

---

---

# A BILL FOR AN ACT

RELATING TO HOUSING.

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

1           SECTION 1. Act 196, Session Laws of Hawaii 2005 (Act 196),  
2 was passed by the legislature to address Hawaii's affordable  
3 housing and homeless crisis. Act 196 provided a number of  
4 mechanisms and incentives to increase the supply of low-income  
5 rental housing. In addition, the legislature, recognizing that  
6 more meaningful solutions to Hawaii's housing and homeless  
7 crisis were needed, established a joint legislative housing and  
8 homeless task force to further identify near-term solutions to  
9 Hawaii's affordable housing and homeless problem.

10           The task force spent many hours researching data and  
11 meeting with state and county officials, private developers, and  
12 nonprofit organizations in the city and county of Honolulu and  
13 the counties of Hawaii, Kauai, and Maui, and also held public  
14 hearings and briefings in each county. The task force relied on  
15 the information collected in developing its recommendations.

16           The purpose of this Act is to implement many of the  
17 recommendations of the task force.



1 SECTION 2. Chapter 201G, Hawaii Revised Statutes, is  
2 amended by adding a new section to subpart F of part II to be  
3 appropriately designated and to read as follows:

4 "§201G- Credit against income taxes. (a) In accordance  
5 with section 235-A, the administration may approve and certify  
6 for credit against state income taxes the qualified basis of any  
7 newly constructed or moderately or substantially rehabilitated  
8 project:

- 9 (1) Developed under this chapter;  
10 (2) Developed under a government assistance program  
11 approved by the administration, including but not  
12 limited to, the United States Department of  
13 Agriculture 502 program and Federal Housing  
14 Administration 235 program;  
15 (3) Developed under the sponsorship of a private nonprofit  
16 corporation that provides home rehabilitation or new  
17 homes for qualified families in need of decent,  
18 low-cost housing; or  
19 (4) Developed by a person or firm qualified under section  
20 201G-116 where at least fifty per cent of the  
21 available units are for households with incomes at or  
22 below one hundred per cent of the area median family



1 income, as determined by the United States Department  
2 of Housing and Urban Development, of which at least  
3 twenty per cent of the available units are for  
4 households with incomes at or below sixty per cent of  
5 the area median family income as determined by the  
6 United States Department of Housing and Urban  
7 Development.

8 (b) All claims for tax credit under this section shall be  
9 certified by the administration and filed with the department of  
10 taxation. Any claim for tax credit that is filed and approved  
11 shall not be considered a subsidy for the purpose of this  
12 subpart.

13 (c) For the purposes of this section, "moderate  
14 rehabilitation" and "substantial rehabilitation" shall have the  
15 same meanings as in section 201G-116.

16 (d) For the purposes of this section, "qualified basis"  
17 shall have the same meaning as in section 235-110.8; provided  
18 that the administration may by rule establish criteria for the  
19 determination of qualified basis for the purposes of this  
20 section.

21 (e) The administration may establish, revise, charge, and  
22 collect a reasonable service fee, as necessary, in connection



1 with its approvals and certifications under this section. The  
2 fees shall be deposited into the dwelling unit revolving fund."

3 SECTION 3. Chapter 201G, Hawaii Revised Statutes, is  
4 amended by adding a new section to subpart H of part III to be  
5 appropriately designated and to read as follows:

6 "§201G- Downpayment loan program revolving fund. There  
7 is created within the state treasury a revolving fund to be  
8 administered by the administration and to be known as the  
9 downpayment loan revolving fund. The revolving fund shall be  
10 funded from the proceeds of general obligation bonds or other  
11 appropriations from the state legislature, and shall be used to  
12 carry out the purposes of this subpart."

13 SECTION 4. Chapter 201H, Hawaii Revised Statutes, is  
14 amended by adding a new section to be appropriately designated  
15 and to read as follows:

16 "§201H- Leases; self-help housing. (a) The  
17 administration may lease parcels that it deems suitable for  
18 affordable housing at \$1 per year for up to fifty years to  
19 organizations or community trusts to develop the parcel with  
20 ownership units through self-help development.

21 (b) The administration may extend or modify the fixed  
22 rental period of the lease or extend the term of the lease.



1        (c) Parcels leased under this section may be transferred  
2 or assigned by devise, bequest, or intestate succession, and may  
3 be sublet with the approval of the administration."

