June 5, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 5, 2015, the following bill was signed into law:

SB971 SD1 HD1 CD1 RELATING TO TAXATION  
ACT 095 (15)

Sincerely,

David Y. Ige  
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. Section 201H-36, Hawaii Revised Statutes, is amended to read as follows:

"[1]$201H-36[1] Exemption from general excise taxes. (a) In accordance with section 237-29, the corporation may approve and certify for exemption from general excise taxes any qualified person or firm involved with a newly constructed, or moderately or substantially rehabilitated project:

(1) Developed under this part;

(2) Developed under a government assistance program approved by the corporation, including but not limited to the United States Department of Agriculture 502 program and Federal Housing Administration 235 program;

(3) Developed under the sponsorship of a private nonprofit organization providing home rehabilitation or new homes for qualified families in need of decent, low-cost housing; or

(4) Developed after the expiration of a governmental or agency contract.
(4) Developed by a qualified person or firm to provide affordable rental housing where at least fifty per cent of the available units are for households with incomes at or below eighty per cent of the area median family income as determined by the United States Department of Housing and Urban Development, of which at least twenty per cent of the available units are for households with incomes at or below sixty per cent of the area median family income as determined by the United States Department of Housing and Urban Development.

(b) To obtain certification for exemption under this section, rental housing projects shall, unless exempted by the corporation, enter into a regulatory agreement with the corporation to ensure the project's continued compliance with the applicable eligibility requirements set forth in subsection (a), as follows:

(1) For moderate rehabilitation projects, a minimum term of five years as specified in a regulatory agreement;
(2) For substantial rehabilitation projects, a minimum term of ten years as specified in a regulatory agreement; or

(3) For new construction projects, a minimum term of thirty years from the date of issuance of the certificate of occupancy.

[+b+][c] All claims for exemption under this section shall be filed with and certified by the corporation and forwarded to the department of taxation. Any claim for exemption that is filed and approved, shall not be considered a subsidy for the purpose of this part.

[+e+] (d) For the purposes of this section:

"Moderate rehabilitation" means rehabilitation to upgrade a dwelling unit to a decent, safe, and sanitary condition, or to repair or replace major building systems or components in danger of failure.

"Substantial rehabilitation":

(1) Means the improvement of a property to a decent, safe, and sanitary condition that requires more than routine or minor repairs or improvements. It may include but is not limited to the gutting and extensive
reconstruction of a dwelling unit, or cosmetic
improvements coupled with the curing of a substantial
accumulation of deferred maintenance; and
(2) Includes renovation, alteration, or remodeling to
convert or adapt structurally sound property to the
design and condition required for a specific use, such
as conversion of a hotel to housing for elders.

[(d)] (e) The corporation may establish, revise, charge,
and collect a reasonable service fee, as necessary, in
connection with its approvals and certifications under this
section. The fees shall be deposited into the dwelling unit
revolving fund."

SECTION 2. This Act does not affect rights and duties that
matured, penalties that were incurred, and proceedings that were
begun before its effective date.

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2015, and
shall apply to projects with an initial certification date after
June 30, 2015.

APPROVED this 5 day of JUN , 2015

[Signature]
GOVERNOR OF THE STATE OF HAWAII