A BILL FOR AN ACT

RELATING TO TRANSIT-ORIENTED DEVELOPMENT ZONES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The legislature finds that the construction and installation of certain public facilities are necessary and desirable to facilitate the renewal and redevelopment of areas proximate to proposed fixed rail transit stations. Transit-oriented development is a powerful tool that can ultimately deliver a wide range of social, environmental, and economic benefits. Transit-oriented development promotes development patterns that support quality of life, preserve the natural environment, provide a range of housing choices for residents, and encourage walking, biking, and use of mass transit.

The State plays an important role in overcoming barriers to transit-oriented development, including encouraging needed investments in regional public facilities, such as roads, sewers, and drainage systems. This Act is intended to move current transit-oriented development planning efforts forward into structures that benefit the community.
The purpose of this Act is to establish a transit-oriented development infrastructure improvement zone program to foster community development by strategically investing in public facilities under the Hawaii community development authority.

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

"§201H- Transit-oriented development infrastructure improvement zone subaccounts. (a) At the request of the Hawaii community development authority, the corporation may establish and operate a transit-oriented development infrastructure improvement zone subaccount within the dwelling unit revolving fund established pursuant to section 201H-191 for the benefit of infrastructure improvement projects within a transit-oriented development infrastructure improvement zone.

(b) Each transit-oriented development infrastructure improvement zone subaccount shall consist of the following sources of revenue:

(1) Moneys received by the corporation from counties for the repayment of the loan principal and the payment of simple interest from various assessments or fees from
special improvement districts, improvement districts, tax increment financing districts, community facilities districts, and other areas where property value increases are captured over periods of time for the purposes of transit-oriented development infrastructure improvement zone financing;

(2) Appropriations from the legislature;

(3) Federal grants and subsidies to the State or counties;

(4) Private investments; and

(5) Voluntary contributions.

(c) The corporation shall expend revenues in the subaccounts to make grants and loans to state agencies or counties and loans to private developers for the eligible costs, in whole or in part, of improvements in transit-oriented development infrastructure improvement zones that would increase the capacity of the infrastructure facilities, including regional sewer systems, water systems, drainage systems, roads, and telecommunications and broadband.

Grants and loans may be made only for capital improvement projects approved by the Hawaii community development authority and the respective county council and mayor, or state agency, as
applicable, with a view toward the development or renewal and
redevelopment of areas proximate to proposed fixed rail transit
stations.

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

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

(2) Solely for mass transit or electrical utilities.

The corporation may also expend revenues in the subaccounts
to repay private investors for their investment plus any
interest accrued on their investments made into the subaccounts
to finance, in whole or in part, improvements in transit-
oriented development infrastructure improvement zones that would
facilitate the renewal and redevelopment of areas proximate to
proposed transit stations.

(e) The corporation may accept improved land from the
Hawaii community development authority, counties, or private
developers in repayment of their loans.
(f) The corporation shall adopt rules in accordance with chapter 91 for the purposes of this section.

(g) For purposes of this section, "transit-oriented development infrastructure improvement zone" shall have the same meaning as in section 206E-2."

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

"§206E- Transit-oriented development infrastructure improvement zone program. (a) The authority shall develop a transit-oriented development infrastructure improvement zone program to identify necessary transit-oriented development infrastructure improvement zone public facilities within a transit-oriented development infrastructure improvement zone.

(b) Whenever the authority shall determine to undertake, or cause to be undertaken, any public facility as part of the transit-oriented development infrastructure improvement zone program, the cost of providing the public facilities shall be assessed against the real property in the transit-oriented development infrastructure improvement zone specially benefiting from these public facilities. The authority shall determine the
areas of the transit-oriented development infrastructure improvement zone that will benefit from the public facilities to be undertaken and, if less than the entire transit-oriented development infrastructure improvement zone benefits, the authority may establish assessment areas within the transit-oriented development infrastructure improvement zone. The authority may issue and sell bonds in amounts as may be authorized by the legislature to provide funds to finance these public facilities. The authority shall determine, in consultation with the appropriate county, appropriate mechanisms to be used to pay for the cost of the state infrastructure investment.

