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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, in 2023, affordable  
2 housing was declared an emergency in the State, and Hawaii's  
3 housing supply was cited as the most expensive in the nation.  
4 It has been estimated that fifty thousand homes will be needed  
5 in the next five years to address the State's housing crisis.

6           The legislature further finds that the general excise tax  
7 exemption for low-income housing projects is a valuable  
8 incentive for the development and operation of affordable rental  
9 housing in the State. However, it has proven increasingly  
10 difficult to offset rising construction costs and interest rates  
11 using these exemptions alone, creating the need for additional  
12 incentives to achieve project development and completion.

13           The legislature additionally finds that county assistance  
14 programs that encourage the development of affordable housing,  
15 when leveraged in addition to state-administered incentives,  
16 would help to achieve comprehensive project financing and  
17 maximize support for affordable housing development.



1           Accordingly, the purpose of this Act is to address the  
2 ongoing shortage of affordable housing in the State by  
3 authorizing the Hawaii housing finance and development  
4 corporation to approve and certify general excise tax exemptions  
5 for certain housing development projects developed under county  
6 housing incentive programs.

7           SECTION 2. Section 46-15.1, Hawaii Revised Statutes, is  
8 amended by amending subsection (a) to read as follows:

9           "(a) Notwithstanding any law to the contrary, any county  
10 shall have and may exercise the same powers, subject to  
11 applicable limitations, as those granted the Hawaii housing  
12 finance and development corporation pursuant to chapter 201H  
13 insofar as those powers may be reasonably construed to be  
14 exercisable by a county for the purpose of developing,  
15 constructing, financing, refinancing, or otherwise providing  
16 low- and moderate-income housing projects and mixed-use  
17 developments; provided that no county shall be empowered to  
18 cause the State to issue general obligation bonds to finance a  
19 project pursuant to this section; provided further that [county  
20 projects shall be granted an exemption from general excise or  
21 receipts taxes in the same manner as projects of the Hawaii



1 ~~housing finance and development corporation pursuant to section~~  
2 ~~201H-36;~~ a county shall not exercise authority granted to the  
3 Hawaii housing finance and development corporation under section  
4 201H-36(a)(6); provided further that county projects shall  
5 prioritize walkability to the extent practicable; provided  
6 further that section 201H-16 shall not apply to this section  
7 unless federal guidelines specifically provide local governments  
8 with that authorization and the authorization does not conflict  
9 with any state laws. The powers shall include the power,  
10 subject to applicable limitations, to:

- 11 (1) Develop and construct dwelling units, alone or in  
12 partnership with developers;
- 13 (2) Acquire necessary land by lease, purchase, exchange,  
14 or eminent domain;
- 15 (3) Provide assistance and aid to a public agency or other  
16 person in developing and constructing new housing and  
17 rehabilitating existing housing for elders of low- and  
18 moderate-income, other persons of low- and  
19 moderate-income, and persons displaced by any  
20 governmental action, by making long-term mortgage or  
21 interim construction loans available;



- 1 (4) Contract with any eligible bidders to provide for  
2 construction of urgently needed housing for persons of  
3 low- and moderate-income;
- 4 (5) Guarantee the top twenty-five per cent of the  
5 principal balance of real property mortgage loans,  
6 plus interest thereon, made to qualified borrowers by  
7 qualified lenders;
- 8 (6) Enter into mortgage guarantee agreements with  
9 appropriate officials of any agency or instrumentality  
10 of the United States to induce those officials to  
11 commit to insure or to insure mortgages under the  
12 National Housing Act, as amended;
- 13 (7) Make a direct loan to any qualified buyer for the  
14 downpayment required by a private lender to be made by  
15 the borrower as a condition of obtaining a loan from  
16 the private lender in the purchase of residential  
17 property;
- 18 (8) Provide funds for a share, not to exceed fifty per  
19 cent, of the principal amount of a loan made to a  
20 qualified borrower by a private lender who is unable  
21 otherwise to lend the borrower sufficient funds at



1 reasonable rates in the purchase of residential  
2 property; and

3 (9) Sell or lease completed dwelling units.

4 For the purposes of this section, a limitation is  
5 applicable to the extent that it may reasonably be construed to  
6 apply to a county."

