

JAN 25 2006

S.B. NO. 295B

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

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

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



1 SECTION 2. Act 196, Session Laws of Hawaii 2005, is  
2 amended by adding a new section to the chapter established in  
3 section 20 of the Act to be appropriately designated and to read  
4 as follows:

5 "§ - Leases; self-help housing. (a) The  
6 administration may lease parcels it deems suitable for  
7 affordable housing at \$1 per year for up to fifty years to  
8 organizations or community trusts to develop the parcel with  
9 ownership units through self-help development.

10 (b) The administration may renew the lease upon its  
11 discretion.

12 (c) Parcels leased under this section may be transferred  
13 or sublet; provided that the sale or sublease meets  
14 affordability restrictions established by the administration."

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

17 "[+]§201G-231[+] **Rent supplements.** (a) The corporation  
18 is authorized to make, and contract to make, annual payments to  
19 a "housing owner" on behalf of a "qualified tenant", as those  
20 terms are defined in this subpart, in such amounts and under  
21 such circumstances as are prescribed in or pursuant to this



1 subpart. No payment on behalf of a qualified tenant shall  
2 exceed a segregated amount of \$160 a month.

3 (b) The corporation is authorized to use state rent  
4 supplement program funds for project-based operating subsidies  
5 for state low-income housing units that are transferred by the  
6 corporation to private organizations for the purpose of managing  
7 and operating the units; provided that fifty per cent of the  
8 units are rented to persons or families whose income does not  
9 exceed fifty per cent of the median family income as determined  
10 by the U.S. Department of Housing and Urban Development; and  
11 provided further that the remainder of the units are rented to  
12 persons or families whose income does not exceed eighty per cent  
13 of the median family income as determined by the U.S. Department  
14 of Housing and Urban Development."

15 SECTION 4. Section 235-110.8, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "**§235-110.8 Low-income housing tax credit.** (a) Section  
18 42 (with respect to low-income housing credit) of the Internal  
19 Revenue Code shall be operative for the purposes of this chapter  
20 as provided in this section.

21 (b) Each taxpayer subject to the tax imposed by this  
22 chapter, who has filed [+]a[+] net income tax return for a



1 taxable year may claim a low-income housing tax credit against  
2 the taxpayer's net income tax liability. The amount of the  
3 credit shall be deductible from the taxpayer's net income tax  
4 liability, if any, imposed by this chapter for the taxable year  
5 in which the credit is properly claimed on a timely basis. A  
6 credit under this section may be claimed whether or not the  
7 taxpayer claims a federal low-income housing tax credit pursuant  
8 to section 42 of the Internal Revenue Code.

9 (c) The low-income housing tax credit shall be fifty per  
10 cent of the applicable percentage of the qualified basis of each  
11 building located in Hawaii. The applicable percentage shall be  
12 calculated as provided in section 42(b) of the Internal Revenue  
13 Code.

14 (d) Construction of new affordable housing units and  
15 rehabilitation of existing affordable housing units shall  
16 qualify a taxpayer to be eligible for the low-income housing tax  
17 credit. For purposes of this section, "affordable housing"  
18 means a housing unit for an individual or family at or below one  
19 hundred forty per cent of the median family income as determined  
20 by the U.S. Department of Housing and Urban Development.

21 [~~(d) For~~] (e) Except as provided in subsection (d), for  
22 the purposes of this section, the determination of:



- 1 (1) Qualified basis and qualified low-income building
- 2 shall be made under section 42(c);
- 3 (2) Eligible basis shall be made under section 42(d);
- 4 (3) Qualified low-income housing project shall be made
- 5 under section 42(g);
- 6 (4) Recapture of credit shall be made under section 42(j),
- 7 except that the tax for the taxable year shall be
- 8 increased under section 42(j)(1) only with respect to
- 9 credits that were used to reduce state income taxes;
- 10 and
- 11 (5) Application of at-risk rules shall be made under
- 12 section 42(k);
- 13 of the Internal Revenue Code.

14 [~~(e)~~] (f) As provided in section 42(e), rehabilitation  
 15 expenditures shall be treated as separate new building and their  
 16 treatment under this section shall be the same as in section  
 17 42(e). The definitions and special rules relating to credit  
 18 period in section 42(f) and the definitions and special rules in  
 19 section 42(i) shall be operative for the purposes of this  
 20 section.

