
A BILL FOR AN ACT

RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR MIXED-USE HOUSING
PROJECTS.

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

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

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

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

16 "§201H- Mixed-use housing projects. (a) The
17 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, 2016.

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 certified by the
13 corporation shall not be considered a subsidy for the purposes
14 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 one 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 mass transit station or proposed mass
20 transit station.

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



- 1 (1) Is located in a location-efficient area;
- 2 (2) Contains affordable multi-family residential dwelling
- 3 units that may be combined with governmental,
- 4 educational, commercial, cultural, institutional, or
- 5 industrial uses;
- 6 (3) Is approved by the county in which the project is
- 7 located; and
- 8 (4) Is subject to chapter 104; title 40 United States Code
- 9 sections 3141, 3142, 3143, 3144, 3146, and 3147; or a
- 10 project labor agreement by law or contract in the
- 11 construction of the project.
- 12 (e) The corporation may establish, revise, charge, and
- 13 collect a reasonable service fee, as necessary, in connection
- 14 with its approvals and certifications under this section. Any
- 15 fees collected shall be deposited into the dwelling unit
- 16 revolving fund.
- 17 (f) The corporation, in consultation with the department
- 18 of taxation, shall adopt rules pursuant to chapter 91 for the
- 19 purposes of this section requiring that:
- 20 (1) Any certification or approval of a general excise tax
- 21 exemption for a qualified person or firm involved in

1 the development of a mixed-use project pursuant to
2 this section shall apply to the development of the
3 entire mixed-use project;

4 (2) Cost savings from a general excise tax exemption
5 granted to a qualified person or firm for the
6 development of a mixed-use project pursuant to this
7 section shall be used exclusively to provide
8 affordable rental housing units, including student and
9 faculty housing units, within the mixed-use project;
10 and

11 (3) Affordable rental housing units developed pursuant to
12 this section shall serve as many low income households
13 as feasible."

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

16 "(a) Any law to the contrary notwithstanding, any county
17 shall have and may exercise the same powers, subject to
18 applicable limitations, as those granted the Hawaii housing
19 finance and development corporation pursuant to chapter 201H
20 insofar as those powers may be reasonably construed to be
21 exercisable by a county for the purpose of developing,



1 constructing, and providing low- and moderate-income housing;
 2 provided that no county shall be empowered to cause the State to
 3 issue general obligation bonds to finance a project pursuant to
 4 this section; provided further that county projects shall be
 5 granted an exemption from general excise or receipts taxes in
 6 the same manner as projects of the Hawaii housing finance and
 7 development corporation pursuant to section 201H-36 [7], except
 8 that no county shall certify an exemption pursuant to section
 9 201H-36 for a mixed-use project under section 201H-_____; and
 10 provided further that section 201H-16 shall not apply to this
 11 section unless federal guidelines specifically provide local
 12 governments with that authorization and the authorization does
 13 not conflict with any state laws. The powers shall include the
 14 power, subject to applicable limitations, to:

- 15 (1) Develop and construct dwelling units, alone or in
 16 partnership with developers;
- 17 (2) Acquire necessary land by lease, purchase, exchange,
 18 or eminent domain;
- 19 (3) Provide assistance and aid to a public agency or other
 20 person in developing and constructing new housing and
 21 rehabilitating existing housing for elders of low- and



1 moderate-income, other persons of low- and moderate-
2 income, and persons displaced by any governmental
3 action, by making long-term mortgage or interim
4 construction loans available;

5 (4) Contract with any eligible bidders to provide for
6 construction of urgently needed housing for persons of
7 low- and moderate-income;

8 (5) Guarantee the top twenty-five per cent of the
9 principal balance of real property mortgage loans,
10 plus interest thereon, made to qualified borrowers by
11 qualified lenders;

12 (6) Enter into mortgage guarantee agreements with
13 appropriate officials of any agency or instrumentality
14 of the United States to induce those officials to
15 commit to insure or to insure mortgages under the
16 National Housing Act, as amended;

17 (7) Make a direct loan to any qualified buyer for the
18 downpayment required by a private lender to be made by
19 the borrower as a condition of obtaining a loan from
20 the private lender in the purchase of residential
21 property;



1 (8) Provide funds for a share, not to exceed fifty per
 2 cent, of the principal amount of a loan made to a
 3 qualified borrower by a private lender who is unable
 4 otherwise to lend the borrower sufficient funds at
 5 reasonable rates in the purchase of residential
 6 property; and

7 (9) Sell or lease completed dwelling units.

8 For purposes of this section, a limitation is applicable to
 9 the extent that it may reasonably be construed to apply to a
 10 county."

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

13 "(d) No county surcharge on state tax shall be established
 14 on any:

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

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

19 (3) Transactions, amounts, persons, gross income, or gross
 20 proceeds exempt from tax under this chapter[-], except



1 those that are exempt under section 237-29 pursuant to
2 section 201H- ."

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

5 "(c) No county surcharge on state tax shall be established
6 upon any use taxable under this chapter at the one-half per cent
7 tax rate or upon any use that is not subject to taxation or that
8 is exempt from taxation under this chapter[-], except for the
9 use of property, services, or contracting not subject to
10 taxation under section 238-3(j) as a result of an exemption
11 under section 237-29 pursuant to section 201H- ."

12 SECTION 6. (a) All state agencies within a location-
13 efficient area shall enter into a memorandum of understanding
14 with the department of business, economic development, and
15 tourism or its attached agency by December 31, 2017, to develop
16 at least one mixed-use project pursuant to section 201H- ,
17 Hawaii Revised Statutes, within the location-efficient area,
18 unless the location-efficient area is exempted by the department
19 of business, economic development, and tourism or its agency as
20 currently unsuitable for residential development.



1 (b) The department of business, economic development, and
2 tourism or its agency shall submit an annual report to the
3 legislature no later than twenty days prior to the convening of
4 each regular session. The annual report shall include the
5 following information:

6 (1) How many memoranda of understanding it has entered
7 into and how many location-efficient areas it has
8 exempted as not currently suitable for residential
9 development;

10 (2) How the mixed-use projects subject to the memoranda of
11 understanding will help address the State's population
12 growth by meeting affordable housing demand and
13 increasing density around location-efficient areas;
14 and

15 (3) How the mixed-use projects subject to the memoranda of
16 understanding will achieve the goals of establishing a
17 new population center outside of the urban core.

18 SECTION 7. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 8. This Act shall take effect on July 1, 2050.



Report Title:

General Excise Tax Exemption; Mixed-Use Projects

Description:

Establishes an exemption from general excise taxes for the development of mixed-use projects incorporating affordable housing units on state or county lands. Effective 7/1/2050.
(SD1)

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

