

## ACT 132

H.B. NO. 2305

A Bill for an Act Relating to the Dwelling Unit Revolving Fund.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that orderly and planned infrastructure construction is the foundation for planned population growth and desirable communities. It is a public purpose for which public funds should be appropriated and expended. Infrastructure construction should be coordinated and timed or phased with planned development. Adequate infrastructure to accommodate future growth would provide livable communities with a desirable quality of life, make possible strategically situated affordable housing near jobs, and allow necessary infrastructure capacity to support development. Based on population projections prepared by the State, the individual counties would first plan and determine where growth is desirable and then proceed to construct, in coordination with applicable state agencies, the infrastructure to support the planned growth in those areas.

Population increase will occur, and economic growth is necessary. Therefore, both should be planned for properly. Prior experience indicates that the lack of adequate infrastructure is a severe constraint to future growth. For example, as Honolulu plans for its new fixed guideway system, discussion will focus on quality of life issues as the community begins to balance higher densities in and around the transit corridor with the need to protect open space and agricultural areas. Infrastructure capacity must be increased to accommodate higher densities in and around the transit corridor. While this problem is most evident on Oahu, the neighbor islands also suffer from lack of infrastructure capacity to

accommodate future growth. It is necessary to assist all counties, in accordance with an orderly and predictable plan for increasing infrastructure capacity, to better utilize existing areas for planned growth and mitigate impacts to areas that are appropriate for growth.

The State's role in dealing with this growth would be to provide coordination with the counties on "regional state infrastructure" construction in areas of planned growth. Although the primary responsibility for meeting basic municipal infrastructure needs continues to reside with the counties, much of the work will need to be coordinated with the State for "regional state infrastructure improvements." Infrastructure projects included under this Act are regional sewer, water, drainage, roads, and telecommunications and broadband, if a project increases the capacity to accommodate future growth, and not solely benefit one particular project. Increased capacity is distinguishable from maintenance. While maintenance would increase the life of the facility or infrastructure, only projects that would result in increased infrastructure capacity would be eligible for supplemental funding under this Act.

The purpose of this Act is to provide grants and loans to state agencies, and loans to the counties and private developers for infrastructure improvements. Furthermore, the intent of this Act is to allow for innovative financing techniques, such as tax increment financing and improvement districts, to fund loans based upon the use of the new infrastructure capacity.

SECTION 2. Chapter 201H, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**“§201H- Regional state infrastructure subaccounts.** (a) The corporation, upon request by a county, may establish and operate a regional state infrastructure subaccount within the dwelling unit revolving fund established pursuant to section 201H-191 for the benefit of the housing and mixed-use transit-oriented development projects within the county.

(b) Each regional state infrastructure subaccount shall consist of the following sources of revenue:

- (1) Moneys received by the corporation from counties for the repayment of the loan principal and the payment of simple interest from various assessments or fees from special improvement districts, improvement districts, tax increment financing districts, community facilities districts, and other areas where property value increases are captured over periods of time for the purposes of infrastructure financing;
- (2) Appropriations from the legislature;
- (3) Federal grants and subsidies to the State or counties;
- (4) Private investments; and
- (5) Voluntary contributions.

(c) The corporation shall expend revenues in the subaccounts to make grants and loans to state agencies, and loans to counties or private developers, for the costs, in whole or in part, of infrastructure improvements that would increase the capacity of the infrastructure facilities, including regional sewer systems, water systems, drainage systems, roads, and telecommunications and broadband.

Grants and loans shall be made only for capital improvement projects approved by the respective county council and mayor, or state agency, as applicable, with a view towards planned growth rather than upkeep and maintenance.

(d) Eligible costs shall include those for planning, design, feasibility studies, construction, and materials. No grant or loan shall be made:

- (1) For maintenance or repair costs unless the construction would simultaneously increase the carrying capacity of the infrastructure facility; or
- (2) Solely for mass transit or electrical utilities.

The corporation may also expend revenues in the subaccounts to repay private investors for their investment plus any interest accrued on their investments made into the subaccounts to finance, in whole or in part, infrastructure improvements that would increase the capacity of the infrastructure facilities, including regional sewer systems, water systems, drainage systems, roads, and telecommunications and broadband.

(e) The corporation may accept improved land from the counties or private developers in repayment of their loans.

(f) The corporation shall adopt rules in accordance with chapter 91 for the purposes of this section.”

SECTION 3. Section 201H-191, Hawaii Revised Statutes, is amended to read as follows:

~~“[§201H-191]~~ **Dwelling unit revolving fund.** (a) There is created a dwelling unit revolving fund. The funds appropriated for the purpose of the dwelling unit revolving fund and all moneys received or collected by the corporation for the purpose of the revolving fund shall be deposited in the revolving fund. The proceeds in the revolving fund shall be used to reimburse the general fund to pay the interest on general obligation bonds issued for the purposes of the revolving fund, for the necessary expenses in administering housing development programs[;] and regional state infrastructure programs, and for carrying out the purposes of housing development programs[;] and regional state infrastructure programs, including but not limited to the expansion of community facilities and regional state infrastructure constructed in conjunction with housing and mixed-use transit-oriented development projects, permanent primary or secondary financing, and supplementing building costs, federal guarantees required for operational losses, and all things required by any federal agency in the construction and receipt of federal funds or low-income housing tax credits for housing projects.

(b) Subject to the requirements of subsection (a), proceeds in the revolving fund may be used to establish and operate regional state infrastructure subaccounts pursuant to section 201H- .”

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.<sup>1</sup>

SECTION 5. This Act shall take effect on July 1, 2016.

(Approved June 29, 2016.)

**Note**

1. Edited pursuant to HRS §23G-16.5.