
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;



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 (1) The amendments made to section 46-15.1, Hawaii Revised
2 Statutes, by section 2 of this Act shall not be
3 repealed when that section is repealed and reenacted:
4 (A) On June 30, 2028, pursuant to section 4 of
5 Act 45, Session Laws of Hawaii 2024;
6 (B) On July 1, 2030, pursuant to:
7 (i) Section 3 of Act 141, Session Laws of Hawaii
8 2009, as amended by section 3 of Act 102,
9 Session Laws of Hawaii 2015, as amended by
10 section 1 of Act 80, Session Laws of Hawaii
11 2019, as amended by section 2 of Act 90,
12 Session Laws of Hawaii 2023; and
13 (ii) Section 3 of Act 98, Session Laws of Hawaii
14 2012, as amended by section 4 of Act 102,
15 Session Laws of Hawaii 2015, as amended by
16 section 50 of Act 55, Session Laws of Hawaii
17 2016, as amended by section 2 of Act 80,
18 Session Laws of Hawaii 2019, as amended by
19 section 3 of Act 90, Session Laws of Hawaii
20 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)

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

