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# A BILL FOR AN ACT

RELATING TO TRANSIT-ORIENTED DEVELOPMENT.

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

1           SECTION 1. The legislature finds that the State  
2 desperately needs to increase the development and construction  
3 of affordable housing units. The legislature passed Act 127,  
4 Session Laws of Hawaii 2016, which established a rental housing  
5 goal of developing at least 22,500 rental housing units, ready  
6 for occupancy between 2017 and 2026. The transit-oriented  
7 development associated with the construction of a rail transit  
8 system in Honolulu has the potential to fulfill this housing  
9 need; however, the potential is currently limited because of the  
10 lack of infrastructure on land along the rail transit line.  
11 Because the State is the largest landowner of properties along  
12 the rail transit line, the State has the opportunity to install  
13 the much needed infrastructure to facilitate further  
14 development.

15           The legislature further finds that, Act 130, Session Laws  
16 of Hawaii 2016, established an interagency council for transit-  
17 oriented development to develop a strategic plan that, among



1 other things, identifies financing and prioritizes state  
2 financing for the public infrastructure, facility, and service  
3 investments required to support transit-oriented development,  
4 mixed use projects, and affordable and rental housing project  
5 plans. Therefore, creating a significant source of funding to  
6 install the infrastructure to facilitate development will not  
7 only increase the affordable housing stock, but also support  
8 rail ridership goals by locating denser, mixed use developments  
9 along the rail transit line.

10 The purpose of this Act is to specify that:

- 11 (1) 0.5 per cent, rather than 10 per cent, of the gross  
12 proceeds of a county's surcharge on state tax shall be  
13 used to reimburse the State for costs associated with  
14 handling the assessment, collection, and disposition  
15 of the county surcharge on state tax; and
- 16 (2) The remaining portion of the surcharge retained by the  
17 State, 9.5 per cent, shall be used for improvements to  
18 infrastructure, street, and trails and bike paths  
19 along the rail corridor.

20 SECTION 2. Section 248-2.6, Hawaii Revised Statutes, is  
21 amended by amending subsections (a) and (b) to read as follows:



1           "(a) If adopted by county ordinance, all county surcharges  
2 on state tax collected by the director of taxation shall be paid  
3 into the state treasury quarterly, within ten working days after  
4 collection, and shall be placed by the director of finance in  
5 special accounts. Out of the revenues generated by county  
6 surcharges on state tax paid into each respective state treasury  
7 special account, the director of finance shall deduct [~~ten~~]:

8           (1) 0.5 per cent of the gross proceeds of a respective  
9           county's surcharge on state tax to reimburse the State  
10           for the costs of assessment, collection, and  
11           disposition of the county surcharge on state tax  
12           incurred by the State [~~—Amounts retained shall be~~  
13           ~~general fund realizations of the State.~~]; and

14           (2) 9.5 per cent of the gross proceeds of a respective  
15           county's surcharge on state tax to be used by the  
16           State for the following:

17           (A) Infrastructure improvements to state-owned lands  
18           along the rail corridor to enhance opportunities  
19           for development of such lands for medium- to  
20           high-density mixed use developments that include  
21           a significant component of affordable housing;



1           provided that priority for infrastructure  
2           improvements shall be given to lands wholly or  
3           partially within transit-oriented development  
4           zones as defined by the respective county;  
5           (B) Street improvements along the rail corridor,  
6           including connectivity, safety, and  
7           beautification to encourage walking and  
8           bicycling; provided that first priority shall be  
9           given to state roads connecting to rail stations,  
10           and second priority shall be given to county  
11           roads providing necessary connectivity between  
12           state roads and rail stations; and  
13           (C) Improvements to existing trails and bike paths  
14           along the rail corridor that connect with any  
15           rail station;  
16           provided that the gross proceeds deducted pursuant to  
17           this paragraph may also be used for debt payments for  
18           bond funding of improvements described in  
19           subparagraphs (A) to (C). For the purposes of this  
20           paragraph, "rail corridor" means an area that is



1           within one mile of a rail line of a mass transit  
2           project.

3           (b) The amounts deducted [~~for costs of assessment,~~  
4 ~~collection, and disposition of county surcharges on state tax]~~  
5 pursuant to subsection (a) shall be withheld from payment to the  
6 counties by the State out of the county surcharges on state tax  
7 collected for the current calendar year."

8           SECTION 3. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10           SECTION 4. This Act shall take effect on July 1, 2017.

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INTRODUCED BY: Maldine K. Neuh (BR)

JAN 23 2017



# H.B. NO. 1002

**Report Title:**

County Surcharge on State Tax; Infrastructure Improvements; Mass Transit; Rail; Transit-oriented Development

**Description:**

Specifies that 0.5 per cent of the gross proceeds of a county's surcharge on state tax shall be used to reimburse the State for costs associated with handling the assessment, collection, and disposition of the county surcharge on state tax and 9.5 per cent of the gross proceeds shall be used for improvements to infrastructure, street, and trails and bike paths along the rail corridor.

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