4        SECTION 5. Chapter 235, Hawaii Revised Statutes, is  
5 amended by adding a new section to part VI to be appropriately  
6 designated and to read as follows:

7        "§235- Affordable housing tax credit. (a) Each  
8 taxpayer subject to the tax imposed by this chapter, who has  
9 filed a net income tax return for a taxable year, may claim an  
10 affordable housing tax credit against the taxpayer's net income  
11 tax liability. The amount of the credit shall be deductible  
12 from the taxpayer's net income tax liability, if any, imposed by  
13 this chapter for the taxable year in which the credit is  
14 properly claimed on a timely basis. A credit under this section  
15 shall not be claimed if the taxpayer claims a low-income housing  
16 tax credit pursuant to section 235-110.8.

17        (b) The affordable housing tax credit shall be fifteen per  
18 cent of the qualified basis of each project calculated pursuant  
19 to section 201G-A.

20        (c) The credit allowed under this section shall be claimed  
21 against net income tax liability for the taxable year. For the  
22 purpose of deducting this tax credit, net income tax liability



1 means net income tax liability reduced by all other credits  
2 allowed the taxpayer under this chapter. A tax credit under  
3 this section which exceeds the taxpayer's income tax liability  
4 may be used as a credit against the taxpayer's income tax  
5 liability in subsequent years until exhausted.

6 (d) All claims for a tax credit under this section must be  
7 filed on or before the end of the twelfth month following the  
8 close of the taxable year for which the credit may be claimed.  
9 Failure to properly and timely claim the credit shall constitute  
10 a waiver of the right to claim the credit. A taxpayer may claim  
11 a credit under this section only if the project is a qualified  
12 project approved and certified under section 201G-A.

13 (e) The director of taxation may adopt any rules under  
14 chapter 91 and forms necessary to carry out this section."

15 SECTION 6. Section 201G-44, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 **"§201G-44 Administration of state low-income public**  
18 **housing projects and programs.** (a) The administration [may]  
19 shall construct, develop, and administer property or housing for  
20 the purpose of state low-income public housing projects and  
21 programs.



1 (b) The administration [~~may~~] shall offer any  
2 decommissioned low-income public housing project, except for  
3 federal housing projects, to nonprofit or for-profit  
4 organizations or government agencies for rehabilitation into  
5 emergency or transitional shelter facilities for the homeless or  
6 rehabilitation into rental units that set aside at least fifty  
7 per cent of the units to persons or families with incomes at or  
8 below fifty per cent of the area median family income; provided  
9 that:

10 (1) The housing project is wholly owned by the State on  
11 either state-owned or ceded lands;

12 ~~(2) [The administration has determined that the housing~~  
13 ~~project is no longer suitable for its original use and~~  
14 ~~intends to demolish the housing project];~~

15 ~~(3)]~~ The administration has determined that the housing  
16 project is not eligible for rehabilitation using the  
17 administration's current resources; and

18 ~~[(4)]~~ (3) The nonprofit or for-profit organization or  
19 government agency demonstrates expertise in  
20 rehabilitation of housing projects and has community,  
21 public, and private resources to substantially pay for  
22 the rehabilitation.



1 The land and improvements may be leased to the nonprofit or  
2 for-profit organization or government agency for a period not to  
3 exceed ninety-nine years for a sum of \$1 per year.

4 (c) The administration shall adopt necessary rules in  
5 accordance with chapter 91, including the establishment and  
6 collection of reasonable fees for administering the public  
7 housing projects or programs and to carry out any state program  
8 under subsection (a)."

9 SECTION 7. Section 201G-121, Hawaii Revised Statutes, is  
10 amended by amending subsection (a) to read as follows:

11 "(a) In any county, the administration may develop or may  
12 enter into agreements for housing projects with an eligible  
13 developer if in the administration's reasonable judgment a  
14 project ~~[is primarily designed for lower income housing.]~~  
15 provides a reasonable number of lower income housing units. The  
16 agreement may provide for the housing to be placed under the  
17 control of the administration, or to be sold by the  
18 administration, or to be sold to the administration as soon as  
19 the units are completed and shall contain terms, conditions, and  
20 covenants as the administration, by rules, deems appropriate.  
21 Every agreement shall provide for the developer to furnish a  
22 performance bond, in favor of the administration, assuring the





1 timely and complete performance of the housing project.  
2 Sureties on the bond must be satisfactory to the  
3 administration."

