

---

---

# A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 PART I

2 SECTION 1. The legislature finds that plans for growth  
3 outside of the urban core and development of corresponding  
4 amenities generally increase nearby land and housing values.  
5 Market forces have historically failed to generate affordable  
6 housing in these areas, making it incumbent upon government to  
7 intervene where market forces fail to create the desired  
8 solution.

9 Location-efficient housing requires that affordable housing  
10 units consist of high-density vertical housing within mixed-use  
11 environments to ensure that the greatest number of potential  
12 tenants and purchasers can avail themselves of its conveniences  
13 and cost savings.

14 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
15 amended by adding a new section to part II to be appropriately  
16 designated and to read as follows:

17 "§201H- Location-efficient mixed-use projects. (a)

18 The corporation may develop, on behalf of the State or with any



1 qualified person or firm, a mixed-use project within a location-  
2 efficient area.

3 (b) The corporation may approve and certify any qualified  
4 person or firm who is involved in the development of affordable  
5 housing in a newly constructed, or moderately or substantially  
6 rehabilitated, mixed-use project within a location-efficient  
7 area for purposes of receiving the general excise tax exemption  
8 authorized pursuant to sections 201H-36 and 237-29 in taxable  
9 years beginning after December 31, 2015.

10 (c) All claims under this section shall be filed with, and  
11 certified by, the corporation and forwarded to the department of  
12 taxation. Any claim that is filed with and approved by the  
13 department of taxation shall not be considered a subsidy for the  
14 purposes of this part.

15 (d) For the purposes of this section:

16 "Location-efficient area" means one or more contiguous  
17 parcels of land aggregating five or more acres that are owned by  
18 the State or a county, at least one parcel of which is located  
19 within half a mile of a proposed rail station.

20 "Mixed-use project" means a project that:

21 (1) Is located in a location-efficient area;



1        (2) Contains affordable multifamily residential dwelling  
2                    units that may be combined with commercial, cultural,  
3                    institutional, or industrial uses;

4        (3) Is approved by the county in which the project is  
5                    located; and

6        (4) Is subject to chapter 104; 40 United States Code  
7                    sections 3141, 3142, 3143, 3144, 3146, and 3147; or a  
8                    project labor agreement by law or contract in the  
9                    construction of the project.

10        (e) The corporation may establish, revise, charge, and  
11 collect a reasonable service fee, as necessary, in connection  
12 with its approvals and certifications under this section. Any  
13 fees collected shall be deposited into the dwelling unit  
14 revolving fund.

15        (f) The corporation, in consultation with the department  
16 of taxation, shall adopt rules, pursuant to chapter 91, for the  
17 purposes of this section requiring that:

18        (1) Any certification or approval of a general excise tax  
19                    exemption for a qualified person or firm involved in  
20                    the development of a mixed-use project pursuant to  
21                    this section shall apply to the development of the  
22                    entire mixed-use project;



1       (2) Cost savings from a general excise tax exemption  
2       granted to a qualified person or firm for the  
3       development of a mixed-use project pursuant to this  
4       section shall be used exclusively to provide  
5       affordable rental housing units, including student and  
6       faculty housing units, within the project; and  
7       (3) Affordable rental housing units developed pursuant to  
8       this section shall serve as many low income households  
9       as feasible."

10       SECTION 3. Section 46-15.1, Hawaii Revised Statutes, is  
11 amended by amending subsection (a) to read as follows:

12       "(a) Any law to the contrary notwithstanding, any county  
13 shall have and may exercise the same powers, subject to  
14 applicable limitations, as those granted the Hawaii housing  
15 finance and development corporation pursuant to chapter 201H  
16 insofar as those powers may be reasonably construed to be  
17 exercisable by a county for the purpose of developing,  
18 constructing, and providing low- and moderate-income housing;  
19 provided that no county shall be empowered to cause the State to  
20 issue general obligation bonds to finance a project pursuant to  
21 this section; provided further that county projects shall be  
22 granted an exemption from general excise or receipts taxes in



