
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 has a
2 unique opportunity to address economic diversification and
3 affordable housing shortages through transit-oriented
4 development. The majority of state-owned lands along the
5 transit corridor should be used in the development of rental
6 housing at all price points. However, despite being one of the
7 largest landowners alongside the rail transit stations, the
8 State has yet to formulate a master plan to develop these
9 parcels so that they can be transit-ready.

10 The legislature further finds that prior to any
11 redevelopment effort, there is a need to increase all
12 infrastructure capacity along the transit corridor, especially
13 around each of the twenty-one transit stations. In preparation
14 for the completion of the Honolulu rail transit project, the
15 State must maximize the opportunities for development of land
16 around rail stations, thereby supporting the local economy,



1 improving access to transportation, and increasing rail
2 ridership.

3 The legislature recognizes the need for a focused effort on
4 increasing the capacity of infrastructure to support
5 redevelopment efforts at each of the transit stations, while
6 avoiding the creation of another government entity for this
7 objective. The legislature also finds that the Hawaii community
8 development authority has existing authority pursuant to chapter
9 206E, Hawaii Revised Statutes, to designate, plan, and develop
10 transit-oriented development community districts. Furthermore,
11 the redevelopment around the transit stations will support the
12 planned growth and density at each station.

13 The legislature further finds that allowing the authority
14 to enter into public-private partnerships by establishing a
15 lease-back arrangement between the authority and private
16 investors will facilitate the investment of private capital in
17 public infrastructure. For the purpose of this Act, the initial
18 focus shall be limited to four transit stations that are
19 adjacent to state-owned lands.

20 The purpose of this Act is to:



- 1 (1) Require the Hawaii community development authority to
2 plan and develop infrastructure to service state-owned
3 lands within a half-mile radius from the following
4 stations: aloha stadium transit station, Kalihi
5 transit station, Iwilei transit station, and leeward
6 community college transit station; and
- 7 (2) Allow the authority to enter into public-private
8 partnerships by establishing a lease-back arrangement
9 between the authority and private investors.

10 SECTION 2. Chapter 206E, Hawaii Revised Statutes, is
11 amended by adding a new part to be appropriately designated and
12 to read as follows:

13 **"PART . TRANSIT-ORIENTED DEVELOPMENT COMMUNITY DISTRICTS**

14 **§206E-A Definitions.** As used in this part:

15 "District" means a transit-oriented development community
16 district.

17 **§206E-B Transit-oriented development community district;**
18 **purpose.** The legislature finds that:

- 19 (1) The State has significant assets in four of the
20 transit station locations on Oahu. The twenty-one
21 stations proposed along the transit corridor are



1 intended to provide for much of the planned growth and
2 urban expansion through increased density concentrated
3 within the urban core. The State must take
4 appropriate steps to ensure that its land assets along
5 the transit corridor are used most efficiently and
6 economically to support the best interests of the
7 State;

8 (2) Due to their present low-density function, the
9 districts are relatively underdeveloped and
10 underutilized, especially in view of their proximity
11 to the proposed Honolulu area rapid transit system.
12 The pressure for all land uses is strong in the urban
13 core where the potential for increased growth and
14 development may alleviate community needs such as
15 workforce employment, affordable housing, parks and
16 open space, public facilities, and commercial and
17 industrial facilities;

18 (3) The districts, if not redeveloped or renewed, have the
19 potential to become blighted and deteriorated areas.
20 Due to these areas' present economic importance to the
21 State for industry development and resultant



1 employment, there is a need to preserve and enhance
2 their value and potential; and

3 (4) The transit stations have the potential, if properly
4 developed and improved, to become planned new
5 communities in consonance with surrounding urban
6 areas.

7 In coordinating community development at each of the
8 districts, the authority shall plan a mixed-use district whereby
9 industrial, commercial, residential, and public uses may coexist
10 compatibly within the same area. The authority, however, shall
11 also respect and support the present function of the transit
12 stations as major economic centers, providing significant
13 employment in areas such as light industrial, wholesaling,
14 service, and commercial activity.