4 SECTION 8. Section 201G-161, Hawaii Revised Statutes, is  
5 amended by amending subsection (f) to read as follows:

6 "(f) Any pledge made by the administration shall create a  
7 perfected security interest in the revenues, moneys, or property  
8 so pledged and thereafter received by the administration from  
9 and after the time that a financing statement with respect to  
10 the revenues, moneys, or property so pledged and thereafter  
11 received shall be filed with the bureau of conveyances. Upon  
12 the filing, the revenues, moneys, or property so pledged and  
13 thereafter received by the administration shall immediately be  
14 subject to the lien of such pledge without any physical delivery  
15 thereof or further act, and the lien of any such pledge shall be  
16 ~~[prior to the lien of all parties having claims by any kind in~~  
17 ~~tort, contract, or otherwise against the administration,~~  
18 ~~irrespective of whether such parties have notice thereof]~~  
19 subject to section 39-63 and part VIII of chapter 39 relating to  
20 security interests. This section shall apply to any financing  
21 statement heretofore or hereafter filed with the bureau of



1 conveyances with respect to any pledge made to secure revenue  
2 bonds issued under this part."

3 SECTION 9. Section 201G-231, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 " ~~[+] §201G-231 [.]~~ **Rent supplements.** (a) The  
6 administration is authorized to make, and contract to make,  
7 annual payments to a "housing owner" on behalf of a "qualified  
8 tenant", as those terms are defined in this subpart, in such  
9 amounts and under such circumstances as are prescribed in ~~[ex~~  
10 ~~pursuant to this subpart. No payment on behalf of a qualified~~  
11 ~~tenant shall exceed a segregated amount of \$160 a month.]~~ rules  
12 adopted by the administration.

13 (b) The administration is authorized to use state rent  
14 supplement program funds for project-based operating subsidies  
15 for state low-income housing units that are transferred by the  
16 administration to private organizations for the purpose of  
17 managing and operating the units; provided that fifty per cent  
18 of the units shall be rented to persons or families whose income  
19 shall not exceed fifty per cent of the median family income as  
20 determined by the United States Department of Housing and Urban  
21 Development; and provided further that the remainder of the  
22 units shall be rented to persons or families whose income shall



1 not exceed eighty per cent of the median family income as  
2 determined by the United States Department of Housing and Urban  
3 Development."

4 SECTION 10. Section 201G-232, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 "**§201G-232 Housing owner defined.** As used in this  
7 subpart, the term "housing owner" means:

8 (1) A private nonprofit corporation or other private  
9 nonprofit legal entity, a limited dividend corporation  
10 or other limited dividend legal entity, or a  
11 cooperative housing corporation, that is a mortgagor  
12 under section 202, 207, 213, 221(d)(3), 221(d)(5), or  
13 231 of the National Housing Act, as amended, or that  
14 conforms to the standards of those sections but that  
15 is not a mortgagor under those sections or any other  
16 private mortgagor under the National Housing Act, as  
17 amended, for very low income, low-income, or moderate-  
18 income family housing, regulated or supervised under  
19 federal or state laws or by political subdivisions of  
20 the State, or agencies thereof, as to rents, charges,  
21 capital structure, rate of return, and methods of



1 operation, from the time of issuance of the building  
2 permit for the project; [~~and~~]

3 (2) Any other owner of a standard housing unit or units  
4 deemed qualified by the administration[~~-~~]; and

5 (3) The administration."

6 SECTION 11. Section 201G-233, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "**§201G-233 Qualified tenant defined.** As used in this  
9 subpart, the term "qualified tenant" means any single person or  
10 family, pursuant to criteria and procedures established by the  
11 administration, that has been determined to have an income not  
12 exceeding the very low income limit as determined by the  
13 administration pursuant to rules adopted by the administration;  
14 provided that the qualified tenant's primary place of residence  
15 shall be in the State of Hawaii or that the qualified tenant  
16 intends to make the State of Hawaii the qualified tenant's  
17 primary place of residence. The terms "qualified tenant" and  
18 "tenant" include a member of a cooperative who satisfies the  
19 foregoing requirements and who, upon resale of the member's  
20 membership to the cooperative, will not be reimbursed for more  
21 than fifty per cent of any equity increment accumulated through  
22 payments under this subpart. With respect to members of a



