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# A BILL FOR AN ACT

PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND 13, OF THE  
HAWAII STATE CONSTITUTION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that Hawaii faces a  
2 severe and ongoing shortage of housing for local residents and  
3 that this crisis cannot be solved without large, sustained  
4 investments in the infrastructure needed to produce new homes.  
5 In particular, there is a shortage of infrastructure in transit-  
6 oriented development areas and other priority growth areas  
7 across all counties. State-funded planning efforts and the  
8 *Hawaii TOD Infrastructure Financing and Delivery Strategy Study*  
9 documented that four transit-oriented-development pilot areas  
10 alone will require hundreds of millions of dollars in new water,  
11 wastewater, drainage, road, and sea-level-rise mitigation  
12 projects to support thousands of new homes. Existing funding  
13 mechanisms--individual project-by-project contributions and  
14 irregular capital improvement program appropriations--are  
15 fragmented, inequitable, and insufficient to provide the scale  
16 and timing of revenue needed for these infrastructure



1 investments. Without adequate funding for housing  
2 infrastructure, Hawaii will not be able to solve its dire  
3 shortage of housing.

4 The legislature further finds that counties have limited  
5 tools to raise the revenues necessary to support housing-  
6 enabling infrastructure. The *Hawaii TOD Infrastructure*  
7 *Financing and Delivery Strategy Study*, funded by the legislature  
8 pursuant to Act 88, Session Laws of Hawaii 2021, concluded that  
9 additional tools, especially value capture mechanisms, are  
10 needed to supplement existing county and state resources and to  
11 provide access to regular, large sources of funds and financing  
12 that do not interfere with counties' normal bonding activities.

13 The legislature also finds that housing infrastructure  
14 growth bonds are a proven value capture tool used in many other  
15 jurisdictions to help fund housing-enabling infrastructure.  
16 Through this form of financing, commonly implemented through tax  
17 increment financing, a county may establish a district and use a  
18 portion of the future growth in real property tax revenues--  
19 generated by new development and appreciation of existing  
20 properties within that district--to pay for present-day  
21 infrastructure. Housing infrastructure growth bonds do not



1 require creating a new tax or increasing property tax rates.  
2 Instead, they designate a portion of the natural growth in  
3 property tax revenues, which is generated by new development and  
4 rising property values within a designated area, and allow those  
5 revenues to be pledged to bonds that provide upfront capital for  
6 infrastructure.

7 In addition, the legislature finds that the *Hawaii TOD*  
8 *Infrastructure Financing and Delivery Strategy Study*  
9 specifically recommended that the State first authorize a ballot  
10 measure for a constitutional amendment to clearly permit  
11 counties to issue housing infrastructure growth bonds and  
12 exclude such bonds from county debt limits and then amend the  
13 tax increment financing statutes to allow additional  
14 flexibility, including non-contiguous districts; the use of tax  
15 increment from higher-value areas to support infrastructure in  
16 areas of need; and, where appropriate, the capture of certain  
17 state-level tax increments.

18 Therefore, the purpose of this Act is to propose amendments  
19 to article VII, sections 12 and 13, of the Hawaii State  
20 Constitution to:



- 1           (1) Expressly authorize the legislature to empower the
- 2                   counties and other political subdivisions of the State
- 3                   to issue housing infrastructure growth bonds, a form
- 4                   of financing payable solely from incremental real
- 5                   property tax revenues generated within designated
- 6                   districts;
- 7           (2) Clarify that these bonds are payable solely from those
- 8                   incremental real property tax revenues and need not be
- 9                   supported by countywide tax increases; and
- 10          (3) Exclude such bonds from county debt limit calculations
- 11                   to the extent they are in fact repaid from those
- 12                   incremental revenues.

13           It is the intent of the legislature that if the proposed

14 constitutional amendments are approved by the electorate,

15 subsequent implementing legislation and county ordinances will

16 establish housing infrastructure growth bond programs consistent

17 with these findings and the best-practice recommendations of the

18 *Hawaii TOD Infrastructure Financing and Delivery Strategy Study*

19 so that new development helps pay for the housing-enabling

20 infrastructure it requires while safeguarding county fiscal

21 health and advancing affordable housing goals statewide.