(c) Bonds issued to provide funds to finance public facilities shall be secured solely by the real properties benefited or improved, the assessments thereon, or by the revenues derived from the program for which the bonds are issued, including reserve accounts and earnings thereon, insurance proceeds, and other revenues, or any combination thereof. The bonds may be additionally secured by the pledge or assignment of loans and other agreements or any note or other undertaking, obligation, or property held by the authority.
Bonds issued pursuant to this section and the income therefrom shall be exempt from all state and county taxation, except transfer and estate taxes. The bonds shall be issued according and subject to the provisions of the rules adopted pursuant to this section.

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

(e) The authority shall adopt rules pursuant to chapter 91, and may amend the rules from time to time, providing for the method of undertaking and financing public facilities in an
assessment area or an entire transit-oriented development infrastructure improvement zone. The rules adopted pursuant to this section shall include but are not limited to the following: methods by which the authority shall establish assessment areas; the method of assessment of real properties specially benefited; the costs to be borne by the authority, the county in which the public facilities are situated, and the property owners; the procedures before the authority relating to the creation of the assessment areas by the owners of real property therein, including provisions for petitions, bids, contracts, bonds, and notices; provisions relating to assessments; provisions relating to financing, such as bonds, revolving funds, advances from available funds, special funds for payment of bonds, payment of principal and interest, and sale and use of bonds; provisions relating to funds and refunding of outstanding debts; and provisions relating to limitations on time to sue, and other related provisions.

(f) Any provisions to the contrary notwithstanding, the authority may, in its discretion, enter into any agreement with the county in which the public facilities are located, to implement all or part of the purposes of this section.
(g) All sums collected under this section shall be deposited in the Hawaii community development revolving fund established by section 206E-16; except that notwithstanding section 206E-16, all moneys collected on account of assessments and interest thereon for any specific public facilities financed by the issuance of bonds shall be set apart in a separate special fund and applied solely to the payment of the principal and interest on these bonds, the cost of administering, operating, and maintaining the program, the establishment of reserves, and other purposes as may be authorized in the proceedings providing for the issuance of the bonds. If any surplus remains in any special fund after the payment of the bonds chargeable against such fund, it shall be credited to and become a part of the Hawaii community development revolving fund. Moneys in the Hawaii community development revolving fund may be used to make up any deficiencies in the special fund.

(h) If the public facilities to be financed through bonds issued by the authority may be dedicated to the county in which the public facilities are to be located, the authority shall ensure that the public facilities are designed and constructed to meet county requirements.
(i) Notwithstanding any law to the contrary, whenever as part of a transit-oriented development infrastructure improvement zone program it becomes necessary to remove, relocate, replace, or reconstruct public utility facilities, the authority shall establish by rule the allocation of cost between the authority, the affected public utilities, and properties that may specially benefit from the improvement, if any. In determining the allocation of cost, the authority shall consider the cost allocation policies for improvement districts established by the county in which the removal, relocation, replacement, or reconstruction is to take place."

SECTION 4. Section 201H-191, Hawaii Revised Statutes, is amended to read as follows:

"§201H-191 Dwelling unit revolving fund. (a) There is created a dwelling unit revolving fund. The funds appropriated for the purpose of the dwelling unit revolving fund and all moneys received or collected by the corporation for the purpose of the revolving fund shall be deposited in the revolving fund. The proceeds in the revolving fund shall be used \[\text{...}\]"
(1) To reimburse the general fund to pay the interest on
general obligation bonds issued for the purposes of
the revolving fund, [if applicable] as applicable;

(2) For the necessary expenses in administering housing
development programs [and] regional state
infrastructure programs, and [if applicable] the transit-
oriented development infrastructure improvement zone
program under section 206E-6;

(3) For carrying out the purposes of housing development
programs [and] regional state infrastructure programs,
including but not limited to the expansion of
community facilities and regional state infrastructure
constructed in conjunction with housing and mixed-use
transit-oriented development projects], including
permanent primary or secondary financing, and
supplementing building costs, federal guarantees
required for operational losses, and all things
required by any federal agency in the construction and
receipt of federal funds or low-income housing tax
credits for housing project[.]
For carrying out the purposes of regional state infrastructure programs, including the expansion of community facilities and regional state infrastructure constructed in conjunction with housing and mixed-use transit-oriented development projects; and

For carrying out the purposes of transit-oriented development infrastructure improvement zone program projects in a transit-oriented development zone.

