

# H.B. NO. 2305

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## A BILL FOR AN ACT

RELATING TO THE DWELLING UNIT REVOLVING FUND.

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

1           SECTION 1. The legislature finds that orderly and planned  
2 infrastructure construction is the foundation for planned  
3 population growth and desirable communities. It is a public  
4 purpose for which public funds should be appropriated and  
5 expended. Infrastructure construction should be coordinated and  
6 timed or phased with planned development. Adequate  
7 infrastructure to accommodate future growth would provide  
8 livable communities with a desirable quality of life, make  
9 possible strategically situated affordable housing near jobs,  
10 and allow necessary infrastructure capacity to support  
11 development. Based on population projections prepared by the  
12 State, the individual counties would first plan and determine  
13 where growth is desirable and then proceed to construct, in  
14 coordination with applicable state agencies, the infrastructure  
15 to support the planned growth in those areas.

16           Population increase will occur, and economic growth is  
17 necessary. Therefore, both should be planned for properly.  
18 Prior experience indicates that the lack of adequate

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1 infrastructure is a severe constraint to future growth. For  
2 example, as Honolulu plans for its new fixed guideway system,  
3 discussion will focus on quality of life issues as the community  
4 begins to balance higher densities in and around the transit  
5 corridor with the need to protect open space and agricultural  
6 areas. Infrastructure capacity must be increased to accommodate  
7 higher densities in and around the transit corridor. While this  
8 problem is most evident on Oahu, the neighbor islands also  
9 suffer from lack of infrastructure capacity to accommodate  
10 future growth. It is necessary to assist all counties, in  
11 accordance with an orderly and predictable plan for increasing  
12 infrastructure capacity, to better utilize existing areas for  
13 planned growth and mitigate impacts to areas that are  
14 appropriate for growth.

15 The State's role in dealing with this growth would be to  
16 provide coordination with the counties on "regional state  
17 infrastructure" construction in areas of planned growth.  
18 Although the primary responsibility for meeting basic municipal  
19 infrastructure needs continues to reside with the counties, much  
20 of the work will need to be coordinated with the State for  
21 "regional state infrastructure improvements." Infrastructure  
22 projects included under this Act are regional sewer, water,

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1 drainage, roads, and telecommunications and broadband, if a  
2 project increases the capacity to accommodate future growth, and  
3 not solely benefit one particular project. Increased capacity  
4 is distinguishable from maintenance. While maintenance would  
5 increase the life of the facility or infrastructure, only  
6 projects that would result in increased infrastructure capacity  
7 would be eligible for supplemental funding under this Act.

8 The purpose of this Act is to provide grants and loans to  
9 state agencies, and loans to the counties and private developers  
10 for infrastructure improvements. Furthermore, the intent of  
11 this Act is to allow for innovative financing techniques, such  
12 as tax increment financing and improvement districts, to fund  
13 loans based upon the use of the new infrastructure capacity.

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

17 "§201H- Regional state infrastructure subaccounts. (a)  
18 The corporation, upon request by a county, may establish and  
19 operate a regional state infrastructure subaccount within the  
20 dwelling unit revolving fund for the benefit of the housing and  
21 mixed-use transit-oriented development projects within the  
22 county.

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1        (b) Each regional state infrastructure subaccount shall  
2 consist of the following sources of revenue:

3        (1) Moneys received by the corporation from counties for  
4 the repayment of the loan principal and the payment of  
5 simple interest from various assessments or fees from  
6 special improvement districts, improvement districts,  
7 tax increment financing districts, community  
8 facilities districts, and other areas where property  
9 value increases are captured over periods of time for  
10 the purposes of infrastructure financing;

11        (2) Appropriations from the legislature;

12        (3) Federal grants and subsidies to the State or counties,  
13 if any;

14        (4) Private investor investments; and

15        (5) Voluntary contributions.

16        (c) The corporation shall expend revenues in the  
17 subaccounts to make grants and loans to state agencies, and  
18 loans to counties or private developers, for the costs, in whole  
19 or in part, of infrastructure improvements that would increase  
20 the capacity of the infrastructure facilities, including  
21 regional sewer, water, drainage systems, roads, and  
22 telecommunications and broadband.

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1 Grants and loans shall be made only for capital improvement  
2 projects approved by the respective county council and mayor, or  
3 state agency, as applicable, with a view towards planned growth  
4 rather than upkeep and maintenance.

