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# 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 shortage. 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  
8 transit-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.

6       Transit-oriented development infrastructure improvement  
7       districts can increase residential density near transit hubs in  
8       order to foster vibrant, walkable communities; support local  
9       businesses; and generate higher property tax revenues,  
10      contributing to 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  
15          transit-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) Housing units in the transit-oriented development area  
11 with density increases authorized pursuant to this  
12 section shall be made available exclusively to  
13 qualified residents as defined in section 201H-32;

14       (3) Permits for development in the transit-oriented  
15 development area are processed as a ministerial permit  
16 subject to applicable objective design standards;

17       (4) There is no imposition of a development standard that  
18 renders it impracticable to build a usable structure  
19 for the permitted uses at the applicable transit-  
20 supportive density; and



(5) Funds collected pursuant to section 46-16.8 have been expended in the county-designated transit-oriented development area in which the development is located.

(b) As used in this section:

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

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

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

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

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



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

(A) 7.0;

(B) The maximum floor area ratio allowed by the adopted transit-oriented development special district; or

(C) The maximum floor area ratio allowed by the applicable transit-oriented development plan."

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

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

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



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

5 (d) The fund shall be used to provide loans for the  
6 development, pre-development, construction, acquisition,  
7 preservation, and substantial rehabilitation of rental housing  
8 units. The corporation shall not forgive any loan made from the  
9 fund unless the corporation forecloses on the project.  
10 Permitted uses of the fund may include but are not limited to  
11 planning, design, land acquisition, costs of options, agreements  
12 of sale, downpayments, equity financing, capacity building of  
13 nonprofit housing developers, credit enhancement, gap financing,  
14 or other housing development services or activities as provided  
15 in rules adopted by the corporation pursuant to chapter 91. The  
16 rules may provide for a means of recapturing loans or grants  
17 made from the fund if a rental housing project financed under  
18 the fund is refinanced or sold at a later date. The rules may  
19 also provide that moneys from the fund shall be leveraged with  
20 other financial resources to the extent possible.



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

6 (1) For projects that were awarded low-income housing  
7 credits pursuant to paragraph (2), priority shall be  
8 given to projects with a perpetual affordability  
9 commitment;

10 (2) Projects or units in projects that are allocated  
11 low-income housing credits pursuant to the state  
12 housing credit ceiling under section 42(h) of the  
13 Internal Revenue Code of 1986, as amended, or projects  
14 or units in projects that are funded by programs of  
15 the United States Department of Housing and Urban  
16 Development and United States Department of  
17 Agriculture Rural Development wherein:

18 (A) At least fifty per cent of the available units  
19 are for persons and families with incomes at or  
20 below eighty per cent of the median family income  
21 of which at least five per cent of the available





1 units are for persons and families with incomes  
2 at or below thirty per cent of the median family  
3 income; and

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

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

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

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



1        (f) At least fifty-one per cent of the moneys in the fund  
2 used for mixed-income rental projects or units in a mixed-income  
3 rental project shall be prioritized for counties that have  
4 expended funds pursuant to section 46-16.8(f); provided that the  
5 majority of transit-oriented development areas surrounding  
6 stations of a locally preferred alternative for a mass transit  
7 project adopt development standards for transit-oriented  
8 development pursuant to section 201H- .

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

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



1 group and action taken on the proposals, and any barriers to  
2 developing housing units for this target group.

3       ~~[(h)]~~ (i) For the purposes of this subpart, the applicable  
4 median family income shall be the median family income for the  
5 county or standard metropolitan statistical area in which the  
6 project is located as determined by the United States Department  
7 of Housing and Urban Development, as adjusted from time to time.

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

15       ~~[(j)]~~ (k) For the period commencing July 1, 2005, through  
16 June 30, 2009, the fund may be used to provide grants for rental  
17 units set aside for persons and families with incomes at or  
18 below thirty per cent of the median family income in any project  
19 financed in whole or in part by the fund in proportion of those  
20 units to the total number of units in the project. At the  
21 conclusion of the period described in this subsection, the



1 corporation shall report to the legislature on the number and  
2 use of grants provided and whether the grants were an effective  
3 use of the funds for purposes of developing rental housing for  
4 families at or below thirty per cent of the median family  
5 income."

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

8 "(a) The board shall develop a transit-oriented  
9 development infrastructure improvement district program to  
10 identify infrastructure improvements within each district. In  
11 determining the required infrastructure improvements to be  
12 undertaken, the board shall consider the infrastructure needs of  
13 transit-supportive density pursuant to section 201H- , the  
14 strategic plan prepared by the Hawaii interagency council for  
15 transit-oriented development pursuant to section 226-63(c) and  
16 subsequent plans and studies prepared to further implement the  
17 strategic plan and the transit-oriented development projects  
18 therein. The board shall also adopt additional criteria  
19 specified in section 201H- (a), including transit-supportive  
20 density requirements."



