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# A BILL FOR AN ACT

RELATING TO HOUSING.

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

1           SECTION 1. The legislature finds that from 2015 to 2025,  
2 Hawaii will require an additional 64,700 housing units to meet  
3 projected long-term housing demands. Of this amount, 22,247  
4 households of all income levels will require rental units. The  
5 legislature further finds that the need is greatest for  
6 households with low to middle incomes.

7           Approximately ninety-three to ninety-five per cent of  
8 rental unit tenants have a household income of less than one  
9 hundred forty per cent of the Hawaii median income. Until now,  
10 the private sector has been unable to produce sufficient rental  
11 housing because of the difficult economics of building and  
12 operating rental housing in Hawaii. The legislature further  
13 finds that a group of private sector landowners, developers,  
14 contractors, architects, engineers, and labor unions have agreed  
15 to take meaningful steps to improve the economics of building  
16 and operating rental housing in the State.



1           The purpose of this Act is to improve the economics of  
2 building and operating rental housing in the State by:

- 3           (1) Expanding the types of rental housing projects that
- 4                 can be exempt from general excise taxes; and
- 5           (2) Allowing the terms of collective bargaining agreements
- 6                 and associated provisions to be deemed the prevailing
- 7                 wages and terms serving as the basis of compliance
- 8                 with chapter 104, Hawaii Revised Statutes, for the
- 9                 construction of certain rental housing projects.

10           SECTION 2. Section 104-2, Hawaii Revised Statutes, is  
11 amended to read as follows:

12           "**§104-2 Applicability; wages, hours, and other**  
13 **requirements.** (a) This chapter shall apply to every contract  
14 in excess of \$2,000 for construction of a public work project to  
15 which a governmental contracting agency is a party; provided  
16 that this chapter shall not apply to experimental and  
17 demonstration housing developed pursuant to section 46-15 or  
18 housing developed pursuant to chapter 201H if the cost of the  
19 project is less than \$500,000 and the eligible bidder or  
20 eligible developer is a private nonprofit corporation.

21           For the purposes of this subsection:



1 "Contract" includes but is not limited to any agreement,  
2 purchase order, or voucher in excess of \$2,000 for construction  
3 of a public work project.

4 "Governmental contracting agency" includes:

5 (1) Any person or entity that causes either directly or  
6 indirectly the building or development of a public  
7 work; and

8 (2) Any public-private partnership.

9 "Party" includes eligible bidders for and eligible  
10 developers of any public work and any housing under chapter  
11 201H; provided that this subsection shall not apply to any  
12 housing developed under section 46-15 or chapter 201H if the  
13 entire cost of the project is less than \$500,000 and the  
14 eligible bidder or eligible developer is a private nonprofit  
15 corporation.

16 (b) Every laborer and mechanic performing work on the job  
17 site for the construction of any public work project shall be  
18 paid no less than prevailing wages; provided that:

19 (1) The prevailing wages shall be established by the  
20 director as the sum of the basic hourly rate and the  
21 cost to an employer of providing a laborer or mechanic



1 with fringe benefits. In making prevailing wage  
2 determinations, the following shall apply:

3 (A) The director shall make separate findings of:

4 (i) The basic hourly rate; and

5 (ii) The rate of contribution or cost of fringe

6 benefits paid by the employer when the

7 payment of the fringe benefits by the

8 employer constitutes a prevailing practice.

9 The cost of fringe benefits shall be

10 reflected in the wage rate scheduled as an

11 hourly rate; and

12 (B) The rates of wages which the director shall

13 regard as prevailing in each corresponding

14 classification of laborers and mechanics shall be

15 the rate of wages paid to the greatest number of

16 those employed in the State, the modal rate, in

17 the corresponding classes of laborers or

18 mechanics on projects that are similar to the

19 contract work;

20 (2) [The] Except for the special prevailing wage

21 established by subsections (h) and (i), the prevailing



1 wages shall be not less than the wages payable under  
2 federal law to corresponding classes of laborers and  
3 mechanics employed on public works projects in the  
4 State that are prosecuted under contract or agreement  
5 with the government of the United States; and

6 (3) Notwithstanding the provisions of the original  
7 contract, the prevailing wages shall be periodically  
8 adjusted during the performance of the contract in an  
9 amount equal to the change in the prevailing wage as  
10 periodically determined by the director.