5 (d) Eligible costs shall include those for planning,  
6 design, feasibility studies, construction, and materials. No  
7 grant or loan shall be made:

8 (1) For maintenance or repair costs unless the  
9 construction would simultaneously increase the  
10 carrying capacity of the infrastructure facility; or

11 (2) Solely for mass transit or electrical utilities.

12 The corporation may also expend revenues in the fund to  
13 repay private investors for their investment plus any interest  
14 accrued on their investments made into the fund to finance, in  
15 whole or in part, infrastructure improvements that would  
16 increase the capacity of the infrastructure facilities,  
17 including regional sewer, water, drainage, road, and  
18 telecommunications and broadband.

19 (e) The corporation may accept improved land from the  
20 counties or private developers in repayment of their loans.

21 (f) The corporation shall adopt rules in accordance with  
22 chapter 91 for the purposes of this section."

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1 SECTION 3. Section 201H-191, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[~~†~~]§201H-191[~~†~~] Dwelling unit revolving fund. (a) There  
4 is created a dwelling unit revolving fund. The funds  
5 appropriated for the purpose of the dwelling unit revolving fund  
6 and all moneys received or collected by the corporation for the  
7 purpose of the revolving fund shall be deposited in the  
8 revolving fund. The proceeds in the revolving fund shall be  
9 used to reimburse the general fund to pay the interest on  
10 general obligation bonds issued for the purposes of the  
11 revolving fund, for the necessary expenses in administering  
12 housing development programs[~~7~~] and regional State  
13 infrastructure programs, and for carrying out the purposes of  
14 housing development programs[~~7~~] and regional State  
15 infrastructure programs, including but not limited to the  
16 expansion of community facilities and regional State  
17 infrastructure constructed in conjunction with housing and  
18 mixed-use transit-oriented development projects, permanent  
19 primary or secondary financing, and supplementing building  
20 costs, federal guarantees required for operational losses, and  
21 all things required by any federal agency in the construction

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1 and receipt of federal funds or low-income housing tax credits  
2 for housing projects.

3 (b) Subject to the requirements of subsection (a),  
4 proceeds in the revolving fund may be used to establish and  
5 operate regional state infrastructure subaccounts pursuant to  
6 section 201H- ."

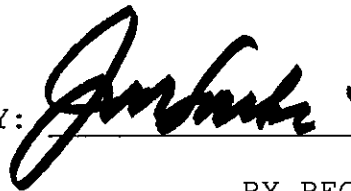
7 SECTION 4. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9 SECTION 5. This Act, upon its approval, shall take effect  
10 on July 1, 2016.

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INTRODUCED BY: \_\_\_\_\_



BY REQUEST

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JAN 25 2016

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**Report Title:**

Dwelling Unit Revolving Fund; Regional State Infrastructure Improvement Subaccounts

**Description:**

Authorizes the creation of Regional State Infrastructure Improvement Subaccounts within the Dwelling Unit Revolving Fund and the use of the Dwelling Unit Revolving Fund to provide loans and grants to finance regional state infrastructure improvements in areas of planned growth.

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



## JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE DWELLING UNIT REVOLVING FUND.

PURPOSE: To enable the Hawaii Housing Finance and Development Corporation (HHFDC) to assist state agencies, the counties, and private developers with financing for infrastructure improvements in areas of planned growth by authorizing the creation and operation of regional state infrastructure improvement subaccounts within the Dwelling Unit Revolving Fund.

MEANS: Add a new section to chapter 201H, Hawaii Revised Statutes, and amend section 201H-191, Hawaii Revised Statutes.

JUSTIFICATION: The lack of adequate infrastructure is a severe constraint to the future growth of communities statewide. The development of regional infrastructure improvements, in accordance with an orderly and predictable infrastructure plan, will serve to accommodate population growth in areas that are suitable for development. Regional infrastructure improvements, including regional sewer, water, drainage, roadways, and telecommunications and broadband, will support the development of necessary public services, as well as housing and mixed-use transit-oriented developments.

This measure would authorize HHFDC to provide grants and loans to state agencies, and loans to the counties and private developers, for the types of infrastructure improvements as described above. This measure would allow the counties to use innovative financing techniques, such as tax increment financing and improvement districts, to repay these loans based upon the use of the new infrastructure capacity.

Impact on the public: Will provide the benefits of regional state infrastructure improvements in areas that have been planned for growth.

Impact on the department and other agencies: Will facilitate development financing partnerships between HHFDC, the counties, and other state agencies for infrastructure development.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BED 160.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: July 1, 2016.