
A BILL FOR AN ACT

RELATING TO ECONOMIC SUSTAINABILITY.

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

1 SECTION 1. The legislature finds that the lack of new
2 affordable housing and affordable rentals in the State persists.
3 Existing incentives to build affordable units are used
4 infrequently because incentives do not offset the actual cost of
5 building affordable housing. It remains a priority for the
6 State to continue creating additional incentives that will
7 ensure an available inventory of affordable housing that is so
8 critical to our local residents. Market forces have
9 historically failed to generate affordable housing in close
10 proximity to existing transit hubs in accordance with the core
11 principles of transit-oriented development, making it incumbent
12 upon government to intervene where market forces fail to create
13 the desired solution.

14 The core principles of transit-oriented development
15 expressly require that affordable housing units be located in
16 close proximity to transit stations and consist of high-density
17 vertical housing to ensure that the greatest number of potential
18 riders can be served by the transit system.



1 The purpose of this Act is to incentivize an increase in
2 the inventory of affordable housing units while ensuring the
3 viability and success of public rail transit systems by creating
4 incentives to build affordable units and mixed-use projects on
5 state land along a rail system.

6 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
7 amended by adding a new section to part II to be appropriately
8 designated and to read as follows:

9 "§201H- Location-efficient mixed-use projects. (a)

10 The corporation may develop, on behalf of the State or with any
11 qualified person or firm, a mixed-use project within a location-
12 efficient area.

13 (b) The corporation may approve and certify any qualified
14 person or firm who is involved in the development of affordable
15 housing in a newly constructed, or moderately or substantially
16 rehabilitated, mixed-use project within a location-efficient
17 area for purposes of receiving the general excise tax exemption
18 authorized pursuant to sections 201H-36 and 237-29 in taxable
19 years beginning after December 31, 2015.

20 (c) All claims under this section shall be filed with, and
21 certified by, the corporation and forwarded to the department of
22 taxation. Any claim that is filed with and approved by the



1 department of taxation shall not be considered a subsidy for the
2 purposes of this part.

3 (d) For the purposes of this section:

4 "Location-efficient area" means one or more contiguous
5 parcels of land aggregating five or more acres that are owned by
6 the State, one parcel of which is located within two thousand
7 feet of a rail transit station.

8 "Mixed-use project" means a project that:

9 (1) Is located in a location-efficient area;

10 (2) Contains affordable multifamily residential dwelling
11 units that may be combined with commercial, cultural,
12 institutional, or industrial uses;

13 (3) Is approved by the county in which the project is
14 located; and

15 (4) Is subject to chapter 104; 40 United States Code
16 sections 3141, 3142, 3143, 3144, 3146, and 3147; or a
17 project labor agreement by law or contract in the
18 construction of the project.

19 (e) The corporation may establish, revise, charge, and
20 collect a reasonable service fee, as necessary, in connection
21 with its approvals and certifications under this section. Any



1 fees collected shall be deposited into the dwelling unit
2 revolving fund.

3 (f) The corporation, in consultation with the department
4 of taxation, shall adopt rules, pursuant to chapter 91, for the
5 purposes of this section requiring that:

6 (1) Any certification or approval of a general excise tax
7 exemption for a qualified person or firm involved in
8 the development of a mixed-use project pursuant to
9 this section shall apply to the development of the
10 entire mixed-use project;

11 (2) Cost savings from a general excise tax exemption
12 granted to a qualified person or firm for the
13 development of a mixed-use project pursuant to this
14 section shall be used exclusively to provide
15 affordable rental housing units, including student and
16 faculty housing units, within the project; and

17 (3) Affordable rental housing units developed pursuant to
18 this section shall serve as many low income households
19 as feasible."

