
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 Hawaii faces a
2 persistent housing crisis. Demand for housing significantly
3 outpaces supply, particularly in urban areas. Transit-oriented
4 development districts present a critical opportunity for
5 efficient land use by promoting higher-density development near
6 public transit infrastructure, thereby maximizing the value of
7 public investments. Higher residential density in transit-
8 oriented development districts increases public transit
9 ridership, thus reducing dependency on private automobiles and
10 lowering greenhouse gas emissions, which supports the State's
11 climate resilience and sustainability objectives.

12 The legislature established transit-oriented development
13 infrastructure improvement districts to foster community
14 development by strategically investing in infrastructure
15 improvements through Act 184, Session Laws of Hawaii 2022. The
16 legislature found that transit-oriented development promotes
17 development patterns that enhance residents' quality of life;



1 preserve the natural environment; provide a range of housing
2 choices for residents; and encourage walking, biking, and the
3 use of mass transit. Furthermore, the legislature concluded
4 that the State plays an important role in overcoming barriers to
5 transit-oriented development by encouraging needed investments
6 in improving regional infrastructure such as roads, sewers,
7 power, communication, and storm water management systems.

8 The legislature further recognizes that the ready
9 availability of affordable workforce housing near transit hubs
10 reduces transportation costs and improves access to employment,
11 education, and other essential services, especially for low- and
12 moderate-income households, thereby advancing social and
13 economic equity for the people of Hawaii.

14 The underutilization of land in transit-oriented
15 development districts, due partially to restrictive development
16 standards, undermines the economic and environmental benefits of
17 state investments in county-designated transit-oriented
18 development infrastructure improvement districts, contributes to
19 urban sprawl, and increases infrastructure costs and
20 environmental degradation.



1 The legislature finds that numerous jurisdictions,
2 including California, Oregon, and Washington, have adopted
3 minimum density standards for transit-oriented developments,
4 demonstrating the effectiveness of these measures in increasing
5 housing supply while bolstering transit systems. Transit-
6 oriented development infrastructure improvement districts can
7 increase residential density near transit hubs in order to
8 foster vibrant, walkable communities; support local businesses;
9 and generate higher property tax revenues, contributing to
10 Hawaii's fiscal and economic vitality.

11 Accordingly, the purpose of this Act is to:

- 12 (1) Define transit-oriented development for purposes of
13 state implementation of transit-oriented development;
14 (2) Incentivize development in county-designated transit-
15 oriented development areas; and
16 (3) Allocate a minimum percentage of the rental housing
17 revolving fund for certain mixed-income rental housing
18 projects or units.

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



- 1 "§201H- Transit-oriented development; criteria for
2 certain financing. (a) Notwithstanding any law to the
3 contrary, development in a county-designated transit-oriented
4 development area, as defined in section 226-63(d), shall have
5 priority for financing; provided that:
- 6 (1) Development standards for the transit-oriented
7 development area allow an average floor area ratio
8 equal to or greater than the transit-supportive
9 densities set forth in this section;
- 10 (2) Permits for development in the transit-oriented
11 development area are processed as a ministerial permit
12 subject to applicable objective design standards;
- 13 (3) There is no imposition of a development standard that
14 renders it impracticable to build a usable structure
15 for the permitted uses at the applicable transit-
16 supportive density; and
- 17 (4) Funds collected pursuant to section 46-16.8 have been
18 expended in the county-designated transit-oriented
19 development area in which the development is located.
- 20 (b) As used in this section:



1 "Floor area ratio" means the quotient, expressed as a
2 decimal number, that results from dividing a structure's total
3 floor area by the total area of the lot or parcel on which the
4 structure is located.

5 "Ministerial" means a permit process based upon standards
6 established through county ordinance or rule and issued by the
7 director of the county agency responsible for land use or a
8 single county officer designated by ordinance.