15 **§206E-C Prohibitions.** Notwithstanding any provision in
16 parts I through VII of this chapter to the contrary, the
17 authority is prohibited from selling or otherwise assigning the
18 fee simple interest in any lands in the districts to which the
19 authority in its corporate capacity holds title, except with
20 respect to:



- 1 (1) Utility easements;
- 2 (2) Remnants as defined in section 171-52;
- 3 (3) Grants to any state or county department or agency;
- 4 (4) Private entities for purposes of any easement,
- 5 roadway, or infrastructure improvements; or
- 6 (5) Reserved housing as defined in section 206E-101.

7 **§206E-D Lease of projects.** (a) Notwithstanding any law
8 to the contrary, including section 206E-14, except as prohibited
9 by section 206E-31.5, the authority may, without recourse to
10 public auction or public notice for sealed bids, lease for a
11 term not exceeding ninety-nine years all or any portion of the
12 real or personal property constituting a project to any person,
13 upon such terms and conditions as may be approved by the
14 authority, if the authority finds that the lease is in
15 conformity with the community development plan.

16 (b) In the case of any sale of the leasehold interest in
17 the project, the terms of the sale shall provide for the
18 repurchase of the leasehold property by the authority at its
19 option, in the event that the purchaser, if other than a state
20 agency, desires to sell the property within ten years; provided
21 that this requirement may be waived by the authority if the



1 authority determines that a waiver will not be contrary to the
2 community development plan. The authority shall establish at
3 the time of original sale a formula setting forth a basis for a
4 repurchase price based on market considerations including but
5 not limited to interest rates, land values, construction costs,
6 and federal tax laws.

7 If the purchaser in a residential project is a state
8 agency, the authority may include as a term of the sale a
9 provision for the repurchase of the property in conformance with
10 this section.

11 **§206E-E Transit-oriented development community districts**
12 **established; boundaries.** Four transit-oriented development
13 community districts are established. Each district shall
14 include area within the boundaries of transit stations where
15 there is significant state-owned land interest within a half-
16 mile radius around each of the following transit stations:

- 17 (1) Iwilei transit station;
18 (2) Kapalama transit station;
19 (3) Aloha stadium transit station; and
20 (4) Leeward community college transit station.



1 §206E-F Transit-oriented development community district;
2 development guidance policies. The following shall be the
3 development guidance policies generally governing the
4 authority's action in the district:

5 (1) Development shall result in a community which permits
6 an appropriate land mixture of residential,
7 commercial, industrial, and other uses. A majority of
8 the state-owned lands within each district shall be
9 used for the development of rental housing at all
10 price points. In view of the innovative nature of the
11 mixed-use approach, urban design policies shall be
12 established to provide guidelines for the public and
13 private sectors in the proper development of the
14 district. While the authority's development
15 responsibilities shall apply only to the area within
16 the district, the authority may engage in any studies
17 or coordinative activities permitted in this chapter
18 which affect areas lying outside the district, where
19 the authority in its discretion decides that those
20 activities are necessary to implement the intent of
21 this chapter. The studies or coordinative activities



1 shall be limited to facility systems, resident and
2 industrial relocation, and other activities with the
3 counties and appropriate state agencies. The
4 authority may engage in construction activities
5 outside of the district; provided that such
6 construction relates to infrastructure development or
7 residential or business relocation activities;
8 provided further, notwithstanding section 206E-7, that
9 such construction shall comply with the general plan,
10 development plan, ordinances, and rules of the county
11 in which the district is located;

12 (2) Existing and future industrial uses shall be permitted
13 and encouraged in appropriate locations within the
14 district. No plan or implementation strategy shall
15 prevent continued activity or redevelopment of
16 industrial and commercial uses which meet reasonable
17 performance standards;