7 SECTION 3. Section 201H-36, Hawaii Revised Statutes, is  
8 amended by amending subsections (a) and (b) to read as follows:

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

13 (1) Developed under this part;

14 (2) Developed under a government assistance program  
15 approved by the corporation, including but not limited  
16 to the United States Department of Agriculture's  
17 section 502 direct loan program and Federal Housing  
18 Administration's section 235 program;

19 (3) Developed under the sponsorship of a private nonprofit  
20 organization providing home rehabilitation or new



- 1 homes for qualified families in need of decent,  
2 low-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]  
7 median family income as determined by the United  
8 States Department of Housing and Urban Development, of  
9 which at least twenty per cent of the available units  
10 are for households with incomes at or below sixty per  
11 cent of the [area] median family income as determined  
12 by the 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[-]; or

18 (6) Developed under a county assistance program approved  
19 by the corporation, where at least fifty per cent of  
20 the available units are for households with incomes at  
21 or below one hundred per cent of the median family



1 income as determined by the United States Department  
2 of Housing and Urban Development.

3 (b) To obtain certification for exemption under this  
4 section, rental housing projects shall, unless exempted by the  
5 corporation, enter into a regulatory agreement with the  
6 corporation to ensure the project's continued compliance with  
7 the applicable eligibility requirements set forth in subsection  
8 (a), as follows:

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

11 (2) For substantial rehabilitation projects, a minimum  
12 term of ten years as specified in a regulatory  
13 agreement; or

14 (3) For new construction projects, a minimum term of  
15 thirty years from the date of issuance of the  
16 certificate of occupancy[-]; provided that for new  
17 construction projects developed under a county  
18 assistance program, the minimum term shall be fifteen  
19 years from the date of issuance of the certificate of  
20 occupancy."



1 SECTION 4. The Hawaii housing finance and development  
2 corporation shall amend its administrative rules, pursuant to  
3 chapter 91, Hawaii Revised Statutes, to conform to this Act.

4 SECTION 5. This Act does not affect rights and duties that  
5 matured, penalties that were incurred, and proceedings that were  
6 begun before its effective date.

7 SECTION 6. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9 SECTION 7. This Act shall take effect on July 1, 3000;  
10 provided that:

11 (1) Sections 2 and 3 shall apply to taxable years  
12 beginning after December 31, 2026;

13 (2) The amendments made to section 46-15.1, Hawaii Revised  
14 Statutes, by section 2 of this Act shall not be  
15 repealed when that section is repealed and reenacted:

16 (A) On June 30, 2028, pursuant to section 4 of  
17 Act 45, Session Laws of Hawaii 2024;

18 (B) On July 1, 2030, pursuant to:

19 (i) Section 3 of Act 141, Session Laws of Hawaii  
20 2009, as amended by section 3 of Act 102,  
21 Session Laws of Hawaii 2015, as amended by



1 section 1 of Act 80, Session Laws of Hawaii  
2 2019, as amended by section 2 of Act 90,  
3 Session Laws of Hawaii 2023; and  
4 (ii) Section 3 of Act 98, Session Laws of Hawaii  
5 2012, as amended by section 4 of Act 102,  
6 Session Laws of Hawaii 2015, as amended by  
7 section 50 of Act 55, Session Laws of Hawaii  
8 2016, as amended by section 2 of Act 80,  
9 Session Laws of Hawaii 2019, as amended by  
10 section 3 of Act 90, Session Laws of Hawaii  
11 2023; and  
12 (C) On July 1, 2031, pursuant to section 4 of Act 31,  
13 Session Laws of Hawaii 2024;  
14 (3) The amendments made to section 201H-36, Hawaii Revised  
15 Statutes, by section 3 of this Act shall not be  
16 repealed when that section is repealed and reenacted  
17 on June 30, 2030, pursuant to section 5 of Act 54,  
18 Session Laws of Hawaii 2017, as amended by section 4  
19 of Act 39, Session Laws of Hawaii 2018; and  
20 (4) On July 1, 2031, this Act shall be repealed and  
21 sections 46-15.1 and 201H-36, Hawaii Revised Statutes,



1           shall be reenacted in the form in which they read  
2           prior to the effective date of this Act.  
3



**Report Title:**

HHFDC; Housing Development Projects; General Excise Tax Exemptions; County Housing Incentive Programs

**Description:**

Authorizes the Hawaii Housing Finance and Development Corporation to approve and certify general excise tax exemptions for certain housing development projects developed under county housing incentive programs. Sunsets 7/1/2031. Effective 7/1/3000. (SD1)

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