Subject to the requirements of subsection (a), proceeds in the revolving fund may be used to establish and operate regional state infrastructure subaccounts pursuant to section 201H-191.5[1] and transit-oriented development infrastructure improvement zone subaccounts pursuant to section 201H-.

For purposes of this section, "transit-oriented development infrastructure improvement zone" shall have the same meaning as in section 206E-2."

SECTION 5. Section 206E-2, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:
"Transit-oriented development infrastructure improvement zone" means the parcels of land:

(1) Containing infrastructure; and
(2) Determined by the authority by taking into account proximity, walkability, adopted county plans, and other relevant factors, including surrounding regional infrastructure."

SECTION 6. Section 206E-3, Hawaii Revised Statutes, is amended to read as follows:

"§206E-3 Hawaii community development authority; established. (a) There is established the Hawaii community development authority, which shall be a body corporate and a public instrumentality of the State, for the purpose of implementing this chapter. The authority shall be placed within the department of business, economic development, and tourism for administrative purposes.

(b) The authority shall consist of the following members:

(1) The director of finance or the director's designee;

(2) The director of transportation or the director's designee; [a]
(3) A cultural specialist; [an]

(4) An at-large member; [an]

(5) An at-large member nominated by the senate president; [an]

(6) An at-large member nominated by the speaker of the house; [three]

(7) Three representatives of the Heeia community development district, [comprising two] which shall consist of the following:

   (A) Two residents of that district or the Koolaupoko district, which consists of sections 1 through 9 of zone 4 of the first tax map key division[e]; and [one]

   (B) One owner of a small business or one officer or director of a nonprofit organization in the Heeia community development district or Koolaupoko district,

   nominated by the county council of the county in which the Heeia community development district is located; [three]
Three representatives of the Kalaeloa community development district, which shall consist of the following:

(A) Two residents of the Ewa zone (zone 9, sections 1 through 2) or the Waianae zone (zone 8, sections 1 through 9) of the first tax map key division[7] and [ene]

(B) One owner of a small business or one officer or director of a nonprofit organization in the Ewa or Waianae zone, nominated by the county council of the county in which the Kalaeloa community development district is located; [three]

Three representatives of the Kakaako community development district, which shall consist of the following:

(A) Two residents of the district and [ene]

(B) One owner of a small business or one officer or director of a nonprofit organization in the district,
nominated by the county council of the county in which
the Kakaako community development district is located;

(10) The director of planning and permitting of each county
in which a community development district is located
or the director's designee, who shall serve in an ex
officio, nonvoting capacity[+] on all matters except
matters affecting transit-oriented development
infrastructure improvement zones pursuant to
subsection (c)(4); and [the]

(11) The chairperson of the Hawaiian homes commission or
the chairperson's designee, who shall serve in an ex
officio, nonvoting capacity.

All members, except the director of finance, director of
transportation, county directors of planning and permitting, and
chairperson of the Hawaiian homes commission or their designees,
shall be appointed by the governor pursuant to section 26-34.
The two at-large members nominated by the senate president and
speaker of the house and the nine representatives of the
respective community development districts shall each be
appointed by the governor from a list of three nominees
submitted for each position by the nominating authority specified in this subsection.

(c) The authority shall be organized and shall exercise jurisdiction as follows:

1. For matters affecting the Heeia community development district, the following members shall be considered in determining quorum and majority and shall be eligible to vote:

   A. The director of finance or the director's designee;

   B. The director of transportation or the director's designee;

   C. The cultural specialist;

   D. The three at-large members; and

   E. The three representatives of the Heeia community development district;

provided that the director of planning and permitting of the relevant county or the director's designee shall participate in these matters as an ex officio, nonvoting member and shall not be considered in determining quorum and majority;
(2) For matters affecting the Kalaeloa community development district, the following members shall be considered in determining quorum and majority and shall be eligible to vote:

(A) The director of finance or the director's designee;

(B) The director of transportation or the director's designee;

(C) The cultural specialist;

(D) The three at-large members; and

(E) The three representatives of the Kalaeloa community development district;

provided that the director of planning and permitting of the relevant county and the chairperson of the Hawaiian homes commission, or their respective designees, shall participate in these matters as ex officio, nonvoting members and shall not be considered in determining quorum and majority;

(3) For matters affecting the Kakaako community development district, the following members shall be
considered in determining quorum and majority and
shall be eligible to vote:

