
A BILL FOR AN ACT

RELATING TO ESTABLISHING A LOAN GUARANTY PROGRAM FOR TRANSIT
ORIENTED DEVELOPMENT.

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

1 SECTION 1. Rapid transit on Oahu is not only another means
2 of moving people across the island, but can also stimulate more
3 compact development around transit stations, thereby reducing
4 urban sprawl. By virtue of this more intense use of land,
5 community benefits, such as affordable housing, open plazas, and
6 parks can be provided. But transit-oriented developments often
7 require multiple sources of financing, and community benefits
8 increase the development costs. This increases project risk.
9 Therefore, to support and encourage transit-oriented development
10 that includes the benefit of affordable housing, there is a need
11 to offer loan guaranties for qualifying projects as an incentive
12 for the provision of affordable housing.

13 SECTION 2. 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- Loan guaranty program for transit-oriented
17 development. (a) The corporation may guarantee loans made by



1 commercial lenders authorized to do business in this State, to
2 developers for the purpose of developing transit-oriented
3 development projects that include affordable housing; provided
4 that the executive director shall determine that:

5 (1) The transit-oriented development projects are located
6 within a transit-oriented development zone designated
7 by the respective county; and

8 (2) The commercial lender has completed its due diligence
9 in approving the loan, including ensuring adequate
10 collateral.

11 The corporation may impose other conditions that the executive
12 director deems reasonable to implement the loan guaranty.

13 (b) In addition to the conditions that the executive
14 director may impose under subsection (a), any loan guaranty made
15 pursuant to this section shall meet the following conditions:

16 (1) For any loan that finances operating costs, the
17 maximum term of the loan shall be ten years;

18 (2) For any loan that finances capital improvement costs,
19 the maximum term of the loan shall be twenty years;

20 (3) The interest rate charged on any loan shall be one per
21 cent below the commercial lender's prime rate for as
22 long as the loan guaranty is in effect;



1 (4) The loan guaranty may be up to eighty-five per cent of
2 the outstanding principal amount of any single loan,
3 but shall not include any fees or accrued interest
4 associated with the loan or its collection; and

5 (5) The total principal amount of the guaranteed portion
6 of all loans outstanding at any time shall not exceed
7 \$10,000,000.

8 (c) The corporation may adopt rules pursuant to chapter 91
9 to effectuate this section.

10 (d) As used in this section, "transit-oriented
11 development" means any land use project of relatively intense
12 concentration involving a mixture of uses that depends upon and
13 supports transit ridership."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on July 1, 2009.

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INTRODUCED BY: Calvin K. Ray
By Request

JAN 26 2009



Report Title:

Loan Guaranty Program For Transit Oriented Development

Description:

Allows Hawaii housing finance and development corporation to guarantee loans to developers for the purpose of developing transit-oriented development projects that include affordable housing.