1 SECTION 2. Article VII, section 12, of the Constitution of  
2 the State of Hawaii is amended to read as follows:

3 "DEFINITIONS; ISSUANCE OF INDEBTEDNESS

4 Section 12. For the purposes of this article:

5 1. The term "bonds" shall include bonds, notes and other  
6 instruments of indebtedness.

7 2. The term "community development" means the planning,  
8 acquisition, ownership, construction, reconstruction,  
9 rehabilitation, or improvement of capital projects or  
10 improvements, including real or personal property, or any  
11 interest therein, that advances a community's values, culture,  
12 and vision. Community development shall be limited to capital  
13 assets and shall not include operating expenses.

14 3. The term "dam and reservoir owner" means any person who  
15 has a right to, title to, or an interest in, a dam, a reservoir,  
16 or the property upon which a dam, a reservoir, or appurtenant  
17 work is located or proposed to be located.

18 [~~2.~~] 4. The term "general obligation bonds" means all  
19 bonds for the payment of the principal and interest of which the  
20 full faith and credit of the State or a political subdivision



1 are pledged and, unless otherwise indicated, includes  
2 reimbursable general obligation bonds.

3 5. The term "housing infrastructure growth bonds" means  
4 all bonds, the principal of and interest on which are payable  
5 from and secured solely by all real property taxes levied by a  
6 political subdivision, such as a county, on the assessed  
7 valuation of the real property in a designated district  
8 established by the political subdivision that is in excess of  
9 the assessed valuation of the real property for the fiscal year  
10 before the effective date specified by resolution of the  
11 political subdivision of the specified public works, public  
12 improvements or other actions necessary for housing and  
13 community development by the political subdivision within the  
14 designated district.

15 [~~3-~~] 6. The term "net revenues" or "net user tax receipts"  
16 means the revenues or receipts derived from:

17 a. A public undertaking, improvement or system remaining  
18 after the costs of operation, maintenance and repair of  
19 the public undertaking, improvement or system, and the  
20 required payments of the principal of and interest on  
21 all revenue bonds issued therefor, have been made; or



1           b. Any payments or return on security under a loan program  
2           or a loan thereunder, after the costs of operation and  
3           administration of the loan program, and the required  
4           payments of the principal of and interest on all  
5           revenue bonds issued therefor, have been made.

6           ~~[4. The term "dam and reservoir owner" means any person~~  
7 ~~who has a right to, title to, or an interest in, a dam, a~~  
8 ~~reservoir, or the property upon which a dam, a reservoir, or~~  
9 ~~appurtenant work is located or proposed to be located.~~

10          5.] 7. The term "person" means an individual, firm,  
11 partnership, corporation, association, cooperative or other  
12 legal entity, governmental body or agency, board, bureau or  
13 other instrumentality thereof, or any combination of the  
14 foregoing.

15          ~~[6.]~~ 8. The term "rates, rentals and charges" means all  
16 revenues and other moneys derived from the operation or lease of  
17 a public undertaking, improvement or system, or derived from any  
18 payments or return on security under a loan program or a loan  
19 thereunder; provided that insurance premium payments,  
20 assessments and surcharges, shall constitute rates, rentals and  
21 charges of a state property insurance program.



1           ~~[7.]~~ 9. The term "reimbursable general obligation bonds"  
2 means general obligation bonds issued for a public undertaking,  
3 improvement or system from which revenues, or user taxes, or a  
4 combination of both, may be derived for the payment of the  
5 principal and interest as reimbursement to the general fund and  
6 for which reimbursement is required by law, and, in the case of  
7 general obligation bonds issued by the State for a political  
8 subdivision, general obligation bonds for which the payment of  
9 the principal and interest as reimbursement to the general fund  
10 is required by law to be made from the revenue of the political  
11 subdivision.

12           ~~[8.]~~ 10. The term "revenue bonds" means all bonds payable  
13 from the revenues, or user taxes, or any combination of both, of  
14 a public undertaking, improvement, system or loan program and  
15 any loan made thereunder and secured as may be provided by law,  
16 including a loan program to provide loans to a state property  
17 insurance program providing hurricane insurance coverage to the  
18 general public.