9 "Transit-supportive density" means a floor area ratio of at
10 least:

11 (1) 4.0 for all uses that are permitted in a county-
12 designated transit-oriented development area or by the
13 underlying county zoning;

14 (2) 6.0 for all uses that are permitted in a county-
15 designated transit-oriented development area within
16 one-half mile of a station of a locally preferred
17 alternative for a mass transit project; and

18 (3) For all uses that are permitted within one-quarter
19 mile of a station of a locally preferred alternative
20 for a mass transit project, whichever is greater:

21 (A) 7.0;



- 1 (B) The maximum floor area ratio allowed by the
2 adopted transit-oriented development special
3 district; or
4 (C) The maximum floor area ratio allowed by the
5 applicable transit-oriented development plan."

6 SECTION 3. Section 201H-202, Hawaii Revised Statutes, is
7 amended to read as follows:

8 **"§201H-202 Rental housing revolving fund.** (a) There is
9 established the rental housing revolving fund to be administered
10 by the corporation.

11 (b) An amount from the fund, to be set by the corporation
12 and authorized by the legislature, may be used for
13 administrative expenses incurred by the corporation in
14 administering the corporation's housing finance programs;
15 provided that fund moneys shall not be used to finance day-to-
16 day administrative expenses of projects allotted fund moneys.

17 (c) The following may be deposited into the fund:
18 appropriations made by the legislature, conveyance taxes
19 pursuant to section 247-7, private contributions, repayment of
20 loans, interest, other returns, and moneys from other sources.



(d) The fund shall be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. The corporation shall not forgive any loan made from the fund unless the corporation forecloses on the project.

Permitted uses of the fund may include but are not limited to planning, design, land acquisition, costs of options, agreements of sale, downpayments, equity financing, capacity building of nonprofit housing developers, credit enhancement, gap financing, or other housing development services or activities as provided in rules adopted by the corporation pursuant to chapter 91. The rules may provide for a means of recapturing loans or grants made from the fund if a rental housing project financed under the fund is refinanced or sold at a later date. The rules may also provide that moneys from the fund shall be leveraged with other financial resources to the extent possible.

(e) Moneys available in the fund shall be used for the purpose of providing, in whole or in part, loans for rental housing projects demonstrating project readiness, efficiency, and feasibility acceptable to the corporation in the following order of priority:



- 1 (1) For projects that were awarded low-income housing
- 2 credits pursuant to paragraph (2), priority shall be
- 3 given to projects with a perpetual affordability
- 4 commitment;
- 5 (2) Projects or units in projects that are allocated low-
- 6 income housing credits pursuant to the state housing
- 7 credit ceiling under section 42(h) of the Internal
- 8 Revenue Code of 1986, as amended, or projects or units
- 9 in projects that are funded by programs of the United
- 10 States Department of Housing and Urban Development and
- 11 United States Department of Agriculture Rural
- 12 Development wherein:
- 13 (A) At least fifty per cent of the available units
- 14 are for persons and families with incomes at or
- 15 below eighty per cent of the median family income
- 16 of which at least five per cent of the available
- 17 units are for persons and families with incomes
- 18 at or below thirty per cent of the median family
- 19 income; and



1 (B) The remaining units are for persons and families
2 with incomes at or below one hundred per cent of
3 the median family income;

4 provided that the corporation may establish rules to
5 ensure full occupancy of fund projects; ~~and~~

6 (3) Mixed-income rental projects or units in a mixed-
7 income rental project wherein all of the available
8 units are for persons and families with incomes at or
9 below one hundred forty per cent of the median family
10 income~~[+]~~; provided that the project meets the
11 criteria in section 201H- and standards for project
12 readiness, efficiency, and feasibility; and

13 (4) Mixed-income rental projects or units in a mixed-
14 income rental project wherein all of the available
15 units are for persons and families with incomes at or
16 below one hundred forty per cent of the median family
17 income.

18 (f) At least fifty-one per cent of the moneys in the fund
19 used for mixed-income rental projects or units in a mixed-income
20 rental project shall be prioritized for counties that have
21 expended funds pursuant to section 46-16.8(f); provided that the



1 majority of transit-oriented development areas surrounding
2 stations of a locally preferred alternative for a mass transit
3 project adopt development standards for transit-oriented
4 development pursuant to section 201H- .

5 ~~[(f)]~~ (g) There is established within the fund a bond
6 volume cap recycling program subaccount. The bond volume cap
7 recycling program subaccount shall be maintained as a reserve
8 for the bond volume cap recycling program established pursuant
9 to section 39B-2(f).

