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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 that are approved and  
8 certified pursuant to sections 237-29 and 201H-36, Hawaii  
9 Revised Statutes, is a valuable incentive for the development and  
10 operation of affordable rental housing in the State. However,  
11 it has proven increasingly difficult to offset rising  
12 construction costs and interest rates using these exemptions  
13 alone, creating the need for additional incentives to achieve  
14 project development and completion.

15           The legislature further finds that county assistance  
16 programs that encourage the development of affordable housing,  
17 when leveraged in addition to state-administered incentives,



1 would help to achieve comprehensive project financing and  
2 maximize support for affordable housing development.

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

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

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



1 projects initially approved and certified before July 1, 2026,  
2 shall be granted an exemption from general excise or receipts  
3 taxes in the same manner as projects of the Hawaii housing  
4 finance and development corporation pursuant to section 201H-36;  
5 provided further that county projects shall prioritize  
6 walkability to the extent practicable; provided further that  
7 section 201H-16 shall not apply to this section unless federal  
8 guidelines specifically provide local governments with that  
9 authorization and the authorization does not conflict with any  
10 state laws. The powers shall include the power, subject to  
11 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 104-2, Hawaii Revised Statutes, is  
10 amended by amending subsection (i) to read as follows:

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

15 (1) The Hawaii housing finance and development corporation  
16 has approved and certified a qualified person or firm  
17 involved with a newly constructed, or moderately or  
18 substantially rehabilitated project under section  
19 [~~201H-36(a)(5)~~] 201H-36(a)(6) for exemption from  
20 general excise taxes;



- 1           (2) The qualified person or firm has entered into a  
2           contract with a general contractor or subcontractors  
3           whose workforce is subject to either:
- 4           (A) A collective bargaining agreement with a bona  
5           fide labor union for which a section  
6           ~~[201H-36(a)(5)]~~ 201H-36(a)(6) prevailing wage for  
7           the laborers and mechanics employed for the  
8           construction project has been approved by the  
9           director; or
- 10          (B) A project labor agreement with the group whose  
11          wages are reflected in the Hawaii prevailing wage  
12          schedule for which section ~~[201H-36(a)(5)]~~  
13          201H-36(a)(6) prevailing wages for the laborers  
14          and mechanics employed for the construction  
15          project have been approved by the director; and
- 16          (3) The qualified person or firm has received no other  
17          direct or indirect financing for the construction  
18          project from any other governmental contracting  
19          agency, including the Hawaii housing finance and  
20          development corporation."



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

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

7 (1) Developed under this part;

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

13 (3) Developed under the sponsorship of a private nonprofit  
14 organization providing home rehabilitation or new  
15 homes for qualified families in need of decent,  
16 low-cost housing;

17 (4) Developed by a qualified person or firm to provide  
18 affordable rental housing where at least fifty per  
19 cent of the available units are for households with  
20 incomes at or below eighty per cent of the area median  
21 family income as determined by the United States



1 Department of Housing and Urban Development, of which  
2 at least twenty per cent of the available units are  
3 for households with incomes at or below sixty per cent  
4 of the area median family income as determined by the  
5 United States Department of Housing and Urban  
6 Development; [~~or~~]

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

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

19 (A) The allowable general excise tax and use tax  
20 costs [~~shall apply to contracting only and~~] shall  
21 not exceed \$30,000,000 per year in the aggregate



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

17 (b) To obtain certification for exemption under this  
18 section, rental housing projects shall, unless exempted by the  
19 corporation, enter into a regulatory agreement with the  
20 corporation to ensure the project's continued compliance with



1 the applicable eligibility requirements set forth in subsection  
2 (a), as follows:

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

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

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

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

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



1 SECTION 7. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 8. This Act shall take effect on July 1, 2050;  
4 provided that:

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

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

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

11 (i) Section 3 of Act 141, Session Laws of Hawaii  
12 2009, as amended by section 3 of Act 102,  
13 Session Laws of Hawaii 2015, as amended by  
14 section 1 of Act 80, Session Laws of Hawaii  
15 2019, as amended by section 2 of Act 90,  
16 Session Laws of Hawaii 2023; and

17 (ii) Section 3 of Act 98, Session Laws of Hawaii  
18 2012, as amended by section 4 of Act 102,  
19 Session Laws of Hawaii 2015, as amended by  
20 section 50 of Act 55, Session Laws of Hawaii  
21 2016, as amended by section 2 of Act 80,



1 Session Laws of Hawaii 2019, as amended by  
2 section 3 of Act 90, Session Laws of Hawaii  
3 2023;

4 (2) The amendments made to section 201H-36, Hawaii Revised  
5 Statutes, by section 4 of this Act shall not be  
6 repealed when that section is repealed and reenacted  
7 on June 30, 2030, pursuant to section 5 of Act 54,  
8 Session Laws of Hawaii 2017, as amended by section 4  
9 of Act 39, Session Laws of Hawaii 2018; and

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

14



S.B. NO. 2676  
S.D. 1

**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, including for non-contracting costs, for certain housing development projects developed under county housing incentive programs. Makes conforming amendments. Sunsets 7/1/2031. Effective 7/1/2050. (SD1)

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

