
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 in the City and County of Honolulu and
13 in the Counties of Hawaii, Kauai, and Maui, and the task force
14 also held public hearings and briefings in each county. The
15 task force relied on the information collected in developing its
16 recommendations.

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

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

4 "§201H- Leases; self-help housing. (a) The
5 administration may lease parcels, including ceded lands, that it
6 deems suitable for affordable housing at \$1 per year for up to
7 fifty years to organizations or community trusts to develop the
8 parcel with ownership units through self-help development.

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

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

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

16 "[~~§~~201G-231] Rent supplements. (a) The
17 administration is authorized to make, and contract to make,
18 annual payments to a "housing owner" on behalf of a "qualified
19 tenant", as those terms are defined in this subpart, in such
20 amounts and under such circumstances as are prescribed in or
21 pursuant to this subpart. No payment on behalf of a qualified
22 tenant shall exceed a segregated amount of \$160 a month.



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

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

15 "**§235-110.8 Low-income housing tax credit.** (a) Section
16 42 (with respect to low-income housing credit) of the Internal
17 Revenue Code shall be operative for the purposes of this chapter
18 as provided in this section.

19 (b) Each taxpayer subject to the tax imposed by this
20 chapter, who has filed [+]a[+] net income tax return for a
21 taxable year may claim a low-income housing tax credit against
22 the taxpayer's net income tax liability. The amount of the



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

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

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

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

21 (1) Qualified basis and qualified low-income building
22 shall be made under section 42(c);



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

12 [~~(e)~~] (f) As provided in section 42(e), rehabilitation

13 expenditures shall be treated as separate new building and their

14 treatment under this section shall be the same as in section

15 42(e). The definitions and special rules relating to credit

16 period in section 42(f) and the definitions and special rules in

17 section 42(i) shall be operative for the purposes of this

18 section.

19 [~~(f)~~] (g) The state housing credit ceiling under section

20 42(h) shall be zero for the calendar year immediately following

21 the expiration of the federal low-income housing tax credit

22 program and for any calendar year thereafter, except for the



1 carryover of any credit ceiling amount for certain projects in
2 progress which, at the time of the federal expiration, meet the
3 requirements of section 42.

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

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

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



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

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

5 "**S247-7 Disposition of taxes.** All taxes collected under
6 this chapter shall be paid into the state treasury to the credit
7 of the general fund of the State, to be used and expended for
8 the purposes for which the general fund was created and exists
9 by law; provided that of the taxes collected each fiscal year:

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

12 (2) ~~Thirty~~ Sixty-five per cent shall be paid into the
13 rental housing trust fund established by section
14 201G-432; and

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

21 (A) To natural area partnership and forest
22 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 6. 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 in Appendix F of the Joint Legislative
15 Housing and Homeless Task Force Report to the 2006 session of
16 the Legislature as suitable for affordable housing development.

17 SECTION 7. There is appropriated out of the general
18 revenues of the State of Hawaii the sum of \$20,000,000 or so
19 much thereof as may be necessary for fiscal year 2006-2007 for
20 grant-in-aids for homeless services and transitional housing
21 program assistance.

1 The sum appropriated shall be expended by the Hawaii public
2 housing administration for the purposes of this Act; provided
3 that any unencumbered balance on June 30, 2007, shall lapse to
4 the rental housing trust fund.

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

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

12 SECTION 9. There is appropriated out of the general
13 revenues of the State of Hawaii the sum of \$400,000 or so much
14 thereof as may be necessary for fiscal year 2006-2007 for
15 interim construction loans for up to ten homes to be developed
16 as self-help ownership homes by private organizations or
17 community trusts on land leased from the state and administered
18 in accordance with subpart B of part III of chapter 201G, Hawaii
19 Revised Statutes.

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



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

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



Report Title:

Housing Omnibus Bill

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. (SD1)