11 (c) No laborer or mechanic employed on the job site of any  
12 public work of the State or any political subdivision thereof  
13 shall be permitted or required to work on Saturday, Sunday, or a  
14 legal holiday of the State or in excess of eight hours on any  
15 other day unless the laborer or mechanic receives overtime  
16 compensation for all hours worked on Saturday, Sunday, and a  
17 legal holiday of the State or in excess of eight hours on any  
18 other day. The rate for overtime compensation and any other  
19 premium rates of pay shall be those rates specified in an  
20 applicable collective bargaining agreement when the basic hourly  
21 rate is established by a collective bargaining agreement.



1 For purposes of determining overtime compensation under  
2 this subsection, the basic hourly rate of any laborer or  
3 mechanic shall not be less than the basic hourly rate determined  
4 by the director to be the prevailing basic hourly rate for  
5 corresponding classes of laborers and mechanics on projects of  
6 similar character in the State.

7 (d) The contractor or the contractor's subcontractor shall  
8 pay all mechanics and laborers employed on the job site,  
9 unconditionally and not less often than once a week, and without  
10 deduction or rebate on any account, except as allowed by law,  
11 the full amounts of their wages including overtime, accrued to  
12 not more than five working days prior to the time of payment, at  
13 wage rates not less than those deemed to be prevailing,  
14 regardless of any contractual relationship which may be alleged  
15 to exist between the contractor or subcontractor and the  
16 laborers and mechanics. The rates of wages to be paid shall be  
17 posted by the contractor in a prominent and easily accessible  
18 place at the job site, and a copy of the rates of wages required  
19 to be posted shall be given to each laborer and mechanic  
20 employed under the contract by the contractor at the time each  
21 laborer and mechanic is employed, except that where there is a



1 collective bargaining agreement the contractor does not have to  
2 provide the contractor's employees the wage rate schedules.

3 (e) The governmental contracting agency may withhold from  
4 the contractor so much of the accrued payments as the  
5 governmental contracting agency may consider necessary to pay to  
6 the laborers and mechanics employed by the contractor or any  
7 subcontractor on the job site the difference between the  
8 prevailing wages and the wages received and not refunded by the  
9 laborers and mechanics.

10 (f) Every contract in excess of \$2,000 for construction of  
11 a public work project and the specifications for such contract  
12 shall include provisions that set forth the requirements of  
13 subsections (a) to (e); provided that failure by the contracting  
14 agency to include those provisions in the contract or  
15 specifications shall not be a defense of the contractor or  
16 subcontractor for noncompliance with the requirements of this  
17 chapter.

18 (g) For any public work project that is subject to this  
19 chapter but not directly caused by a governmental contracting  
20 agency, the director shall be responsible for enforcement of  
21 this chapter, including the collection and maintenance of



1 certified copies of all payrolls that are subject to this  
2 chapter. The director shall adopt rules pursuant to chapter 91  
3 to effectuate the purposes of this section.

4 (h) When:

5 (1) The department of budget and finance enters a project  
6 agreement with a project party, as those terms are  
7 defined in chapter 39A, to finance or refinance a  
8 project with the proceeds of special purpose revenue  
9 bonds;

10 (2) The project party has entered into a collective  
11 bargaining agreement with a bona fide labor union  
12 governing the project party's workforce; and

13 (3) The collective bargaining agreement has been properly  
14 submitted to the director under section 104-34,  
15 the terms of the collective bargaining agreement and associated  
16 provisions shall be deemed the prevailing wages and terms  
17 serving as the basis of compliance with this chapter for work on  
18 the project by the project party's workforce; provided that this  
19 subsection does not affect the director's enforcement powers  
20 contained in subsection (g). If the terms of the collective  
21 bargaining agreement and associated provisions do not include



1 wages, then the prevailing wage shall be no less than the wages  
2 payable under federal law to corresponding classes of laborers  
3 and mechanics employed on housing projects in the State that are  
4 prosecuted under contract or agreement with the government of  
5 the United States.