1 the same manner as projects of the Hawaii housing finance and  
2 development corporation pursuant to section 201H-36; provided  
3 that no county shall certify an exemption pursuant to section  
4 201H-36 for a mixed-use project under section 201H- ; and  
5 provided further that section 201H-16 shall not apply to this  
6 section unless federal guidelines specifically provide local  
7 governments with that authorization and the authorization does  
8 not conflict with any state laws. The powers shall include the  
9 power, subject to applicable limitations, to:

- 10 (1) Develop and construct dwelling units, alone or in  
11 partnership with developers;
- 12 (2) Acquire necessary land by lease, purchase, exchange,  
13 or eminent domain;
- 14 (3) Provide assistance and aid to a public agency or other  
15 person in developing and constructing new housing and  
16 rehabilitating existing housing for elders of low- and  
17 moderate-income, other persons of low- and moderate-  
18 income, and persons displaced by any governmental  
19 action, by making long-term mortgage or interim  
20 construction loans available;



- 1           (4) Contract with any eligible bidders to provide for  
2           construction of urgently needed housing for persons of  
3           low- and moderate-income;
- 4           (5) Guarantee the top twenty-five per cent of the  
5           principal balance of real property mortgage loans,  
6           plus interest thereon, made to qualified borrowers by  
7           qualified lenders;
- 8           (6) Enter into mortgage guarantee agreements with  
9           appropriate officials of any agency or instrumentality  
10          of the United States to induce those officials to  
11          commit to insure or to insure mortgages under the  
12          National Housing Act, as amended;
- 13          (7) Make a direct loan to any qualified buyer for the  
14          downpayment required by a private lender to be made by  
15          the borrower as a condition of obtaining a loan from  
16          the private lender in the purchase of residential  
17          property;
- 18          (8) Provide funds for a share, not to exceed fifty per  
19          cent, of the principal amount of a loan made to a  
20          qualified borrower by a private lender who is unable  
21          otherwise to lend the borrower sufficient funds at



1 reasonable rates in the purchase of residential  
2 property; and

3 (9) Sell or lease completed dwelling units.

4 For purposes of this section, a limitation is applicable to  
5 the extent that it may reasonably be construed to apply to a  
6 county."

7 SECTION 4. Section 237-8.6, Hawaii Revised Statutes, is  
8 amended by amending subsection (d) to read as follows:

9 "(d) No county surcharge on state tax shall be established  
10 on any:

11 (1) Gross income or gross proceeds taxable under this  
12 chapter at the one-half per cent tax rate;

13 (2) Gross income or gross proceeds taxable under this  
14 chapter at the 0.15 per cent tax rate; or

15 (3) Transactions, amounts, persons, gross income, or gross  
16 proceeds exempt from tax under this chapter~~[-]~~, except  
17 those that are exempt under section 237-29 pursuant to  
18 section 201H- ."

19 SECTION 5. Section 238-2.6, Hawaii Revised Statutes, is  
20 amended by amending subsection (c) to read as follows:

21 "(c) No county surcharge on state tax shall be established  
22 upon any use taxable under this chapter at the one-half per cent



1 tax rate or upon any use that is not subject to taxation or that  
2 is exempt from taxation under this chapter[-], except for the  
3 use of property, services, or contracting not subject to  
4 taxation under section 238-3(j) as a result of an approval under  
5 section 237-29 pursuant to section 201H- ."

6 SECTION 6. (a) All state agencies within a location-  
7 efficient area shall enter into a memorandum of understanding  
8 with the department of business, economic development, and  
9 tourism or its attached agency by December 31, 2016, to develop  
10 at least one mixed-use project pursuant to section 201H- ,  
11 Hawaii Revised Statutes, within the location-efficient area,  
12 unless exempted by the department or its agency as currently  
13 unsuitable for residential development.

