



**GOV. MSG. NO. 1234**

EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

June 29, 2016

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 29, 2016, the following bill was signed into law:

HB2305 HD1 SD1 CD1

RELATING TO THE DWELLING UNIT  
REVOLVING FUND  
**ACT 132 (16)**

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai'i

# A BILL FOR AN ACT

RELATING TO THE DWELLING UNIT REVOLVING FUND.

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

1 SECTION 1. The legislature finds that orderly and planned  
2 infrastructure construction is the foundation for planned  
3 population growth and desirable communities. It is a public  
4 purpose for which public funds should be appropriated and  
5 expended. Infrastructure construction should be coordinated and  
6 timed or phased with planned development. Adequate  
7 infrastructure to accommodate future growth would provide  
8 livable communities with a desirable quality of life, make  
9 possible strategically situated affordable housing near jobs,  
10 and allow necessary infrastructure capacity to support  
11 development. Based on population projections prepared by the  
12 State, the individual counties would first plan and determine  
13 where growth is desirable and then proceed to construct, in  
14 coordination with applicable state agencies, the infrastructure  
15 to support the planned growth in those areas.

16 Population increase will occur, and economic growth is  
17 necessary. Therefore, both should be planned for properly.  
18 Prior experience indicates that the lack of adequate



1 infrastructure is a severe constraint to future growth. For  
2 example, as Honolulu plans for its new fixed guideway system,  
3 discussion will focus on quality of life issues as the community  
4 begins to balance higher densities in and around the transit  
5 corridor with the need to protect open space and agricultural  
6 areas. Infrastructure capacity must be increased to accommodate  
7 higher densities in and around the transit corridor. While this  
8 problem is most evident on Oahu, the neighbor islands also  
9 suffer from lack of infrastructure capacity to accommodate  
10 future growth. It is necessary to assist all counties, in  
11 accordance with an orderly and predictable plan for increasing  
12 infrastructure capacity, to better utilize existing areas for  
13 planned growth and mitigate impacts to areas that are  
14 appropriate for growth.

15 The State's role in dealing with this growth would be to  
16 provide coordination with the counties on "regional state  
17 infrastructure" construction in areas of planned growth.  
18 Although the primary responsibility for meeting basic municipal  
19 infrastructure needs continues to reside with the counties, much  
20 of the work will need to be coordinated with the State for  
21 "regional state infrastructure improvements." Infrastructure



1 projects included under this Act are regional sewer, water,  
2 drainage, roads, and telecommunications and broadband, if a  
3 project increases the capacity to accommodate future growth, and  
4 not solely benefit one particular project. Increased capacity  
5 is distinguishable from maintenance. While maintenance would  
6 increase the life of the facility or infrastructure, only  
7 projects that would result in increased infrastructure capacity  
8 would be eligible for supplemental funding under this Act.

9 The purpose of this Act is to provide grants and loans to  
10 state agencies, and loans to the counties and private developers  
11 for infrastructure improvements. Furthermore, the intent of  
12 this Act is to allow for innovative financing techniques, such  
13 as tax increment financing and improvement districts, to fund  
14 loans based upon the use of the new infrastructure capacity.

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

18 "§201H- Regional state infrastructure subaccounts. (a)  
19 The corporation, upon request by a county, may establish and  
20 operate a regional state infrastructure subaccount within the  
21 dwelling unit revolving fund established pursuant to section



1 201H-191 for the benefit of the housing and mixed-use transit-  
2 oriented development projects within the county.

3 (b) Each regional state infrastructure subaccount shall  
4 consist of the following sources of revenue:

- 5 (1) Moneys received by the corporation from counties for  
6 the repayment of the loan principal and the payment of  
7 simple interest from various assessments or fees from  
8 special improvement districts, improvement districts,  
9 tax increment financing districts, community  
10 facilities districts, and other areas where property  
11 value increases are captured over periods of time for  
12 the purposes of infrastructure financing;  
13 (2) Appropriations from the legislature;  
14 (3) Federal grants and subsidies to the State or counties;  
15 (4) Private investments; and  
16 (5) Voluntary contributions.

17 (c) The corporation shall expend revenues in the  
18 subaccounts to make grants and loans to state agencies, and  
19 loans to counties or private developers, for the costs, in whole  
20 or in part, of infrastructure improvements that would increase  
21 the capacity of the infrastructure facilities, including



1 regional sewer systems, water systems, drainage systems, roads,  
2 and telecommunications and broadband.

3 Grants and loans shall be made only for capital improvement  
4 projects approved by the respective county council and mayor, or  
5 state agency, as applicable, with a view towards planned growth  
6 rather than upkeep and maintenance.

7 (d) Eligible costs shall include those for planning,  
8 design, feasibility studies, construction, and materials. No  
9 grant or loan shall be made:

10 (1) For maintenance or repair costs unless the  
11 construction would simultaneously increase the  
12 carrying capacity of the infrastructure facility; or

13 (2) Solely for mass transit or electrical utilities.

14 The corporation may also expend revenues in the subaccounts  
15 to repay private investors for their investment plus any  
16 interest accrued on their investments made into the subaccounts  
17 to finance, in whole or in part, infrastructure improvements  
18 that would increase the capacity of the infrastructure  
19 facilities, including regional sewer systems, water systems,  
20 drainage systems, roads, and telecommunications and broadband.



1        (e) The corporation may accept improved land from the  
2 counties or private developers in repayment of their loans.

3        (f) The corporation shall adopt rules in accordance with  
4 chapter 91 for the purposes of this section."

5        SECTION 3. Section 201H-191, Hawaii Revised Statutes, is  
6 amended to read as follows:

7        "[+]§201H-191[+] Dwelling unit revolving fund. (a) There  
8 is created a dwelling unit revolving fund. The funds  
9 appropriated for the purpose of the dwelling unit revolving fund  
10 and all moneys received or collected by the corporation for the  
11 purpose of the revolving fund shall be deposited in the  
12 revolving fund. The proceeds in the revolving fund shall be  
13 used to reimburse the general fund to pay the interest on  
14 general obligation bonds issued for the purposes of the  
15 revolving fund, for the necessary expenses in administering  
16 housing development programs [7] and regional state  
17 infrastructure programs, and for carrying out the purposes of  
18 housing development programs [7] and regional state  
19 infrastructure programs, including but not limited to the  
20 expansion of community facilities and regional state  
21 infrastructure constructed in conjunction with housing and



1 mixed-use transit-oriented development projects, permanent  
2 primary or secondary financing; and supplementing building  
3 costs, federal guarantees required for operational losses, and  
4 all things required by any federal agency in the construction  
5 and receipt of federal funds or low-income housing tax credits  
6 for housing projects.

7 (b) Subject to the requirements of subsection (a),  
8 proceeds in the revolving fund may be used to establish and  
9 operate regional state infrastructure subaccounts pursuant to  
10 section 201H- ."

11 SECTION 4. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 5. This Act shall take effect on July 1, 2016.

APPROVED this 29 day of JUN, 2016



GOVERNOR OF THE STATE OF HAWAII