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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, beginning January 1, 2027, the Hawaii housing  
4 finance and development corporation, instead of the counties, to  
5 approve and certify general excise tax exemptions for certain  
6 housing development projects developed under county housing  
7 incentive programs.

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

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



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

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



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



1 qualified borrower by a private lender who is unable  
2 otherwise to lend the borrower sufficient funds at  
3 reasonable rates in the purchase of residential  
4 property; and

5 (9) Sell or lease completed dwelling units.

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

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

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

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



- 1           (3) Developed under the sponsorship of a private nonprofit  
2           organization providing home rehabilitation or new  
3           homes for qualified families in need of decent,  
4           low-cost housing;
- 5           (4) Developed by a qualified person or firm to provide  
6           affordable rental housing where at least fifty per  
7           cent of the available units are for households with  
8           incomes at or below eighty per cent of the [~~area~~]  
9           median family income as determined by the United  
10          States Department of Housing and Urban Development, of  
11          which at least twenty per cent of the available units  
12          are for households with incomes at or below sixty per  
13          cent of the [~~area~~] median family income as determined  
14          by the United States Department of Housing and Urban  
15          Development; [~~or~~]
- 16          (5) Approved or certified from July 1, 2018, to June 30,  
17          2030, and developed under a contract described in  
18          section 104-2(i)(2) by a qualified person or firm to  
19          provide affordable rental housing through new  
20          construction or substantial rehabilitation; provided  
21          that:



1 (A) The allowable general excise tax and use tax  
2 costs [~~shall apply to contracting only and~~] shall  
3 not exceed \$30,000,000 per year in the aggregate  
4 for all projects approved and certified by the  
5 corporation; and

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

20 (6) Developed under a county assistance program approved  
21 by the corporation, where at least fifty per cent of



1           the available units are for households with incomes at  
2           or below one hundred per cent of the median family  
3           income as determined by the United States Department  
4           of Housing and Urban Development.

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

10 (a), as follows:

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

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

16           (3) For new construction projects, a minimum term of  
17           thirty years from the date of issuance of the  
18           certificate of occupancy[-]; provided that for new

19           construction projects developed under a county  
20           assistance program, the minimum term shall be fifteen



1           years from the date of issuance of the certificate of  
2           occupancy."

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

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

9           SECTION 6. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11          SECTION 7. This Act shall take effect upon its approval;  
12 provided that:

13           (1) Sections 2 and 3 shall take effect on January 1, 2027;

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

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

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

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



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



1           (4) On July 1, 2031, this Act shall be repealed and  
2           sections 46-15.1 and 201H-36, Hawaii Revised Statutes,  
3           shall be reenacted in the form in which they read  
4           prior to the effective date of this Act.



**Report Title:**

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

**Description:**

Beginning 1/1/2027, authorizes the Hawaii Housing Finance and Development Corporation, instead of the counties, to approve and certify general excise tax exemptions for certain housing development projects developed under county housing incentive programs. Sunsets 7/1/2031. (CD1)

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