19           ~~[9.]~~ 11. The term "special purpose revenue bonds" means  
20 all bonds payable from rental or other payments made to an



1 issuer by a person pursuant to contract and secured as may be  
2 provided by law.

3 ~~[10-]~~ 12. The term "user tax" means a tax on goods or  
4 services or on the consumption thereof, the receipts of which  
5 are substantially derived from the consumption, use or sale of  
6 goods and services in the utilization of the functions or  
7 services furnished by a public undertaking, improvement or  
8 system; provided that mortgage recording taxes shall constitute  
9 user taxes of a state property insurance program.

10 The legislature, by a majority vote of the members to which  
11 each house is entitled, shall authorize the issuance of all  
12 general obligation bonds, bonds issued under special improvement  
13 statutes and revenue bonds issued by or on behalf of the State  
14 and shall prescribe by general law the manner and procedure for  
15 such issuance. The legislature by general law shall authorize  
16 political subdivisions to issue general obligation bonds, bonds  
17 issued under special improvement statutes ~~[and]~~, revenue bonds  
18 and housing infrastructure growth bonds and shall prescribe the  
19 manner and procedure for such issuance. All such bonds issued  
20 by or on behalf of a political subdivision shall be authorized  
21 by the governing body of such political subdivision.



1 Special purpose revenue bonds shall only be authorized or  
2 issued to finance facilities of or for, or to loan the proceeds  
3 of such bonds to assist:

- 4 1. Manufacturing, processing or industrial enterprises;
- 5 2. Utilities serving the general public;
- 6 3. Health care facilities provided to the general public  
7 by not-for-profit corporations;
- 8 4. Early childhood education and care facilities provided  
9 to the general public by not-for-profit corporations;
- 10 5. Low and moderate income government housing programs;
- 11 6. Not-for-profit private nonsectarian and sectarian  
12 elementary schools, secondary schools, colleges and  
13 universities;
- 14 7. Agricultural enterprises; or
- 15 8. Dam and reservoir owners; provided that the bonds are  
16 issued for and the proceeds are used to offer loans to  
17 assist dam and reservoir owners to improve their  
18 facilities to protect public safety and provide  
19 significant benefits to the general public as important  
20 water sources,



1 each of which is hereinafter referred to in this paragraph as a  
2 special purpose entity.

3 The legislature, by a two-thirds vote of the members to  
4 which each house is entitled, may enact enabling legislation for  
5 the issuance of special purpose revenue bonds separately for  
6 each special purpose entity, and, by a two-thirds vote of the  
7 members to which each house is entitled and by separate  
8 legislative bill, may authorize the State to issue special  
9 purpose revenue bonds for each single project or multi-project  
10 program of each special purpose entity; provided that the  
11 issuance of such special purpose revenue bonds is found to be in  
12 the public interest by the legislature; [~~and~~] provided further  
13 that the State may combine into a single issue of special  
14 purpose revenue bonds two or more proposed issues of special  
15 purpose revenue bonds to assist:

16 (1) Not-for-profit private nonsectarian and sectarian  
17 elementary schools, secondary schools, colleges[7] and  
18 universities;

19 (2) Dam and reservoir owners; or

20 (3) Agricultural enterprises,



1 separately authorized as aforesaid, in the total amount not  
2 exceeding the aggregate of the proposed separate issues of  
3 special purpose revenue bonds. The legislature may enact  
4 enabling legislation to authorize political subdivisions to  
5 issue special purpose revenue bonds. If so authorized, a  
6 political subdivision by a two-thirds vote of the members to  
7 which its governing body is entitled and by separate ordinance  
8 may authorize the issuance of special purpose revenue bonds for  
9 each single project or multi-project program of each special  
10 purpose entity; provided that the issuance of such special  
11 purpose revenue bonds is found to be in the public interest by  
12 the governing body of the political subdivision. No special  
13 purpose revenue bonds shall be secured directly or indirectly by  
14 the general credit of the issuer or by any revenues or taxes of  
15 the issuer other than receipts derived from payments by a person  
16 or persons under contract or from any security for such contract  
17 or contracts or special purpose revenue bonds and no moneys  
18 other than such receipts shall be applied to the payment  
19 thereof. The governor shall provide the legislature in November  
20 of each year with a report on the cumulative amount of all



1 special purpose revenue bonds authorized and issued, and such  
2 other information as may be necessary."

