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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 the State faces an  
2           unprecedented economic crisis due to the coronavirus disease  
3           2019 (COVID-19) pandemic, which has decimated Hawaii's economy  
4           and caused its gross domestic product to plummet. By some  
5           measures, Hawaii's economy has been hit harder than any other  
6           state in the nation.

7           The legislature also finds that this drastic decline in  
8           economic activity has disproportionately affected the State's  
9           most vulnerable populations. The pandemic forced the shutdown  
10          of many sectors of the State's economy, triggering mass layoffs  
11          and furloughs and causing the State's seasonally adjusted  
12          unemployment to surge from 2.4 per cent in March 2020 to a  
13          historical high of 22.3 per cent in April 2020. Despite efforts  
14          to reopen the economy, Hawaii still had the second-highest  
15          unemployment rate in the nation as of November 2020. With the  
16          COVID-19 pandemic continuing to rage throughout the world, most  
17          countries experiencing recession, and visitor arrivals to the



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1 State not expected to recover to pre-pandemic levels until at  
2 least 2024, the State will continue to feel the economic impacts  
3 of the pandemic for many years to come.

4 The legislature further finds that, even before the  
5 pandemic, renter households in the State already suffered from  
6 deleteriously high housing cost burdens, and that the economic  
7 impacts of the COVID-19 pandemic significantly exacerbated this  
8 situation. Recent data from the university of Hawaii economic  
9 research organization (UHERO) showed that more than eleven  
10 thousand Hawaii tenants have fallen behind on their rent  
11 payments and that forty per cent of rental tenants have lost  
12 their jobs. Modeling from UHERO indicates that up to seventeen  
13 thousand households may face an unsustainable change in their  
14 housing cost burden by the second quarter of 2021, even as the  
15 State's economy slowly recovers. Even in a best-case scenario,  
16 the number of individuals facing homelessness will continue to  
17 rise in the face of the pandemic. UHERO concluded that, from a  
18 policy standpoint, "doing nothing is not a viable option."

19 Accordingly, the legislature finds that it must take  
20 immediate action to mitigate the affordable housing crisis  
21 through legislation.



1           The purpose of this Act is to clarify that the exemption  
2 from the general excise tax established by section 201H-36,  
3 Hawaii Revised Statutes, shall be provided once the qualifying  
4 person or firm has filed or recorded a regulatory agreement in  
5 land court or the bureau of conveyances, or both, whichever is  
6 appropriate.

7           SECTION 2. Section 201H-36, Hawaii Revised Statutes, is  
8 amended to read as follows:

9           "**§201H-36 Exemption from general excise taxes.** (a) In  
10 accordance with section 237-29, the corporation may approve and  
11 certify for exemption from general excise taxes any qualified  
12 person or firm involved with a newly constructed, or a  
13 moderately or substantially rehabilitated, project that is:

- 14           (1) Developed under this part;
- 15           (2) Developed under a government assistance program  
16 approved by the corporation, including but not limited  
17 to the United States Department of Agriculture's  
18 section 502 direct loan program and Federal Housing  
19 Administration's section 235 program;
- 20           (3) Developed under the sponsorship of a private nonprofit  
21 organization providing home rehabilitation or new



1 homes for qualified families in need of decent, low-  
2 cost housing;

3 (4) Developed by a qualified person or firm to provide  
4 affordable rental housing where at least fifty per  
5 cent of the available units are for households with  
6 incomes at or below eighty per cent of the area median  
7 family income as determined by the United States  
8 Department of Housing and Urban Development, of which  
9 at least twenty per cent of the available units are  
10 for households with incomes at or below sixty per cent  
11 of the area median family income as determined by the  
12 United States Department of Housing and Urban  
13 Development; or

14 (5) Approved or certified from July 1, 2018, to June 30,  
15 2030, and developed under a contract described in  
16 section 104-2(i)(2) by a qualified person or firm to  
17 provide affordable rental housing through new  
18 construction or substantial rehabilitation; provided  
19 that:

20 (A) The allowable general excise tax and use tax  
21 costs shall apply to contracting only and shall



1 not exceed \$30,000,000 per year in the aggregate  
2 for all projects approved and certified by the  
3 corporation; and

4 (B) All available units are for households with  
5 incomes at or below one hundred forty per cent of  
6 the area median family income as determined by  
7 the United States Department of Housing and Urban  
8 Development, of which at least twenty per cent of  
9 the available units are for households with  
10 incomes at or below eighty per cent of the area  
11 median family income as determined by the United  
12 States Department of Housing and Urban  
13 Development; provided that an owner shall not  
14 refuse to lease a unit solely because the  
15 applicant holds a voucher or certificate of  
16 eligibility under section 8 of the United States  
17 Housing Act of 1937, as amended.