14 (b) The department of business, economic development, and  
15 tourism or its agency shall submit an annual report to the  
16 legislature no later than twenty days prior to the convening of  
17 each regular session. The annual report shall include the  
18 following information:

19 (1) How many memoranda of understanding it has entered  
20 into and how many location-efficient areas it has  
21 exempted as not currently suitable for residential  
22 development;





1 (2) How the mixed-use project will help address the  
2 State's population growth by meeting affordable  
3 housing demand and increase density around location  
4 efficient areas; and

5 (3) How the mixed-use project will achieve the goals of  
6 establishing a new population center outside of the  
7 urban core.

8 SECTION 7. Notwithstanding any other provision of law, for  
9 purposes of this part, any and all references to "project" in  
10 section 201H-36, Hawaii Revised Statutes, shall include mixed-  
11 use projects under section 201H- , Hawaii Revised Statutes.

12 PART II

13 SECTION 8. The legislature finds that according to the  
14 Hawaii housing planning study in 2011, there is an estimated  
15 need for over thirteen thousand rental units by 2016 for  
16 households at or below eighty per cent of the area median  
17 income. Of those needed rental units, nearly seventy-five per  
18 cent are needed by households at or below fifty per cent of the  
19 area median income. The legislature therefore finds that  
20 expanding affordable housing opportunities can greatly assist  
21 many of Hawaii's struggling families to achieve financial  
22 stability.



1 SECTION 9. The director of finance is authorized to issue  
 2 general obligation bonds in the sum of \$ or so much  
 3 thereof as may be necessary and the same sum or so much thereof  
 4 as may be necessary is appropriated for fiscal year 2014-2015  
 5 for deposit into the rental housing trust fund established  
 6 pursuant to section 201H-202, Hawaii Revised Statutes.

7 SECTION 10. There is appropriated out of the rental  
 8 housing trust fund the sum of \$ or so much thereof as  
 9 may be necessary for fiscal year 2014-2015 for the purposes set  
 10 forth in section 201H-202, Hawaii Revised Statutes.

11 The sum appropriated shall be expended by the Hawaii  
 12 housing finance and development corporation for the purposes of  
 13 this part.

14 PART III

15 SECTION 11. The dwelling unit revolving fund was  
 16 established pursuant to Act 105, Session Laws of Hawaii 1970,  
 17 for the acquisition of real property; development and  
 18 construction of residential, commercial, and industrial  
 19 properties; interim and permanent loans to developers; and for  
 20 the general purposes of the housing development program.

21 SECTION 12. The director of finance is authorized to issue  
 22 general obligation bonds in the sum of \$ or so much



1 thereof as may be necessary and the same sum or so much thereof  
2 as may be necessary is appropriated for fiscal year 2014-2015 to  
3 be deposited into the dwelling unit revolving fund established  
4 pursuant to section 201H-191, Hawaii Revised Statutes.

5 SECTION 13. There is appropriated out of the dwelling unit  
6 revolving fund the sum of \$ or so much thereof as may be  
7 necessary for fiscal year 2014-2015 for the development of  
8 infrastructure and improvements of on-site and off-site  
9 development.

10 The sum appropriated shall be expended by the Hawaii  
11 housing finance and development corporation for the purposes of  
12 this part.

13 PART IV

14 SECTION 14. The appropriations made by Parts II and III of  
15 this Act shall not lapse at the end of the fiscal biennium for  
16 which the appropriations are made; provided that all moneys from  
17 the appropriations unencumbered as of June 30, 2016, shall lapse  
18 as of that date.

19 PART V

20 SECTION 15. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.

22 SECTION 16. This Act shall take effect on July 1, 2050.



**Report Title:**

GET Exemption; Mixed-Use Projects; Location-Efficient; Rental Housing Trust Fund; Dwelling Unit Revolving Fund; Appropriation; General Obligation Bonds.

**Description:**

Authorizes an exemption from the general excise tax but not from county surcharges for development of mixed-use projects in location-efficient areas. Requires certain state agencies to enter into memoranda of understanding with DBEDT to develop mixed-use projects. Authorizes the issuance of general obligation bonds to finance development of affordable rental housing and infrastructure. Appropriates funds to the rental housing trust fund and dwelling unit revolving fund. Effective July 1, 2050. (SB2266 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