10 ~~[(g)]~~ (h) The corporation shall submit an annual report to
11 the legislature no later than twenty days prior to the convening
12 of each regular session describing the projects funded and, with
13 respect to rental housing projects targeted for persons and
14 families with incomes at or below thirty per cent of the median
15 family income, its efforts to develop those rental housing
16 projects, a description of proposals submitted for this target
17 group and action taken on the proposals, and any barriers to
18 developing housing units for this target group.

19 ~~[(h)]~~ (i) For the purposes of this subpart, the applicable
20 median family income shall be the median family income for the
21 county or standard metropolitan statistical area in which the



1 project is located as determined by the United States Department
2 of Housing and Urban Development, as adjusted from time to time.

3 ~~[(i)]~~ (j) The corporation may provide loans under this
4 section; provided that the corporation shall establish loan-to-
5 value ratios to protect the fund from inordinate risk and that
6 under no circumstances shall the rules permit the loan-to-value
7 ratio to exceed one hundred per cent; provided further that the
8 underwriting guidelines include a debt-coverage ratio of no less
9 than 1.0 to 1.

10 ~~[(j)]~~ (k) For the period commencing July 1, 2005, through
11 June 30, 2009, the fund may be used to provide grants for rental
12 units set aside for persons and families with incomes at or
13 below thirty per cent of the median family income in any project
14 financed in whole or in part by the fund in proportion of those
15 units to the total number of units in the project. At the
16 conclusion of the period described in this subsection, the
17 corporation shall report to the legislature on the number and
18 use of grants provided and whether the grants were an effective
19 use of the funds for purposes of developing rental housing for
20 families at or below thirty per cent of the median family
21 income."



1 SECTION 4. Section 206E-246, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) The board shall develop a transit-oriented
4 development infrastructure improvement district program to
5 identify infrastructure improvements within each district. In
6 determining the required infrastructure improvements to be
7 undertaken, the board shall consider the infrastructure needs of
8 transit-supportive density pursuant to section 201H- , the
9 strategic plan prepared by the Hawaii interagency council for
10 transit-oriented development pursuant to section 226-63(c) and
11 subsequent plans and studies prepared to further implement the
12 strategic plan and the transit-oriented development projects
13 therein."

14 SECTION 5. Section 226-63, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "~~[+]§226-63[+]~~ **Hawaii interagency council for transit-**
17 **oriented development[-]; transit-oriented development planning**
18 **and implementation.** (a) There is established the Hawaii
19 interagency council for transit-oriented development, which
20 shall be an advisory body exempt from section 26-34, to
21 coordinate and facilitate state agency transit-oriented



1 development planning, and facilitate consultation and
2 collaboration between the State and the counties on transit-
3 oriented development initiatives. The Hawaii interagency
4 council for transit-oriented development shall be established
5 within the department of business, economic development, and
6 tourism for administrative purposes.

7 (b) The Hawaii interagency council for transit-oriented
8 development shall:

- 9 (1) Serve as the State's transit-oriented development
10 planning and policy development entity with
11 representation from state and county government and
12 the community;
- 13 (2) Formulate and advise the governor on the
14 implementation of a strategic plan to ~~[address]~~ plan
15 for and implement transit-oriented development
16 projects, including ~~[mixed-use]~~ mixed-use and
17 affordable for-sale and rental housing projects, on
18 ~~[state]~~ lands in county-designated transit-oriented
19 development areas in each county;
- 20 (3) Facilitate the acquisition of funding and resources
21 for state and county transit-oriented development



1 programs, including affordable for-sale and rental
2 housing projects, on state and county lands;

3 (4) Monitor the preparation and conduct of plans and
4 studies to facilitate implementation of state transit-
5 oriented development plans prepared pursuant to this
6 section, including but not limited to the preparation
7 of site or master plans and implementation plans and
8 studies;