(A) The director of finance or the director's
designee;

(B) The director of transportation or the director's
designee;

(C) The cultural specialist;

(D) The three at-large members; and

(E) The three representatives of the Kakaako
community development district;

provided that the director of planning and permitting
of the relevant county or the director's designee
shall participate in these matters as an ex officio,
nonvoting member and shall not be considered in
determining quorum and majority[.]. and

(4) For matters affecting transit-oriented development
infrastructure improvement zones, including the
creation of transit-oriented development
infrastructure improvement zones, the following
members or individuals shall be considered in
determining quorum and majority and shall be eligible to vote:

(A) The director of finance or the director's designee;

(B) The director of transportation or the director's designee;

(C) The director of planning and permitting of the relevant county or the director's designee;

(D) The cultural specialist;

(E) The three at-large members serving pursuant to subsection (b) (4) through (6);

(F) The director of the office of planning or the director's designee, who shall serve in an ex officio capacity; and

(G) The executive director of the Hawaii housing finance and development corporation or the executive director's designee, who shall serve in an ex officio capacity.

(d) [In the event of] If a vacancy occurs, a member shall be appointed to fill the vacancy in the same manner as the original appointment within thirty days of the vacancy or within
ten days of the senate's rejection of a previous appointment, as
applicable.

The terms of the director of finance, director of
transportation, director of the office of planning, executive
director of the Hawaii housing finance and development
corporation, county directors of planning and permitting, and
chairperson of the Hawaiian homes commission or their respective
designees shall run concurrently with each official's term of
office. The terms of the appointed voting members shall be for
four years, commencing on July 1 and expiring on June 30;
provided that the initial terms of all voting members initially
appointed pursuant to Act 61, Session Laws of Hawaii 2014, shall
commence on March 1, 2015. The governor shall provide for
staggered terms of the initially appointed voting members so
that the initial terms of four members selected by lot shall be
for two years, the initial terms of four members selected by lot
shall be for three years, and the initial terms of the remaining
five members shall be for four years.

The governor may remove or suspend for cause any member
after due notice and public hearing.
(e) Notwithstanding section 92-15, a majority of all eligible voting members as specified in this [subsection] section shall constitute a quorum to do business, and the concurrence of a majority of all eligible voting members as specified in this [subsection] section shall be necessary to make any action of the authority valid. All members shall continue in office until their respective successors have been appointed and qualified. Except as herein provided, no member appointed under this [subsection] section shall be an officer or employee of the State or its political subdivisions.

[For purposes of this section, "small business" means a business which is independently owned and which is not dominant in its field of operation.]

(f) The authority shall appoint the executive director who shall be the chief executive officer. The authority shall set the salary of the executive director, who shall serve at the pleasure of the authority and shall be exempt from chapter 76.

(g) The authority shall annually elect the chairperson and vice chairperson from among its members.
The members of the authority appointed under subsection (b) shall serve without compensation, but each shall be reimbursed for expenses, including travel expenses, incurred in the performance of their duties.

For purposes of this section, "small business" means a business that is independently owned and is not dominant in its field of operation.

SECTION 7. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2019-2020 and the same sum or so much thereof as may be necessary for fiscal year 2020-2021 for the hiring of one temporary full-time equivalent (1.00 FTE) position in the Hawaii community development authority to maintain the staff necessary to develop and manage the transit-oriented development infrastructure improvement zone program.

The sums appropriated shall be expended by the Hawaii community development authority for the purposes of this Act.

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2050.
Report Title:
Transit-oriented Development Infrastructure Improvement Zones; Public Facilities; HCDA; Dwelling Unit Revolving Fund; HHFDC; Appropriation

Description:
Authorizes the Hawaii Housing Finance and Development Corporation (HHFDC), at the request of the Hawaii Community Development Authority (HCDA), to establish and operate transit-oriented development infrastructure improvement zone subaccounts within the dwelling unit revolving fund for the benefit of infrastructure improvement projects within a transit-oriented development infrastructure improvement zone. Requires HCDA to develop a transit-oriented development infrastructure improvement zone program to foster infrastructure development by strategically investing in public facilities. Appropriates funds to HCDA for staff necessary to develop and manage the transit-oriented development infrastructure improvement zone program. Effective 7/1/2050. (SD1)

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