18 (3) Activities shall be located so as to provide primary
19 reliance on public transportation and pedestrian
20 facilities for internal circulation within the
21 district or designated subareas;



- 1 (4) Major view planes, view corridors, and other
2 environmental elements such as natural light and
3 prevailing winds, shall be preserved through necessary
4 regulation and design review;
- 5 (5) Redevelopment of the district shall be compatible with
6 plans and special districts established for the Hawaii
7 capital district;
- 8 (6) Historic sites and culturally significant facilities,
9 settings, or locations shall be preserved;
- 10 (7) Land use activities within the district, where
11 compatible, shall to the greatest possible extent be
12 mixed horizontally, that is, within blocks or other
13 land areas, and vertically, as integral units of
14 multi-purpose structures;
- 15 (8) Residential development may require a mixture of
16 densities, building types, and configurations in
17 accordance with appropriate urban design policies;
18 integration both vertically and horizontally of
19 residents of varying incomes, ages, and family groups;
20 and an increased supply of housing for residents of
21 low- or moderate-income may be required as a condition



1 of redevelopment in residential use. Residential
2 development shall provide necessary community
3 facilities, such as open space, parks, community
4 meeting places, child care centers, and other services
5 within and adjacent to residential development; and

6 (9) Public facilities within the district shall be
7 planned, located, and developed so as to support the
8 redevelopment policies for the district established by
9 this chapter and plans and rules adopted pursuant to
10 this chapter.

11 **§206E-G Rules; adoption.** The authority shall adopt rules
12 in accordance with chapter 91 to carry out the purposes of this
13 part."

14 SECTION 3. Section 206E-6, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§206E-6 District-wide improvement program.** (a) The
17 authority shall develop a district-wide improvement program to
18 identify necessary district-wide public facilities within a
19 community development district.

20 (b) Whenever the authority shall determine to undertake,
21 or cause to be undertaken, any public facility as part of the



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

19 (c) Bonds issued to provide funds to finance public
20 facilities shall be secured solely by the real properties
21 benefited or improved, the assessments thereon, or by the



1 revenues derived from the program for which the bonds are
2 issued, including reserve accounts and earnings thereon,
3 insurance proceeds, and other revenues, or any combination
4 thereof. The bonds may be additionally secured by the pledge or
5 assignment of loans and other agreements or any note or other
6 undertaking, obligation, or property held by the authority.
7 Bonds issued pursuant to this section and the income therefrom
8 shall be exempt from all state and county taxation, except
9 transfer and estate taxes. The bonds shall be issued according
10 and subject to the provisions of the rules adopted pursuant to
11 this section.

12 (d) Any other law to the contrary notwithstanding, in
13 assessing real property for public facilities, the authority
14 shall assess the real property within an assessment area
15 according to the special benefits conferred upon the real
16 property by the public facilities. These methods may include
17 assessment on a frontage basis or according to the area of real
18 property within an assessment area or any other assessment
19 method which assesses the real property according to the special
20 benefit conferred, or any combination thereof. No such
21 assessment levied against real property specially benefited as



1 provided by this chapter shall constitute a tax on real property
2 within the meanings of any constitutional or statutory
3 provisions.

4 (e) The authority shall adopt rules pursuant to chapter
5 91, and may amend the rules from time to time, providing for the
6 method of undertaking and financing public facilities in an
7 assessment area or an entire community development district.
8 The rules adopted pursuant to this section shall include, but
9 are not limited to, the following: methods by which the
10 authority shall establish assessment areas; the method of
11 assessment of real properties specially benefited; the costs to
12 be borne by the authority, the county in which the public
13 facilities are situated, and the property owners; the procedures
14 before the authority relating to the creation of the assessment
15 areas by the owners of real property therein, including
16 provisions for petitions, bids, contracts, bonds, and notices;
17 provisions relating to assessments; provisions relating to
18 financing, such as bonds, revolving funds, advances from
19 available funds, special funds for payment of bonds, payment of
20 principal and interest, and sale and use of bonds; provisions
21 relating to funds and refunding of outstanding debts; and



1 provisions relating to limitations on time to sue, and other
2 related provisions.