3 SECTION 3. Article VII, section 13, of the Constitution of  
4 the State of Hawaii is amended to read as follows:

5 **"DEBT LIMIT; EXCLUSIONS**

6 **Section 13.** General obligation bonds may be issued by the  
7 State; provided that such bonds at the time of issuance would  
8 not cause the total amount of principal and interest payable in  
9 the current or any future fiscal year, whichever is higher, on  
10 such bonds and on all outstanding general obligation bonds to  
11 exceed: a sum equal to twenty percent of the average of the  
12 general fund revenues of the State in the three fiscal years  
13 immediately preceding such issuance until June 30, 1982; and  
14 thereafter, a sum equal to eighteen and one-half percent of the  
15 average of the general fund revenues of the State in the three  
16 fiscal years immediately preceding such issuance. Effective  
17 July 1, 1980, the legislature shall include a declaration of  
18 findings in every general law authorizing the issuance of  
19 general obligation bonds that the total amount of principal and  
20 interest, estimated for such bonds and for all bonds authorized  
21 and unissued and calculated for all bonds issued and



1 outstanding, will not cause the debt limit to be exceeded at the  
2 time of issuance. Any bond issue by or on behalf of the State  
3 may exceed the debt limit if an emergency condition is declared  
4 to exist by the governor and concurred to by a two-thirds vote  
5 of the members to which each house of the legislature is  
6 entitled. For the purpose of this paragraph, general fund  
7 revenues of the State shall not include moneys received as  
8 grants from the federal government and receipts in reimbursement  
9 of any reimbursable general obligation bonds [~~which~~] that are  
10 excluded as permitted by this section.

11 A sum equal to fifteen percent of the total of the assessed  
12 values for tax rate purposes of real property in each political  
13 subdivision, as determined by the last tax assessment rolls  
14 pursuant to law, is established as the limit of the funded debt  
15 of such political subdivision that is outstanding and unpaid at  
16 any time.

17 All general obligation bonds for a term exceeding two years  
18 shall be in serial form maturing in substantially equal  
19 installments of principal, or maturing in substantially equal  
20 installments of both principal and interest. The first  
21 installment of principal of general obligation bonds and of



1 reimbursable general obligation bonds shall mature not later  
2 than five years from the date of issue of such series. The last  
3 installment on general obligation bonds shall mature not later  
4 than twenty-five years from the date of such issue and the last  
5 installment on general obligation bonds sold to the federal  
6 government, on reimbursable general obligation bonds and on  
7 bonds constituting instruments of indebtedness under which the  
8 State or a political subdivision incurs a contingent liability  
9 as a guarantor shall mature not later than thirty-five years  
10 from the date of such issue. The interest and principal  
11 payments of general obligation bonds shall be a first charge on  
12 the general fund of the State or political subdivision, as the  
13 case may be.

14 In determining the power of the State to issue general  
15 obligation bonds or the funded debt of any political subdivision  
16 under section 12, the following shall be excluded:

17 1. Bonds that have matured, or that mature in the then  
18 current fiscal year, or that have been irrevocably called for  
19 redemption and the redemption date has occurred or will occur in  
20 the then fiscal year, or for the full payment of which moneys or  
21 securities have been irrevocably set aside.



1           2. Revenue bonds, if the issuer thereof is obligated by  
2 law to impose rates, rentals and charges for the use and  
3 services of the public undertaking, improvement or system or the  
4 benefits of a loan program or a loan thereunder or to impose a  
5 user tax, or to impose a combination of rates, rentals and  
6 charges and user tax, as the case may be, sufficient to pay the  
7 cost of operation, maintenance and repair, if any, of the public  
8 undertaking, improvement or system or the cost of maintaining a  
9 loan program or a loan thereunder and the required payments of  
10 the principal of and interest on all revenue bonds issued for  
11 the public undertaking, improvement or system or loan program,  
12 and if the issuer is obligated to deposit such revenues or tax  
13 or a combination of both into a special fund and to apply the  
14 same to such payments in the amount necessary therefor.