1 cooperative, the terms "rental" and "rental charges" mean the  
 2 charges under the occupancy agreements between the members and  
 3 the cooperative. ~~[The term "qualified tenant" shall not include~~  
 4 ~~any person receiving money payments for public assistance from~~  
 5 ~~the department of human services; provided that the term "public~~  
 6 ~~assistance" shall exclude aid provided through the federal~~  
 7 ~~Supplemental Security Income Program.] "~~

8 SECTION 12. Section 201G-436, Hawaii Revised Statutes, is  
 9 amended by amending subsection (c) to read as follows:

10 "(c) The administration shall establish an application  
 11 process for fund allocation that gives preference to projects  
 12 ~~[meeting the criteria set forth below that are listed in~~  
 13 ~~descending order of priority:~~

- 14 ~~(1) Serve the original target group;~~
- 15 ~~(2) Provide at least five per cent of the total number of~~  
 16 ~~units for persons and families with incomes at or~~  
 17 ~~below thirty per cent of the median family income;~~
- 18 ~~(3) Provide maximum number of units for persons or~~  
 19 ~~families with incomes at or below eighty per cent of~~  
 20 ~~the median family income;~~
- 21 ~~(4) Are committed to serving the target population over a~~  
 22 ~~longer period of time;~~



- 1       ~~(5) Increase the integration of income levels of the~~
- 2           ~~immediate community area;~~
- 3       ~~(6) Meet the geographic needs of the target population of~~
- 4           ~~the proposed rental housing project, such as proximity~~
- 5           ~~to employment centers and services; and~~
- 6       ~~(7) Have favorable past performance in developing, owning,~~
- 7           ~~managing, or maintaining affordable rental housing]~~
- 8       in accordance with the priorities set forth in subsection
- 9       201G-432(e).

10           The administration may include other criteria in the above  
11 process as it deems necessary to carry out the purposes of this  
12 part[-], including but not limited to:

- 13       (1) Commitment to serving the target population over a
- 14           longer period of time;
- 15       (2) Increase in the integration of income levels of the
- 16           immediate community area;
- 17       (3) Ability to meet the geographic needs of the target
- 18           population of the proposed rental housing project,
- 19           such as proximity to employment centers and services;
- 20           and
- 21       (4) Favorable past performance in developing, owning,
- 22           managing, or maintaining affordable rental housing.



1           If the administration, after applying the process described  
2 in this subsection, finds a nonprofit project equally ranked  
3 with a for-profit or government project, the administration  
4 shall give preference to the nonprofit project in allotting fund  
5 moneys."

6           SECTION 13. Section 235-55.7, Hawaii Revised Statutes, is  
7 amended by amending subsection (c) to read as follows:

8           "(c) Each taxpayer with an adjusted gross income of less  
9 than [~~\$30,000~~] \$50,000 who has paid more than \$1,000 in rent  
10 during the taxable year for which the credit is claimed may  
11 claim a tax credit of [~~\$50~~] \$75 multiplied by the number of  
12 qualified exemptions to which the taxpayer is entitled; provided  
13 that each taxpayer with an adjusted gross income less than  
14 \$30,000 who has paid more than \$1,000 in rent during the taxable  
15 year for which the credit is claimed may claim a tax credit of  
16 \$100 multiplied by the number of qualified exemptions to which  
17 the taxpayer is entitled; provided further, that each taxpayer  
18 sixty-five years of age or over may claim double the tax credit;  
19 and provided that a resident individual who has no income or no  
20 income taxable under this chapter may also claim the tax credit  
21 as set forth in this section."