3 (f) Any provisions to the contrary notwithstanding, the
4 authority may, in its discretion, enter into any agreement with
5 the county in which the public facilities are located, to
6 implement all or part of the purposes of this section.

7 (g) All sums collected under this section shall be
8 deposited in the Hawaii community development revolving fund
9 established by section 206E-16; except that notwithstanding
10 section 206E-16, all moneys collected on account of assessments
11 and interest thereon for any specific public facilities financed
12 by the issuance of bonds shall be set apart in a separate
13 special fund and applied solely to the payment of the principal
14 and interest on these bonds, the cost of administering,
15 operating, and maintaining the program, the establishment of
16 reserves, and other purposes as may be authorized in the
17 proceedings providing for the issuance of the bonds. If any
18 surplus remains in any special fund after the payment of the
19 bonds chargeable against such fund, it shall be credited to and
20 become a part of the Hawaii community development revolving



1 fund. Moneys in the Hawaii community development revolving fund
2 may be used to make up any deficiencies in the special fund.

3 (h) If the public facilities to be financed through bonds
4 issued by the authority may be dedicated to the county in which
5 the public facilities are to be located, the authority shall
6 ensure that the public facilities are designed and constructed
7 to meet county requirements.

8 (i) Notwithstanding any law to the contrary, whenever as
9 part of a district-wide improvement program it becomes necessary
10 to remove, relocate, replace, or reconstruct public utility
11 facilities, the authority shall establish by rule the allocation
12 of cost between the authority, the affected public utilities,
13 and properties that may specially benefit from such improvement,
14 if any. In determining the allocation of cost, the authority
15 shall consider the cost allocation policies for improvement
16 districts established by the county in which the removal,
17 relocation, replacement, or reconstruction is to take place.

18 (j) Notwithstanding any law to the contrary, the authority
19 may enter into a partnership agreement with any private investor
20 for the leasing of public infrastructure to the private



1 investor; provided that the partnership agreement contains the
2 following requirements:

3 (1) The authority shall lease the infrastructure facility
4 to the private investor, who shall:

5 (A) Renovate, improve, or construct for the authority
6 public infrastructure, pursuant to a ground lease
7 or easement, and may maintain the facility; and

8 (B) Lease back the public infrastructure to the
9 authority, pursuant to a lease or easement;

10 (2) The land upon which the public infrastructure rests
11 shall not be sold to the private investor; provided
12 that the land may be leased at a nominal rate to the
13 private investor for a term that would, at a minimum,
14 allow the private investor to recover the capital
15 investment that has been made to the public
16 infrastructure, including depreciation; and

17 (3) The authority shall have the option of purchasing the
18 public infrastructure from the private investor for
19 the remaining balance of the debt service costs
20 incurred by the private investor at any time; provided
21 that the lease shall terminate concurrently."



H.B. NO. 1212

1 SECTION 4. In codifying the new sections added by section
 2 of this Act, the revisor of statutes shall substitute
 3 appropriate section numbers for the letters used in designating
 4 the new sections in this Act.

5 SECTION 5. New statutory material is underscored.

6 SECTION 6. This Act shall take effect upon its approval.
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INTRODUCED BY:

H. Lakshminath

Gov. B.
Shri A. P. S. S.
S. C. S.
T. S. S.
Calvin V. S.
Harj S.
M. S. S.
S. S.
S. S.



H.B. NO. 1212

Report Title:

Transit-oriented Development; Community Districts; DOT; HCDA

Description:

Establishes Transit-Oriented Development Community Districts within the Hawaii Community Development Authority along certain rail stations in the Honolulu rail transit corridor. Allows HCDA to enter into public-private partnerships and lease-back agreements for public infrastructure development.

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