guidelines for the public and
19 private sectors in the proper development of the
20 district. While the authority's development
21 responsibilities shall apply only to the area within



1 the district, the authority may engage in any studies
2 or coordinative activities permitted in this chapter
3 which affect areas lying outside the district, where
4 the authority in its discretion decides that those
5 activities are necessary to implement the intent of
6 this chapter. The studies or coordinative activities
7 shall be limited to facility systems, resident and
8 industrial relocation, and other activities with the
9 counties and appropriate state agencies. The
10 authority may engage in construction activities
11 outside of the district; provided that such
12 construction relates to infrastructure development or
13 residential or business relocation activities;
14 provided further, notwithstanding section 206E-7, that
15 such construction shall comply with the general plan,
16 development plan, ordinances, and rules of the county
17 in which the district is located;

18 (2) Existing and future industrial uses shall be permitted
19 and encouraged in appropriate locations within the
20 district. No plan or implementation strategy shall
21 prevent continued activity or redevelopment of



- 1 industrial and commercial uses which meet reasonable
2 performance standards;
- 3 (3) Activities shall be located so as to provide primary
4 reliance on public transportation and pedestrian
5 facilities for internal circulation within the
6 district or designated subareas;
- 7 (4) Major view planes, view corridors, and other
8 environmental elements such as natural light and
9 prevailing winds, shall be preserved through necessary
10 regulation and design review;
- 11 (5) Redevelopment of the district shall be compatible with
12 plans and special districts established for the Hawaii
13 Capital District;
- 14 (6) Historic sites and culturally significant facilities,
15 settings, or locations shall be preserved;
- 16 (7) Land use activities within the district, where
17 compatible, shall to the greatest possible extent be
18 mixed horizontally, that is, within blocks or other
19 land areas, and vertically, as integral units of
20 multi-purpose structures;



1 (8) Residential development may require a mixture of
2 densities, building types, and configurations in
3 accordance with appropriate urban design guidelines;
4 integration both vertically and horizontally of
5 residents of varying incomes, ages, and family groups;
6 and an increased supply of housing for residents of
7 low- or moderate-income may be required as a condition
8 of redevelopment in residential use. Residential
9 development shall provide necessary community
10 facilities, such as open space, parks, community
11 meeting places, child care centers, and other
12 services, within and adjacent to residential
13 development; and

14 (9) Public facilities within the district shall be
15 planned, located, and developed so as to support the
16 redevelopment policies for the district established by
17 this chapter and plans and rules adopted pursuant to
18 this chapter.

19 **§206E-G Rules; adoption.** The authority shall adopt rules
20 in accordance with chapter 91 to carry out the purposes of this
21 part."



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PART III

SECTION 4. In codifying the new sections added by section 3 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval.

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H.B. NO. 1865

Report Title:

Transit-Oriented Development; Community Districts

Description:

Establishes Transit-Oriented Development Community Districts within the Hawaii Community Development Authority (HCDA) to develop districts along certain rail stations in the Honolulu rail station transit corridor. Allows the HCDA to enter into public-private partnerships for a lease-back arrangement of lands and coordinate activities outside of the district, including construction.

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