

JAN 25 2023

A BILL FOR AN ACT

RELATING TO RENT TO BUILD EQUITY.

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

1 SECTION 1. The legislature finds that the State's
2 residents are facing a housing crisis. It is estimated that
3 Hawaii needs sixty-five thousand to eighty thousand new units to
4 keep up with housing demand. High demand and low supply result
5 in housing prices that are simply too expensive for most local
6 families. As of September 2018, the median home price on Oahu
7 was \$810,000.

8 The legislature also finds that long-term renters are even
9 worse off. As rents hit historic highs, families are forced to
10 dedicate more of their monthly incomes to rent, which prohibits
11 them from making investments in their futures, paying off debt,
12 or saving for home ownership. This is partially a result of
13 Hawaii's development environment, in which renters have become
14 increasingly disadvantaged while mainland and foreign developers
15 siphon rental income or reap the profits of housing developments
16 built with state benefits subsidized by state taxpayers.



1 The legislature notes that although developers may build
2 affordable rental properties to take advantage of certain
3 exemptions under the law, these developers often subsequently
4 sell their properties at market rates after the initial
5 affordable rental period expires. Families who had relied on
6 affordable housing are then forced to find new housing
7 accommodations, often without substantial savings or investments
8 of their own.

9 The legislature therefore believes that developers who use
10 state incentives should be required to share a portion of their
11 sale profits with affordable housing tenants. Profit-sharing
12 will facilitate the reinvestment of these profits in Hawaii's
13 economy and enable local families to invest in their futures by
14 building equity in homes of their own.

15 Accordingly, the purpose of this Act is to require
16 developers of housing projects that are exempt from certain laws
17 to enter into profit-sharing agreements with the tenants of
18 those properties.

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



1 "§201H- Rent-to-build equity requirement. (a) A
2 developer that is:

3 (1) A qualified person or firm that is exempt from general
4 excise taxes on a newly constructed project under
5 section 201H-36; or
6 (2) An eligible developer or firm whose newly constructed
7 project is a housing project that received any of the
8 exemptions under section 201H-38,
9 shall enter into a rent-to-build equity agreement with each
10 tenant of the project pursuant to subsection (b) for all units
11 leased after January 1, 2024.

12 (b) A rent-to-build equity agreement shall require that if
13 the developer sells the project, the developer shall pay the
14 tenant a prorated share of twenty per cent of the sale price of
15 the project, based on the number of years the tenant lived in
16 the project.

17 (c) The board may adopt rules pursuant to chapter 91 to
18 implement this section.

19 (d) This section shall apply prospectively and only to
20 housing projects that are approved after July 1, 2023. This
21 section does not affect rights and duties that matured,



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1 penalties that were incurred, and proceedings that were begun
2 before its effective date."

3 SECTION 3. New statutory material is underscored.

4 SECTION 4. This Act shall take effect on July 1, 2023.

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INTRODUCED BY:

Kurt Fevola



S.B. NO. 1248

Report Title:

Housing Development; Exempt Projects; Rent-to-Equity

Description:

Requires developers of housing projects that are exempt from certain laws to enter into profit-sharing agreements with the tenants of those properties. Applies to new housing projects approved after July 1, 2023.

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