
A BILL FOR AN ACT

RELATING TO KAKAAKO.

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

1 PART I

2 SECTION 1. In 1976, the Hawaii community development
3 authority was established to address long-term planning and
4 redevelopment needs in urban Honolulu, operating with broad
5 powers and state funding alternatives to accomplish what
6 existing planning and zoning laws could not do. At the same
7 time, the Hawaii community development authority was tasked with
8 addressing unmet community development needs that included,
9 among other things, "...insufficient commercial and industrial
10 facilities for rent...".

11 Under section 206E-31, the Kakaako community development
12 district was tasked with facilitating the development of a
13 mixed-use district in which industrial, commercial, residential,
14 and public uses would be able to coexist compatibly within the
15 same area. The Hawaii community development authority was
16 directed to "...respect and support the present function of
17 Kakaako as a major economic center, providing significant



1 employment in such areas as light industrial, wholesaling,
2 service and commercial activity."

3 The legislature finds that within the past decade, a
4 burgeoning number of high-density, high-rise developments have
5 been planned and constructed in accordance with Hawaii community
6 development authority's development plans for the Kakaako mauka
7 portion of the Kakaako community development district. The
8 growth of a high-density residential-commercial and retail
9 corridor through the Kakaako community development district is
10 beginning to threaten the existence of existing light
11 industrial, wholesaling, or service and commercial operations
12 due to increased property taxes and rents.

13 The purpose of this part is to fulfill the purposes of
14 chapter 206E, Hawaii Revised Statutes, that promoted small
15 business and light industrial development, by establishing a
16 state tax credit that offsets a portion of the industrial real
17 property tax assessments imposed by the city and county of
18 Honolulu.

19 SECTION 2. Chapter 206E, part II, Hawaii Revised Statutes,
20 is amended by adding a new section to be appropriately
21 designated and to read as follows:



1 "§206E- Industrial use; tax credit. Effective
2 January 1, , any real property with a total area of less
3 than square feet located within the Kakaako community
4 development district and designated as I-1, limited industrial
5 district, or I-2, intensive industrial district, by the city and
6 county of Honolulu shall be allowed a tax credit that is equal
7 to per cent of any industrial real property tax assessment
8 imposed by the city and county of Honolulu in a given tax year,
9 as provided by section 235- ; provided that the real property
10 is in use for light industrial, wholesaling, or service and
11 commercial operations in the year in which the tax credit is
12 claimed and retains the I-1 or I-2 designation in the year
13 following the year in which the tax credit is claimed."

14 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "§235- Kakaako community development district;
18 industrial use tax credit. (a) Any law to the contrary
19 notwithstanding, there shall be allowed to each taxpayer subject
20 to the taxes imposed by this chapter, an income tax credit that
21 shall be deductible from the taxpayer's net income tax



1 liability, if any, imposed by this chapter for the taxable year
2 in which the credit is properly claimed.

3 (b) The amount of the credit shall be equal to per
4 cent of any industrial real property tax assessment imposed by
5 the city and county of Honolulu in a given tax year on any real
6 property with a total area of less than square feet
7 located within the Kakaako community development district and
8 designated as I-1, limited industrial district, or I-2,
9 intensive industrial district, by the city and county of
10 Honolulu; provided that the real property is in use for light
11 industrial, wholesaling, or service and commercial operations in
12 the year in which the tax credit is claimed and retains the I-1
13 or I-2 designation in the year following the year in which the
14 tax credit is claimed.

15 (c) If the tax credit under this section exceeds the
16 taxpayer's income tax liability, the excess of credits over
17 liability shall be refunded to the taxpayer; provided that no
18 refunds or payment on account of the tax credits allowed by this
19 section shall be made for amounts less than \$1. All claims,
20 including any amended claims, for tax credits under this section
21 shall be filed on or before the end of the twelfth month
22 following the close of the taxable year for which the credit may



1 be claimed. Failure to comply with the foregoing provision
2 shall constitute a waiver of the right to claim the credit.

3 (d) The director of taxation shall prepare forms as may be
4 necessary to claim a credit under this section. The director
5 may also require the taxpayer to furnish information to
6 ascertain the validity of the claim for credit made under this
7 section and may adopt rules necessary to effectuate the purposes
8 of this section pursuant to chapter 91.

9 (e) The tax credit allowed under this section shall be
10 available for taxable years beginning after December 31, _____,
11 and shall not be available for taxable years beginning after
12 December 31, _____.

13 (f) In the case of a partnership, S corporation, estate,
14 trust, or any developer of a commercial building, the tax credit
15 allowable is for a percentage of the industrial real property
16 tax imposed by the city and county of Honolulu for the taxable
17 year. The cost upon which the tax credit is computed shall be
18 determined at the entity level."

19 **PART II**

20 SECTION 4. Section 206E-6, Hawaii Revised Statutes, is
21 amended as follows:

22 1. By amending subsection (b) to read:



1 "(b) Whenever the authority shall determine to undertake,
2 or cause to be undertaken, any public facility as part of the
3 district-wide improvement program, the cost of providing the
4 public facilities [~~shall~~] may be assessed against the real
5 property in the community development district specially
6 benefiting from such public facilities. The authority shall
7 determine the areas of the community development district which
8 will benefit from the public facilities to be undertaken and, if
9 less than the entire community development district benefits,
10 the authority may establish assessment areas within the
11 community development district. The authority may issue and
12 sell bonds in such amounts as may be authorized by the
13 legislature to provide funds to finance such public facilities.
14 The authority [~~shall~~] may fix the assessments against real
15 property specially benefited. All assessments made pursuant to
16 this section shall be a statutory lien against each lot or
17 parcel of land assessed from the date of the notice declaring
18 the assessment until paid and such lien shall have priority over
19 all other liens except the lien of property taxes. As between
20 liens of assessments, the earlier lien shall be superior to the
21 later lien."

22 2. By amending subsection (d) to read:



1 "(d) Any other law to the contrary notwithstanding, in
2 assessing real property for public facilities, the authority
3 [~~shall~~] may assess the real property within an assessment area
4 according to the special benefits conferred upon the real
5 property by the public facilities. These methods may include
6 assessment on a frontage basis or according to the area of real
7 property within an assessment area or any other assessment
8 method which assesses the real property according to the special
9 benefit conferred, or any combination thereof. No such
10 assessment levied against real property specially benefited as
11 provided by this chapter shall constitute a tax on real property
12 within the meanings of any constitutional or statutory
13 provisions."

14 SECTION 5. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 6. This Act shall take effect upon its approval
17 and shall apply to taxable years beginning after December 31,
18 2007.

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INTRODUCED BY:

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Report Title:

Kakaako; Taxation; Industrial Business Tax Credit

Description:

Provides an unspecified tax credit for real property in the Kakaako community development district zoned I-1 and I-2 for a portion of the industrial real property tax assessment imposed by the city and county of Honolulu; provided that the property was in use for light industrial, wholesaling, or service and commercial operations in the year in which the tax credit is taken and retains I-1 or I-2 zoning; clarifies that the HCDA may, not shall, affix assessments against real property for district-wide improvements.