1 SECTION 14. Section 247-7, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "§247-7 **Disposition of taxes.** [~~All~~] Of the taxes  
4 collected each fiscal year under this chapter [~~shall be paid~~  
5 ~~into the state treasury to the credit of the general fund of the~~  
6 ~~State, to be used and expended for the purposes for which the~~  
7 ~~general fund was created and exists by law, provided that of the~~  
8 ~~taxes collected each fiscal year]~~:

9 (1) Ten per cent shall be paid into the land conservation  
10 fund established pursuant to section 173A-5;

11 (2) [~~Thirty~~] Sixty-five per cent shall be paid into the  
12 rental housing trust fund established by section  
13 201G-432; and

14 (3) Twenty-five per cent shall be paid into the natural  
15 area reserve fund established by section 195-9;  
16 provided that the funds paid into the natural area  
17 reserve fund shall be annually disbursed by the  
18 department of land and natural resources in the  
19 following priority:

20 (A) To natural area partnership and forest  
21 stewardship programs after joint consultation





1 with the forest stewardship committee and the  
2 natural area reserves system commission;  
3 (B) Projects undertaken in accordance with watershed  
4 management plans pursuant to section 171-58 or  
5 watershed management plans negotiated with  
6 private landowners, and management of the natural  
7 area reserves system pursuant to section 195-3;  
8 and  
9 (C) The youth conservation corps established under  
10 chapter 193."

11 SECTION 15. The department of land and natural resources  
12 shall initiate transfer to the Hawaii housing finance and  
13 development administration, no later than December 1, 2006, of  
14 the lands identified as suitable for affordable housing  
15 development in Appendix F of the Joint Legislative Housing and  
16 Homeless Task Force Report to the 2006 Session of the  
17 Legislature.

18 SECTION 16. The Hawaii housing finance and development  
19 administration, with the approval of the director of finance and  
20 the governor, is authorized pursuant to part III, chapter 39,  
21 Hawaii Revised Statutes, and part III, chapter 201G, Hawaii  
22 Revised Statutes, to issue general obligation bonds in an



1 aggregate principal amount not to exceed \$ , at such  
2 times and in such amounts as it deems advisable for the purpose  
3 of carrying out the provisions of subpart H of part III of  
4 chapter 201G, Hawaii Revised Statutes, relating to the  
5 downpayment loan program.

6 The proceeds of such general obligation bonds shall be  
7 deposited into the downpayment loan program revolving fund  
8 created in section 201G-B, Hawaii Revised Statutes.

9 SECTION 17. There is appropriated out of the downpayment  
10 loan program revolving fund the sum of \$ , or so much  
11 thereof as may be necessary, for fiscal year 2006-2007, to carry  
12 out the purposes of the downpayment loan program revolving fund  
13 relating to direct downpayment loans to eligible borrowers.

14 The sum appropriated shall be expended by the Hawaii  
15 housing finance and development administration.

16 SECTION 18. There is appropriated out of the general  
17 revenues of the State of Hawaii the sum of \$20,000,000, or so  
18 much thereof as may be necessary for fiscal year 2006-2007, for  
19 grants for homeless services and transitional housing program  
20 assistance.

21 The sum appropriated shall be expended by the Hawaii public  
22 housing administration for the purposes of this section;



1 provided that any unencumbered balance on June 30, 2007, shall  
2 lapse to the rental housing trust fund under section 201G-432,  
3 Hawaii Revised Statutes.

4 SECTION 19. There is appropriated out of the general  
5 revenues of the State of Hawaii the sum of \$10,000,000 or so  
6 much thereof as may be necessary for fiscal year 2006-2007 to  
7 repair and modernize vacant units in federal and state public  
8 housing projects.

9 The sum appropriated shall be expended by the Hawaii public  
10 housing administration for the purposes of this Act.

11 SECTION 20. There is appropriated out of the general  
12 revenues of the State of Hawaii the sum of \$400,000 or so much  
13 thereof as may be necessary for fiscal year 2006-2007 for  
14 interim construction loans for up to ten homes to be developed  
15 as self-help ownership homes by private organizations or  
16 community trusts on land leased from the State and administered  
17 in accordance with subpart B of part III of chapter 201G, Hawaii  
18 Revised Statutes.

19 The sum appropriated shall be expended by the Hawaii  
20 housing finance and development administration for the purposes  
21 of this Act.



1 SECTION 21. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 22. This Act shall take effect on July 1, 2010;  
4 provided that on June 30, 2011, section 14 shall be repealed and  
5 section 247-7, Hawaii Revised Statutes, shall be reenacted in  
6 the form in which it read on the day before the approval of this  
7 Act.



HB2176, SD1

**Report Title:**

Housing Omnibus Bill

**Description:**

Authorizes State Rent Supplement Program funds to be used for operating subsidies for state low-income housing units. (SD1)

