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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 also 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 further 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 initially approved and certified prior to July 1, 2026,  
21 shall be granted an exemption from general excise or receipts



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

10 (1) Develop and construct dwelling units, alone or in  
11 partnership with developers;

12 (2) Acquire necessary land by lease, purchase, exchange,  
13 or eminent domain;

14 (3) Provide assistance and aid to a public agency or other  
15 person in developing and constructing new housing and  
16 rehabilitating existing housing for elders of low- and  
17 moderate-income, other persons of low- and  
18 moderate-income, and persons displaced by any  
19 governmental action, by making long-term mortgage or  
20 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 purposes of this section, a limitation is applicable to  
5 the extent that it may reasonably be construed to apply to a  
6 county."

7 SECTION 3. Section 104-2, Hawaii Revised Statutes, is  
8 amended by amending subsection (i) to read as follows:

9 "(i) The terms of section [~~201H-36(a)(5)~~] 201H-36(a)(6)  
10 prevailing wages shall be deemed the prevailing wages serving as  
11 the basis of compliance with this chapter for work on the  
12 project when:

13 (1) The Hawaii housing finance and development corporation  
14 has approved and certified a qualified person or firm  
15 involved with a newly constructed, or moderately or  
16 substantially rehabilitated project under  
17 section [~~201H-36(a)(5)~~] 201H-36(a)(6) for exemption  
18 from general excise taxes;

19 (2) The qualified person or firm has entered into a  
20 contract with a general contractor or subcontractors  
21 whose workforce is subject to either:



1 (A) A collective bargaining agreement with a bona  
2 fide labor union for which a section  
3 ~~[201H-36(a)-(5)]~~ 201H-36(a)(6) prevailing wage for  
4 the laborers and mechanics employed for the  
5 construction project has been approved by the  
6 director; or

7 (B) A project labor agreement with the group whose  
8 wages are reflected in the Hawaii prevailing wage  
9 schedule for which section ~~[201H-36(a)-(5)]~~  
10 201H-36(a)(6) prevailing wages for the laborers  
11 and mechanics employed for the construction  
12 project have been approved by the director; and

13 (3) The qualified person or firm has received no other  
14 direct or indirect financing for the construction  
15 project from any other governmental contracting  
16 agency, including the Hawaii housing finance and  
17 development corporation."

18 SECTION 4. Section 201H-36, Hawaii Revised Statutes, is  
19 amended by amending subsections (a) and (b) to read as follows:

20 "(a) In accordance with section 237-29, the corporation  
21 may approve and certify for exemption from general excise taxes



1 any qualified person or firm involved with a newly constructed,  
2 or a moderately or substantially rehabilitated, project that is:

3 (1) Developed under this part;

4 (2) Developed under a government assistance program  
5 approved by the corporation, including but not limited  
6 to the United States Department of Agriculture's  
7 section 502 direct loan program and Federal Housing  
8 Administration's section 235 program;

9 (3) Developed under the sponsorship of a private nonprofit  
10 organization providing home rehabilitation or new  
11 homes for qualified families in need of decent,  
12 low-cost housing;

13 (4) Developed by a qualified person or firm to provide  
14 affordable rental housing where at least fifty per  
15 cent of the available units are for households with  
16 incomes at or below eighty per cent of the [area]  
17 median family income as determined by the United  
18 States Department of Housing and Urban Development, of  
19 which at least twenty per cent of the available units  
20 are for households with incomes at or below sixty per  
21 cent of the [area] median family income as determined



1 by the United States Department of Housing and Urban  
2 Development; [~~or~~]

3 (5) Developed under a county assistance program approved  
4 by the corporation, where at least fifty per cent of  
5 the available units are for households with incomes at  
6 or below one hundred per cent of the median family  
7 income as determined by the United States Department  
8 of Housing and Urban Development; or

9 [~~(5)~~] (6) Approved or certified from July 1, 2018, to June  
10 30, 2030, and developed under a contract described in  
11 section 104-2(i)(2) by a qualified person or firm to  
12 provide affordable rental housing through new  
13 construction or substantial rehabilitation; provided  
14 that:

15 (A) The allowable general excise tax and use tax  
16 costs shall apply to contracting only and shall  
17 not exceed \$30,000,000 per year in the aggregate  
18 for all projects approved and certified by the  
19 corporation; and

20 (B) All available units are for households with  
21 incomes at or below one hundred forty per cent of





1           the [area] median family income as determined by  
2           the United States Department of Housing and Urban  
3           Development, of which at least twenty per cent of  
4           the available units are for households with  
5           incomes at or below eighty per cent of the [area]  
6           median family income as determined by the United  
7           States Department of Housing and Urban  
8           Development; provided that an owner shall not  
9           refuse to lease a unit solely because the  
10          applicant holds a voucher or certificate of  
11          eligibility under section 8 of the United States  
12          Housing Act of 1937, as amended.

13          (b) To obtain certification for exemption under this  
14          section, rental housing projects shall, unless exempted by the  
15          corporation, enter into a regulatory agreement with the  
16          corporation to ensure the project's continued compliance with  
17          the applicable eligibility requirements set forth in subsection  
18          (a), as follows:

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



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

4 (3) For new construction projects, a minimum term of  
5 thirty years from the date of issuance of the  
6 certificate of occupancy[-]; provided that for new  
7 construction projects developed under a county  
8 assistance program, the minimum term shall be fifteen  
9 years from the date of issuance of the certificate of  
10 occupancy."

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

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

17 SECTION 7. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

19 SECTION 8. This Act shall take effect on July 1, 3000;  
20 provided that:



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

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

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

(i) Section 3 of Act 141, Session Laws of Hawaii 2009, as amended by section 3 of Act 102, Session Laws of Hawaii 2015, as amended by section 1 of Act 80, Session Laws of Hawaii 2019, as amended by section 2 of Act 90, Session Laws of Hawaii 2023; and

(ii) Section 3 of Act 98, Session Laws of Hawaii 2012, as amended by section 4 of Act 102, Session Laws of Hawaii 2015, as amended by section 50 of Act 55, Session Laws of Hawaii 2016, as amended by section 2 of Act 80, Session Laws of Hawaii 2019, as amended by section 3 of Act 90, Session Laws of Hawaii 2023; and



1 (C) On July 1, 2031, pursuant to section 4 of Act 31,  
2 Session Laws of Hawaii 2024;

3 (2) The amendments made to section 104-2, Hawaii Revised  
4 Statutes, by section 3 of this Act shall not be  
5 repealed when that section is repealed and reenacted  
6 on June 30, 2030, pursuant to section 5 of Act 54,  
7 Session Laws of Hawaii 2017, as amended by section 4  
8 of Act 39, Session Laws of Hawaii 2018; and

9 (3) The amendments made to section 201H-36, Hawaii Revised  
10 Statutes, by section 4 of this Act shall not be  
11 repealed when that section is repealed and reenacted  
12 on June 30, 2030, pursuant to section 5 of Act 54,  
13 Session Laws of Hawaii 2017, as amended by section 4  
14 of Act 39, Session Laws of Hawaii 2018.



**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. Effective 7/1/3000. (HD1)

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not legislation or evidence of legislative intent.*