15           3. Special purpose revenue bonds, if the issuer thereof is  
16 required by law to contract with a person obligating such person  
17 to make rental or other payments to the issuer in an amount at  
18 least sufficient to make the required payment of the principal  
19 of and interest on such special purpose revenue bonds.



1           4. Bonds issued under special improvement statutes when  
2 the only security for such bonds is the properties benefited or  
3 improved or the assessments thereon.

4           5. General obligation bonds issued for assessable  
5 improvements, but only to the extent that reimbursements to the  
6 general fund for the principal and interest on such bonds are in  
7 fact made from assessment collections available therefor.

8           6. Reimbursable general obligation bonds issued for a  
9 public undertaking, improvement or system but only to the extent  
10 that reimbursements to the general fund are in fact made from  
11 the net revenue, or net user tax receipts, or combination of  
12 both, as determined for the immediately preceding fiscal year.

13           7. Reimbursable general obligation bonds issued by the  
14 State for any political subdivision, whether issued before or  
15 after the effective date of this section, but only for as long  
16 as reimbursement by the political subdivision to the State for  
17 the payment of principal and interest on such bonds is required  
18 by law; provided that in the case of bonds issued after the  
19 effective date of this section, the consent of the governing  
20 body of the political subdivision has first been obtained; [~~and~~]  
21 provided further that during the period that such bonds are



1 excluded by the State, the principal amount then outstanding  
2 shall be included within the funded debt of such political  
3 subdivision.

4 8. Bonds constituting instruments of indebtedness under  
5 which the State or any political subdivision incurs a contingent  
6 liability as a guarantor, but only to the extent the principal  
7 amount of such bonds does not exceed seven percent of the  
8 principal amount of outstanding general obligation bonds not  
9 otherwise excluded under this section; provided that the State  
10 or political subdivision shall establish and maintain a reserve  
11 in an amount in reasonable proportion to the outstanding loans  
12 guaranteed by the State or political subdivision as provided by  
13 law.

14 9. Bonds issued by or on behalf of the State or by any  
15 political subdivision to meet appropriations for any fiscal  
16 period in anticipation of the collection of revenues for such  
17 period or to meet casual deficits or failures of revenue, if  
18 required to be paid within one year, and bonds issued by or on  
19 behalf of the State to suppress insurrection, to repel invasion,  
20 to defend the State in war or to meet emergencies caused by  
21 disaster or act of God.



1        10. Housing infrastructure growth bonds issued pursuant to  
2 section 12 of this article.

3        The total outstanding indebtedness of the State or funded  
4 debt of any political subdivision and the exclusions therefrom  
5 permitted by this section shall be made annually and certified  
6 by law or as provided by law. For the purposes of section 12  
7 and this section, amounts received from on-street parking may be  
8 considered and treated as revenues of a parking undertaking.

9        Nothing in section 12 or in this section shall prevent the  
10 refunding of any bond at any time."

11        SECTION 4. The question to be printed on the ballot shall  
12 be as follows:

13        "Shall the Hawaii State Constitution be amended to  
14 authorize counties to issue housing infrastructure growth  
15 bonds, the repayment of which shall be secured solely by  
16 the incremental increase in real property tax revenues  
17 attributable to the increase in assessed real property  
18 values within a designated district established for  
19 housing-related public improvements?"



1           SECTION 5. Constitutional material to be repealed is  
2 bracketed and stricken. New constitutional material is  
3 underscored.

4           SECTION 6. This Act shall take effect on July 1, 3000;  
5 provided that these amendments shall take effect upon compliance  
6 with article XVII, section 3, of the Constitution of the State  
7 of Hawaii.



**Report Title:**

Counties; Housing Infrastructure Growth Bonds; Constitutional Amendments

**Description:**

Proposes constitutional amendments to expressly provide that the Legislature may authorize political subdivisions, such as the counties, to issue housing infrastructure growth bonds for specified public works, public improvements, or other actions necessary for housing and community development, and exclude these bonds from determinations of the funded debt of the political subdivisions. Effective 7/1/3000. (HD2)

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