20 SECTION 3. Section 46-15.1, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:



1 "(a) Any law to the contrary notwithstanding, any county
2 shall have and may exercise the same powers, subject to
3 applicable limitations, as those granted the Hawaii housing
4 finance and development corporation pursuant to chapter 201H
5 insofar as those powers may be reasonably construed to be
6 exercisable by a county for the purpose of developing,
7 constructing, and providing low- and moderate-income housing;
8 provided that no county shall be empowered to cause the State to
9 issue general obligation bonds to finance a project pursuant to
10 this section; provided further that county projects shall be
11 granted an exemption from general excise or receipts taxes in
12 the same manner as projects of the Hawaii housing finance and
13 development corporation pursuant to section 201H-36; provided
14 that no county shall develop a mixed-use project under section
15 201H-_____; and provided further that section 201H-16 shall not
16 apply to this section unless federal guidelines specifically
17 provide local governments with that authorization and the
18 authorization does not conflict with any state laws. The powers
19 shall include the power, subject to applicable limitations, to:
20 (1) Develop and construct dwelling units, alone or in
21 partnership with developers;



- 1 (2) Acquire necessary land by lease, purchase, exchange,
2 or eminent domain;
- 3 (3) Provide assistance and aid to a public agency or other
4 person in developing and constructing new housing and
5 rehabilitating existing housing for elders of low- and
6 moderate-income, other persons of low- and moderate-
7 income, and persons displaced by any governmental
8 action, by making long-term mortgage or interim
9 construction loans available;
- 10 (4) Contract with any eligible bidders to provide for
11 construction of urgently needed housing for persons of
12 low- and moderate-income;
- 13 (5) Guarantee the top twenty-five per cent of the
14 principal balance of real property mortgage loans,
15 plus interest thereon, made to qualified borrowers by
16 qualified lenders;
- 17 (6) Enter into mortgage guarantee agreements with
18 appropriate officials of any agency or instrumentality
19 of the United States to induce those officials to
20 commit to insure or to insure mortgages under the
21 National Housing Act, as amended;



1 (7) Make a direct loan to any qualified buyer for the
2 downpayment required by a private lender to be made by
3 the borrower as a condition of obtaining a loan from
4 the private lender in the purchase of residential
5 property;

6 (8) Provide funds for a share, not to exceed fifty per
7 cent, of the principal amount of a loan made to a
8 qualified borrower by a private lender who is unable
9 otherwise to lend the borrower sufficient funds at
10 reasonable rates in the purchase of residential
11 property; and

12 (9) Sell or lease completed dwelling units.

13 For purposes of this section, a limitation is applicable to
14 the extent that it may reasonably be construed to apply to a
15 county."

16 SECTION 4. Section 237-8.6, Hawaii Revised Statutes, is
17 amended by amending subsection (d) to read as follows:

18 "(d) No county surcharge on state tax shall be established
19 on any:

20 (1) Gross income or gross proceeds taxable under this
21 chapter at the one-half per cent tax rate;



- 1 (2) Gross income or gross proceeds taxable under this
- 2 chapter at the 0.15 per cent tax rate; or
- 3 (3) Transactions, amounts, persons, gross income, or gross
- 4 proceeds exempt from tax under this chapter[-], except
- 5 those that are exempt under section 237-29 pursuant to
- 6 section 201H- ."

7 SECTION 5. Section 238-2.6, Hawaii Revised Statutes, is
8 amended by amending subsection (c) to read as follows:

9 "(c) No county surcharge on state tax shall be established
10 upon any use taxable under this chapter at the one-half per cent
11 tax rate or upon any use that is not subject to taxation or that
12 is exempt from taxation under this chapter[-], except for the
13 use of property, services, or contracting not subject to
14 taxation under section 238-3(j) as a result of an approval under
15 section 237-29 pursuant to section 201H- ."

16 SECTION 6. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 7. This Act shall take effect on July 1, 2014;
19 provided that general excise tax exemptions established pursuant
20 to this Act shall apply to taxable years beginning after
21 December 31, 2015.



Report Title:

HHFDC; Affordable Housing and Mixed-Use Projects Incentive

Description:

Authorizes a General Excise Tax exemption for development of mixed-use affordable housing projects located near rail transit stations. Applies to taxable years beginning after December 31, 2015. Effective July 1, 2014. (HB2085 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

