

JAN 24 2018

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# A BILL FOR AN ACT

RELATING TO AFFORDABLE HOUSING.

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

1           SECTION 1. The legislature finds that Hawaii has long  
2 struggled to balance the needs of our residents, our duty as  
3 responsible stewards of our limited and fragile natural and  
4 cultural resources, and the demands from outside markets for  
5 luxury vacation residential developments. The legislature  
6 further finds that these interests converge most strongly in the  
7 debate over how to develop and retain housing that is truly  
8 affordable for Hawaii's ohana, especially for our middle-,  
9 lower-, and fixed-income residents.

10           The legislature additionally finds that Oahu's mass  
11 transit, elevated rail project is a once in a lifetime  
12 opportunity to focus resources and policies to achieve a  
13 successful balance in this conflict. If done well, developing  
14 affordable housing along the transit line within the urban  
15 corridor will preserve agricultural and resource lands, provide  
16 residents with a livable and revitalized urban core, and reduce  
17 the need to subsidize transit operations by building ridership.



1 If done poorly, residents will struggle for housing while new  
2 luxury developments march down the transit corridor, Hawaii's  
3 largest food farm operations will be shuttered by residential  
4 sprawl, and our young adults will continue moving out of State  
5 seeking an affordable future.

6 The legislature further finds that much of this affordable  
7 housing can be accomplished through building low-rise, infill  
8 developments that many of the State's small- and mid-size  
9 contractors can produce. However, due to Hawaii's high  
10 construction costs and the competing and more lucrative demand  
11 for higher-priced units, it is necessary to adopt additional  
12 incentives to attract more developers willing to build  
13 affordable housing units, and more property managers willing to  
14 manage affordable rental units.

15 Therefore, the purpose of this Act is to adopt two  
16 narrowly-tailored policies that streamline and reduce  
17 construction and management costs of truly affordable housing  
18 developments in the urban core along fixed mass transit systems,  
19 but not including land in historic districts, that are planned  
20 for population growth by the State and the city and county of  
21 Honolulu. Specifically, the purpose of this Act is to exempt



1 certain developmental projects from the requirement to provide  
2 an environmental impact statement, and to exempt rental income  
3 for management of affordable housing from the general excise  
4 tax.

5 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
6 amended by adding two new sections to be appropriately  
7 designated and to read as follows:

8 "§201H-A Environmental impact statement; exemption. (a)

9 For purposes of this section, "qualified project" means an  
10 affordable housing development project under this chapter:

- 11 (1) That is located on lands placed in the urban district  
12 by the land use commission under chapter 205;
- 13 (2) That is located on lands zoned for any residential  
14 category, including mixed uses, by the applicable  
15 county council;
- 16 (3) That is not located within any state or county  
17 historic district;
- 18 (4) That is located within one-half mile of a fixed-rail  
19 mass transit system; and
- 20 (5) Of which all available units are for households with  
21 an adjusted gross income at or below the area median



1 family income, or of which at least fifty per cent of  
 2 the available units are for households with an  
 3 adjusted gross income at or below eighty per cent of  
 4 the area median family income, as determined by the  
 5 Department of Housing and Urban Development.

6 (b) A qualified project shall not be subject to the  
 7 requirements of chapter 343.

8 **§201H-B Exemption from general excise taxes; management of**  
 9 **qualified projects.** (a) The corporation may approve and

10 certify for exemption from general excise taxes the rental  
 11 income received by any qualified person or firm for management  
 12 of a qualified project; provided that:

13 (1) Only the rental income received from rental units  
 14 reserved for households with an adjusted gross income  
 15 at or below the area median family income shall  
 16 qualify for an exemption pursuant to this section; and

17 (2) The rental income described in paragraph (1) shall  
 18 qualify for an exemption pursuant to this section only  
 19 for the term during which the rental units are  
 20 reserved for households with an adjusted gross income  
 21 at or below the area median family income.



1        (b) To obtain certification for exemption under this  
2 section, qualified projects shall enter into a regulatory  
3 agreement with the corporation to ensure the project's continued  
4 compliance with the applicable eligibility requirements set  
5 forth in subsection (a).

6        (c) All claims for exemption under this section shall be  
7 filed with and certified by the corporation and forwarded to the  
8 department of taxation. Any claim for exemption that is filed  
9 and approved shall not be considered a subsidy for the purpose  
10 of part II.

11        (d) The corporation may establish, revise, charge, and  
12 collect a reasonable service fee, as necessary, in connection  
13 with its approvals and certifications under this section. The  
14 fees shall be deposited into the dwelling unit revolving fund.

15        (e) For the purposes of this section, "qualified project"  
16 shall have the same meaning as in section 201H-A."

17        SECTION 3. This Act does not affect rights and duties that  
18 matured, penalties that were incurred, and proceedings that were  
19 begun before its effective date.

20        SECTION 4. In codifying the new sections added by  
21 section 2 of this Act, the revisor of statutes shall substitute



# S.B. NO. 3050

1 appropriate section numbers for the letters used in designating  
2 the new sections in this Act.

3 SECTION 5. New statutory material is underscored.

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

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# S.B. NO. 3050

**Report Title:**

Affordable Housing; Management; Environmental Impact Statement;  
General Excise Tax; Exemption

**Description:**

Exempts certain affordable housing projects from environmental impact statements. Expands general excise tax exemption to also exempt rental income for management of certain affordable housing projects. Requires Hawaii housing finance and development corporation to annually re-certify general excise tax exemption for rental income for management of certain affordable housing projects.

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