6 (i) When:

7 (1) The Hawaii housing finance and development corporation  
8 has approved and certified for exemption from general  
9 excise taxes a qualified person or firm involved with  
10 a newly constructed, or moderately or substantially  
11 rehabilitated project under section 201H-36(a)(5);

12 (2) The qualified person or firm has entered into a  
13 contract with a general contractor or subcontractors  
14 whose workforce is subject to either:

15 (A) A collective bargaining agreement with a bona  
16 fide labor union and for which a special  
17 prevailing wage schedule for the laborers and  
18 mechanics employed for the construction project  
19 has been approved by the director; or

20 (B) A project labor agreement with the group whose  
21 wages are reflected in the Hawaii prevailing wage



1           schedule for which a special prevailing wage for  
2           the laborers and mechanics employed for the  
3           construction project has been approved by the  
4           director; and

5        (3) The qualified person or firm has received no other  
6           direct or indirect financing for the construction  
7           project from any other governmental contracting agency  
8           including the Hawaii housing finance and development  
9           corporation;

10 the terms of the collective bargaining agreement and associated  
11 provisions shall be deemed the prevailing wages and terms  
12 serving as the basis of compliance with this chapter for work on  
13 the project; provided that the special prevailing wage  
14 classification and the associated provisions shall be deemed the  
15 prevailing wages and terms serving as the basis of compliance  
16 with this chapter; provided that this subsection does not affect  
17 the director's enforcement powers in subsection (g)."

18        SECTION 3. Section 201H-36, Hawaii Revised Statutes, is  
19 amended by amending subsection (a) to read as follows:

20        "(a) In accordance with section 237-29, the corporation  
21 may approve and certify for exemption from general excise taxes



1 any qualified person or firm involved with a newly constructed,  
2 or moderately or substantially rehabilitated project:

- 3 (1) Developed under this part;
- 4 (2) Developed under a government assistance program  
5 approved by the corporation, including but not limited  
6 to the United States Department of Agriculture 502  
7 program and Federal Housing Administration 235  
8 program;
- 9 (3) Developed under the sponsorship of a private nonprofit  
10 organization providing home rehabilitation or new  
11 homes for qualified families in need of decent, low-  
12 cost housing; [~~or~~]
- 13 (4) Developed by a qualified person or firm to provide  
14 affordable rental housing where at least fifty per  
15 cent of the available units are for households with  
16 incomes at or below eighty per cent of the area median  
17 family income as determined by the United States  
18 Department of Housing and Urban Development, of which  
19 at least twenty per cent of the available units are  
20 for households with incomes at or below sixty per cent  
21 of the area median family income as determined by the



1 United States Department of Housing and Urban  
 2 Development [~~-~~]; or  
 3 (5) Developed under a contract described in section  
 4 104-2(i)(2) by a qualified person or firm to provide  
 5 affordable rental housing where all available units  
 6 are for households with incomes at or below one  
 7 hundred forty per cent of the area median family  
 8 income as determined by the United States Department  
 9 of Housing and Urban Development, of which at least  
 10 twenty per cent of the available units are for  
 11 households with incomes at or below eighty per cent of  
 12 the area median family income as determined by the  
 13 United States Department of Housing and Urban  
 14 Development; provided that the tax exemption  
 15 established under this paragraph shall be available  
 16 for taxable years beginning after December 31, 2017."

17 SECTION 4. Statutory material to be repealed is bracketed  
 18 and stricken. New statutory material is underscored.

19 SECTION 5. This Act shall take effect on July 1, 2050, and  
 20 shall be repealed on ; provided that sections 104-2 and  
 21 201H-36, Hawaii Revised Statutes, shall be reenacted in the form



1 in which they read on the day prior to the effective date of  
2 this Act.



**Report Title:**

Rental Housing Projects; Construction; General Excise Tax Exemption; Collective Bargaining Agreement; Prevailing Wages

**Description:**

Allows the terms of collective bargaining agreements and associated provisions to be deemed the prevailing wages and terms serving as the basis of compliance with chapter 104, Hawaii Revised Statutes, for the construction of certain rental housing projects. Expands the types of rental housing projects that can be exempt from general excise taxes. (SB1105 HD1)

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

