
A BILL FOR AN ACT

RELATING TO THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY.

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

1 SECTION 1. The State has a unique opportunity to address
2 economic diversification and affordable housing shortages
3 through transit-oriented development. However, despite being
4 one of the largest landowners alongside the rail transit
5 stations, the State has yet to formulate a master plan to
6 develop these parcels so they are transit-ready.

7 Prior to any redevelopment effort, there is a need to
8 increase all infrastructure capacity along the transit corridor,
9 especially around each of the twenty transit stations. In
10 preparation for the completion of the Honolulu rail transit
11 project, the State must maximize the opportunities for
12 development of land around rail stations, thereby supporting the
13 local economy, improving access to transportation, and
14 increasing rail ridership.

15 Recognizing the need for a focused effort on infrastructure
16 capacity building to support redevelopment efforts at each of
17 the transit stations, and avoiding the need to create another



1 government entity, the purpose of this Act is to have the Hawaii
 2 community development authority use its development authority to
 3 designate transit-oriented development community districts, to
 4 support planned growth and density, pursuant to section 206E-6,
 5 Hawaii Revised Statutes, at four of the transit stations.

6 This Act will enable the Hawaii community development
 7 authority to:

- 8 (1) Plan and develop infrastructure to service lands
 9 within a one-half mile radius from certain proposed
 10 transit stations; and
- 11 (2) Enter into public-private partnerships and to
 12 establish a "lease back" arrangement.

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

16 "PART . TRANSIT-ORIENTED DEVELOPMENT COMMUNITY DISTRICTS

17 §206E-A Definitions. As used in this part:

18 "District" means a transit-oriented development community
 19 district.

20 §206E-B Transit-oriented development community district;
 21 purpose. The legislature finds that:



- 1 (1) Among the twenty rail stations proposed along the
2 Honolulu rail transit project corridor, the State has
3 significant interests in four of the transit station
4 locations. The planned transit station development
5 will increase density within the urban core and the
6 State should take appropriate steps to ensure that the
7 land along the transit corridor can be used
8 efficiently and economically to support the best
9 interests of the State;
- 10 (2) Certain districts are relatively underdeveloped and
11 underutilized due to their low density function,
12 especially in view of their proximity to the proposed
13 rail transit system. The urban core is expected to
14 receive pressure from multiple sources and development
15 can alleviate community needs such as workforce and
16 affordable housing, parks and open space, public
17 facilities, and commercial and industrial facilities;
- 18 (3) If not redeveloped or renewed, these districts have
19 the potential to become a blighted and deteriorated
20 area. Due to their present economic importance to the



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

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

7 In coordinating community development in each of the
8 transit-oriented development districts, the authority shall plan
9 a mixed-use district whereby industrial, commercial,
10 residential, and public uses may coexist compatibly within the
11 same area.

12 The authority shall plan for the above uses, but shall also
13 respect and support the present function of each of the transit
14 stations as major economic centers, providing significant
15 employment in such areas as light industrial, wholesaling,
16 service, and commercial activity.

17 **§206E-C Prohibitions.** Notwithstanding any law to the
18 contrary, the authority is prohibited from selling or otherwise
19 assigning the fee simple interest in any lands in the transit-
20 oriented development community districts to which the authority
21 in its corporate capacity holds title, except with 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-C, the authority may, without recourse to public
10 auction or public notice for sealed bids, lease for a term not
11 exceeding ninety-nine years, all or any portion of the real or
12 personal property constituting a project to any person, upon
13 terms and conditions as may be approved by the authority, if the
14 authority finds that the lease is in conformity with the
15 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.** (a) The transit-oriented development
13 community districts are established. Each district shall
14 include the area that is within a one-half mile radius of each
15 of the following boundaries of transit stations where there are
16 significant state-owned land interests:

- 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 transit-oriented development community
5 districts:

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



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

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

17 (3) Activities shall be located so as to provide primary
18 reliance on public transportation and pedestrian
19 facilities for internal circulation within the
20 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 guidelines;
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
5 services, within and adjacent to residential
6 development; and

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

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

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

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



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



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

15 (d) Any other law to the contrary notwithstanding, in
16 assessing real property for public facilities, the authority
17 shall assess the real property within an assessment area
18 according to the special benefits conferred upon the real
19 property by the public facilities. These methods may include
20 assessment on a frontage basis or according to the area of real
21 property within an assessment area or any other assessment



1 method which assesses the real property according to the special
2 benefit conferred, or any combination thereof. No such
3 assessment levied against real property specially benefited as
4 provided by this chapter shall constitute a tax on real property
5 within the meanings of any constitutional or statutory
6 provisions.

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



1 available funds, special funds for payment of bonds, payment of
2 principal and interest, and sale and use of bonds; provisions
3 relating to funds and refunding of outstanding debts; and
4 provisions relating to limitations on time to sue, and other
5 related provisions.

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

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



1 bonds chargeable against such fund, it shall be credited to and
2 become a part of the Hawaii community development revolving
3 fund. Moneys in the Hawaii community development revolving fund
4 may be used to make up any deficiencies in the special fund.

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

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

20 (j) Notwithstanding any law to the contrary, the authority
21 may enter into a partnership agreement with any private investor



1 for the leasing of public infrastructure to the private
2 investor; provided that the partnership agreement contains the
3 following requirements:

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

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

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

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

18 (3) The authority shall have the option of purchasing the
19 public infrastructure from the private investor for
20 the remaining balance of the debt service costs



H.B. NO. 867

1 incurred by the private investor at any time; provided
 2 that the lease shall terminate concurrently."

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

7 SECTION 5. Statutory material to be repealed is bracketed
 8 and stricken. New statutory material is underscored.

9 SECTION 6. This Act shall take effect upon its approval.

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H.B. NO. 867

Report Title:

Transit-Oriented Development Community Districts

Description:

Establishes Transit-Oriented Development Community Districts within the Hawaii Community Development Authority (HCDA) to develop districts along certain rail stations in the Honolulu rail station transit corridor. Allows the HCDA to enter into public-private partnerships for a lease-back arrangement of lands.

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