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

"[+]§226-63[+] **Hawaii interagency council for transit-oriented development[-]; transit-oriented development planning and implementation.** (a) There is established the Hawaii interagency council for transit-oriented development, which shall be an advisory body exempt from section 26-34, to coordinate and facilitate state agency transit-oriented development planning, and facilitate consultation and collaboration between the State and the counties on transit-oriented development initiatives. The Hawaii interagency council for transit-oriented development shall be established within the department of business, economic development, and tourism for administrative purposes.

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

- (1) Serve as the State's transit-oriented development planning and policy development entity with representation from state and county government and the community;



- 1 (2) Formulate and advise the governor on the  
2 implementation of a strategic plan to ~~[address]~~ plan  
3 for and implement transit-oriented development  
4 projects, including ~~[mixed-use]~~ mixed-use and  
5 affordable for-sale and rental housing projects, on  
6 ~~[state]~~ lands in county-designated transit-oriented  
7 development areas in each county;
- 8 (3) Facilitate the acquisition of funding and resources  
9 for state and county transit-oriented development  
10 programs, including affordable for-sale and rental  
11 housing projects, on state and county lands;
- 12 (4) Monitor the preparation and conduct of plans and  
13 studies to facilitate implementation of state  
14 transit-oriented development plans prepared pursuant  
15 to this section, including but not limited to the  
16 preparation of site or master plans and implementation  
17 plans and studies;
- 18 (5) Review all capital improvement project requests to the  
19 legislature for transit-oriented development projects,  
20 including ~~[mixed-use]~~ mixed-use and affordable  
21 for-sale and rental housing projects, on ~~[state]~~ lands



1 within county-designated transit-oriented development  
2 [~~zones~~] areas or within a one-half-mile radius of  
3 public transit stations, if a county has not  
4 designated transit-oriented development zones;

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

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

10 (8) Consider collaborative transit-oriented development  
11 initiatives of other states that have demonstrated  
12 positive outcomes; and

13 (9) Report annually to the governor, the legislature, and  
14 the mayor of each county on the progress of its  
15 activities, including formulation and progress on the  
16 strategic plan no later than twenty days prior to the  
17 convening of each regular session.

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

20 (1) Coordinate with the counties on transit-oriented  
21 development;



- 1 (2) For each county, compile an inventory of state,  
2 county, and [~~private sector~~] private-sector  
3 transit-oriented development projects lacking  
4 infrastructure, identifying the type of infrastructure  
5 each project lacks, and the approximate time frame  
6 when additional capacity is needed;
- 7 (3) Prioritize the development of transit-oriented  
8 development projects, including [~~mixed-use~~] mixed-use  
9 and affordable for-sale and rental housing projects,  
10 on state and county lands;
- 11 (4) Identify financing and prioritize state financing for  
12 the public infrastructure, facility, and service  
13 investments required to support transit-oriented  
14 development, [~~mixed-use,~~] mixed-use, and affordable  
15 for-sale and rental housing [~~project plans; and~~] in  
16 county-designated transit-oriented development areas;
- 17 (5) Encourage and promote partnerships between public and  
18 private entities to identify, renovate, and secure  
19 affordable housing options on state and county lands  
20 within county-designated transit-oriented development  
21 areas or within a one-half-mile radius of public





transit stations, if a county has not designated  
transit-oriented development [~~zones~~] areas; and

(6) Delineate for each county, transit-oriented  
development areas within which transit-rich,  
pedestrian-oriented development is desired and  
investment in transit-oriented development and  
supporting infrastructure is to be directed.

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

"County-designated transit-oriented development area" or  
"county-designated transit-oriented development zone" means a  
geographic area designated by a county for transit-oriented  
development by an adopted ordinance, plan, or resolution, and  
delineated in the strategic plan pursuant to this section.

These areas shall generally consist of lands within a  
one-half-mile radius of a transit hub or transit station but may  
extend further when there is state and county agreement about  
the extent of the transit-oriented development area.

"Transit-oriented development" means the development of  
compact, dense, walkable, pedestrian-oriented, mixed-use  
neighborhoods centered around transit stations or transit hubs



1 of public transit systems. Transit-oriented development  
2 features a mix of uses, such as housing, office, retail, civic  
3 and institutional, and other services and amenities at densities  
4 that support transit ridership and walkability.

5 "Transit-oriented development project" means a development  
6 project with a medium- to high-density mix of uses, such as  
7 housing, office, retail, and other amenities, that is designed  
8 to promote walkability and safe and convenient access to transit  
9 services. Transit-oriented development projects shall be  
10 located within geographic areas designated as transit-oriented  
11 development areas by the county."

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

15 SECTION 7. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 8. This Act shall take effect on July 1, 2050.



**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. Effective 7/1/2050. (SD1)

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