9 (5) Review all capital improvement project requests to the
10 legislature for transit-oriented development projects,
11 including [~~mixed-use~~] mixed-use and affordable for-
12 sale and rental housing projects, on [~~state~~] lands
13 within county-designated transit-oriented development
14 [~~zones~~] areas or within a one-half-mile radius of
15 public transit stations, if a county has not
16 designated transit-oriented development zones;

17 (6) Recommend policy, regulatory, and statutory changes,
18 and identify resource strategies for the successful
19 execution of the strategic plan;

20 (7) Assemble accurate fiscal and demographic information
21 to support policy development and track outcomes;



1 (8) Consider collaborative transit-oriented development
2 initiatives of other states that have demonstrated
3 positive outcomes; and

4 (9) Report annually to the governor, the legislature, and
5 the mayor of each county on the progress of its
6 activities, including formulation and progress on the
7 strategic plan no later than twenty days prior to the
8 convening of each regular session.

9 (c) The strategic plan developed by the Hawaii interagency
10 council for transit-oriented development shall:

11 (1) Coordinate with the counties on transit-oriented
12 development;

13 (2) For each county, compile an inventory of state,
14 county, and [~~private-sector~~] private-sector transit-
15 oriented development projects lacking infrastructure,
16 identifying the type of infrastructure each project
17 lacks, and the approximate time frame when additional
18 capacity is needed;

19 (3) Prioritize the development of transit-oriented
20 development projects, including [~~mixed-use~~] mixed-use



- 1 and affordable for-sale and rental housing projects,
- 2 on state and county lands;
- 3 (4) Identify financing and prioritize state financing for
- 4 the public infrastructure, facility, and service
- 5 investments required to support transit-oriented
- 6 development, [~~mixed-use,~~] mixed-use, and affordable
- 7 for-sale and rental housing [~~project plans,~~] in
- 8 county-designated transit-oriented development areas;
- 9 [and]
- 10 (5) Encourage and promote partnerships between public and
- 11 private entities to identify, renovate, and secure
- 12 affordable housing options on state and county lands
- 13 within county-designated transit-oriented development
- 14 areas or within a one-half-mile radius of public
- 15 transit stations, if a county has not designated
- 16 transit-oriented development [~~zones,~~] areas; and
- 17 (6) Delineate for each county, county-designated transit-
- 18 oriented development areas within which transit-rich,
- 19 pedestrian-oriented development is desired and
- 20 investment in transit-oriented development and
- 21 supporting infrastructure is to be directed.



1 (d) For the purposes of this part and implementation of
2 the strategic plan statewide:

3 "County-designated transit-oriented development area" or
4 "county-designated transit-oriented development zone" means a
5 geographic area designated by a county for transit-oriented
6 development by an adopted ordinance, plan, or resolution, and
7 delineated in the strategic plan pursuant to this section.
8 These areas shall generally consist of lands within a one-half-
9 mile radius of a transit hub or transit station but may extend
10 further when there is state and county agreement about the
11 extent of the transit-oriented development area.

12 "Transit-oriented development" means the development of
13 compact, dense, walkable, pedestrian-oriented, mixed-use
14 neighborhoods centered around transit stations or transit hubs
15 of public transit systems. Transit-oriented development
16 features a mix of uses, such as housing, office, retail, civic
17 and institutional, and other services and amenities at densities
18 that support transit ridership and walkability.

19 "Transit-oriented development project" means a development
20 project with a medium- to high-density mix of uses, such as
21 housing, office, retail, and other amenities, that is designed



1 to promote walkability and safe and convenient access to transit
2 services. Transit-oriented development projects shall be
3 located within geographic areas designated as transit-oriented
4 development areas by the county."

5 SECTION 6. This Act does not affect rights and duties that
6 matured, penalties that were incurred, and proceedings that were
7 begun before its effective date.

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

10 SECTION 8. This Act shall take effect upon its approval.

11

INTRODUCED BY:

ZNC

JAN 23 2025



H.B. NO. 1409

Report Title:

Transit-oriented Development; Counties; Rental Housing Revolving Fund

Description:

Establishes what constitutes transit-oriented development and incentivizes development in county-designated transit-oriented development areas or zones. Prioritizes the allocation of a minimum percentage of the Rental Housing Revolving Fund for certain mixed-income rental housing projects or units.

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