21 [~~(f)~~] (g) The state housing credit ceiling under section  
 22 42(h) shall be zero for the calendar year immediately following



1 the expiration of the federal low-income housing tax credit  
2 program and for any calendar year thereafter, except for the  
3 carryover of any credit ceiling amount for certain projects in  
4 progress which, at the time of the federal expiration, meet the  
5 requirements of section 42.

6 [~~(g)~~] (h) The credit allowed under this section shall be  
7 claimed against net income tax liability for the taxable year.  
8 For the purpose of deducting this tax credit, net income tax  
9 liability means net income tax liability reduced by all other  
10 credits allowed the taxpayer under this chapter.

11 A tax credit under this section which exceeds the  
12 taxpayer's income tax liability may be used as a credit against  
13 the taxpayer's income tax liability in subsequent years until  
14 exhausted. All claims for a tax credit under this section must  
15 be filed on or before the end of the twelfth month following the  
16 close of the taxable year for which the credit may be claimed.  
17 Failure to properly and timely claim the credit shall constitute  
18 a waiver of the right to claim the credit. A taxpayer may claim  
19 a credit under this section only if the building or project is a  
20 qualified low-income housing building or a qualified low-income  
21 housing project under section 42 of the Internal Revenue Code.



1 Section 469 (with respect to passive activity losses and  
2 credits limited) of the Internal Revenue Code shall be applied  
3 in claiming the credit under this section.

4 [~~(h)~~] (i) The director of taxation may adopt any rules  
5 under chapter 91 and forms necessary to carry out this section."

6 SECTION 5. Section 247-7, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "**§247-7 Disposition of taxes.** All taxes collected under  
9 this chapter shall be paid into the state treasury to the credit  
10 of the general fund of the State, to be used and expended for  
11 the purposes for which the general fund was created and exists  
12 by law; provided that of the taxes collected each fiscal year:

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

15 (2) [~~Thirty~~] Fifty per cent shall be paid into the rental  
16 housing trust fund established by section 201G-432;

17 and

18 (3) Twenty-five per cent shall be paid into the natural  
19 area reserve fund established by section 195-9;

20 provided that the funds paid into the natural area  
21 reserve fund shall be annually disbursed by the



1 department of land and natural resources in the  
2 following priority:

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

15 SECTION 6. The Hawaii housing finance and development  
16 administration shall identify public lands under the control of  
17 any state agency that are suitable for affordable residential  
18 development no later than September 1, 2006. The department of  
19 land and natural resources and any other state agency having  
20 control of any of the lands identified by the Hawaii housing  
21 finance and development administration shall initiate transfer





1 of the land to the Hawaii housing finance and development  
2 administration no later than December 1, 2006.

3 SECTION 7. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$20,000,000 or so  
5 much thereof as may be necessary for fiscal year 2006-2007 for  
6 grant-in-aids for homeless services and transitional housing  
7 programs; provided that any moneys remaining from the  
8 appropriation that have not been distributed as a grant-in-aid  
9 by June 30, 2007, be appropriated to the Hawaii public housing  
10 administration for homeless programs.

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

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

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

20 SECTION 9. There is appropriated out of the general  
21 revenues of the State of Hawaii the sum of \$400,000 or so much  
22 thereof as may be necessary for fiscal year 2006-2007 for



1 interim construction loans for up to ten homes to be developed  
 2 as self-help ownership homes by private organizations or  
 3 community trusts on land leased from the state and administered  
 4 in accordance with subpart B of part III of chapter 201G, Hawaii  
 5 Revised Statutes.

6 The sum appropriated shall be expended by the Hawaii  
 7 housing finance and development corporation for the purposes of  
 8 this Act.

9 SECTION 10. Statutory material to be repealed is bracketed  
 10 and stricken. New statutory material is underscored.

11 SECTION 11. This Act shall take effect on July 1, 2006;  
 12 provided that section 5 shall be repealed on June 30, 2011 and  
 13 section 247-7, Hawaii Revised Statutes is reenacted in the form  
 14 in which it read on the day before the approval of this Act.

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**Report Title:**

Housing Omnibus Bill

**SB. NO. 2958**

**Description:**

Appropriates funds for homeless and transitional housing programs. Appropriates funds to repair vacant public housing units. Adjusts allocation of conveyance tax revenues. Allows state-owned parcels to be leased for the development of self-help housing. Amends the state low-income housing tax credit to be used for construction and rehabilitation of existing affordable housing units.