18 (b) To obtain certification for exemption under this  
19 section, rental housing projects shall, unless exempted by the  
20 corporation, enter into a regulatory agreement with the  
21 corporation to ensure the project's continued compliance with



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1 the applicable eligibility requirements set forth in subsection  
2 (a), as follows:

3 (1) For moderate rehabilitation projects, a minimum term  
4 of five years as specified in a regulatory agreement;

5 (2) For substantial rehabilitation projects, a minimum  
6 term of ten years as specified in a regulatory  
7 agreement; or

8 (3) For new construction projects, a minimum term of  
9 thirty years from the date of issuance of the  
10 certificate of occupancy.

11 (c) All claims for exemption under this section shall be  
12 filed with and certified by the corporation and forwarded to the  
13 department of taxation. Any claim for exemption that is filed  
14 and approved, shall not be considered a subsidy for the purpose  
15 of this part.

16 (d) ~~[For the purposes of this section:~~

17 ~~"Moderate rehabilitation" means rehabilitation to upgrade a~~  
18 ~~dwelling unit to a decent, safe, and sanitary condition, or to~~  
19 ~~repair or replace major building systems or components in danger~~  
20 ~~of failure.~~

21 ~~"Substantial rehabilitation":~~



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- 1       ~~(1) Means the improvement of a property to a decent, safe,~~
- 2           ~~and sanitary condition that requires more than routine~~
- 3           ~~or minor repairs or improvements. It may include but~~
- 4           ~~is not limited to the gutting and extensive~~
- 5           ~~reconstruction of a dwelling unit, or cosmetic~~
- 6           ~~improvements coupled with the curing of a substantial~~
- 7           ~~accumulation of deferred maintenance; and~~
- 8       ~~(2) Includes renovation, alteration, or remodeling to~~
- 9           ~~convert or adapt structurally sound property to the~~
- 10          ~~design and condition required for a specific use, such~~
- 11          ~~as conversion of a hotel to housing for elders.]~~

12       Notwithstanding any other law to the contrary, the

13       exemption established by this section and certified by the

14       corporation pursuant to subsection (c) shall commence upon the

15       filing or recordation of a regulatory agreement entered into

16       pursuant to subsection (b) in the office of the assistant

17       registrar of the land court or in the bureau of conveyances, or

18       both, whichever is appropriate.

19       (e) The corporation may establish, revise, charge, and

20       collect a reasonable service fee, as necessary, in connection



1 with its approvals and certifications under this section. The  
2 fees shall be deposited into the dwelling unit revolving fund.

3 (f) For the purposes of this section:

4 "Moderate rehabilitation" means rehabilitation to upgrade a  
5 dwelling unit to a decent, safe, and sanitary condition, or to  
6 repair or replace major building systems or components in danger  
7 of failure.

8 "Substantial rehabilitation":

9 (1) Means the improvement of a property to a safe and  
10 sanitary condition that requires more than routine or  
11 minor repairs or improvements. It may include but is  
12 not limited to the gutting and extensive  
13 reconstruction of a dwelling unit, or cosmetic  
14 improvements coupled with the curing of a substantial  
15 accumulation of deferred maintenance; and  
16 (2) Includes renovation, alteration, or remodeling to  
17 convert or adapt structurally sound property to the  
18 design and condition required for a specific use, such  
19 as conversion of a hotel to housing for elders."



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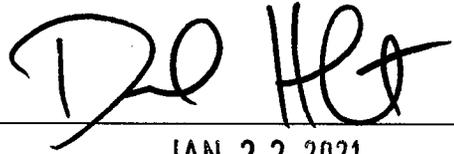
1 SECTION 3. This Act does not affect rights and duties that  
2 matured, penalties that were incurred, and proceedings that were  
3 begun before its effective date.

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

6 SECTION 5. This Act shall take effect upon its approval.

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INTRODUCED BY:

  
JAN 22 2021



# H.B. NO. 520

**Report Title:**

HHFDC; Taxation; General Excise Tax; Exemption

**Description:**

Provides that an exemption from the general excise tax established by section 201H-36, Hawaii Revised Statutes, that has been approved by the Hawaii housing finance and development corporation shall be provided once the qualified person or firm has filed or recorded the regulatory agreement in land court or the bureau of conveyances, whichever is appropriate.

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

