

JAN 25 2023

A BILL FOR AN ACT

RELATING TO THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY.

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

1 SECTION 1. The United States Department of Housing and
2 Urban Development encourages authorities undertaking
3 redevelopment efforts to create financially viable and socially
4 stable communities through mixed-income development. The Hawaii
5 community development authority has strived to create a dynamic
6 urban neighborhood in Kakaako, where a mix of people with a wide
7 range of socio-economic status, live, work, and play in the
8 mixed-income mixed-use neighborhood.

9 The legislature has for several years acknowledged that
10 there exists a need for housing statewide. Given the acute lack
11 of housing, a multi-pronged approach is necessary to meet the
12 current and future housing demands in the state. Development of
13 housing units, affordable at all levels of income, as well as
14 ownership types (rental, for sale leasehold, for sale fee
15 simple) must be explored to meet the current and future demands.

16 Leasehold housing units tend to be more affordable than fee
17 simple housing units, if the land on which housing is developed
18 is owned by the state and leased to a developer for housing

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1 development. Developing multi-family housing units on a lot
2 lowers the cost of land for the development, which in turn will
3 lower the sales price of the housing units. Because the cost of
4 leasehold land is lower than fee simple land and paid over a
5 longer period, it further reduces the land cost and makes the
6 housing units even more affordable. Because the land will be in
7 leasehold, the state will continue to be the fee owner of the
8 land. Therefore, encouraging development of for sale leasehold
9 housing units is a viable strategy in meeting housing demand.
10 However, the term of the lease needs to be long enough to make
11 for sale leasehold housing units attractive to buyers as well as
12 lenders. Typically, a ninety-nine-year lease is considered to
13 be adequate to attract both lenders and buyers.

14 Given its experience and expertise in developing affordable
15 housing in Kakaako, the Hawaii community development authority
16 is ideally suited for developing for sale leasehold housing
17 units in community development districts. Therefore, the
18 purpose of this Act is to provide additional means to increase
19 the supply of housing in Hawaii by allowing the Hawaii community
20 development authority to lease real property for a term of
21 ninety-nine years.

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1 SECTION 2. Section 206E-14, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§206E-14 Sale or lease of redevelopment projects. (a)
4 The authority may, without recourse to public auction, sell, or
5 lease for a term not exceeding [~~sixty-five~~] ninety-nine years,
6 all or any portion of the real or personal property, except that
7 leases of lands that were classed as crown lands previous to
8 August 15, 1895, shall have a term not exceeding sixty-five
9 years, constituting a redevelopment project to any person, upon
10 such terms and conditions as may be approved by the authority,
11 if the authority finds that the sale or lease is in conformity
12 with the community development plan.

13 For the stadium development district, leases shall not
14 exceed a term of ninety-nine years.

15 (b) In the case of residential projects or redevelopment
16 projects, the terms of the sale shall provide for the repurchase
17 of the property by the authority at its option, in the event
18 that the purchaser, if other than a state agency, desires to
19 sell the property within ten years, provided that this
20 requirement may be waived by the authority if the authority
21 determines that a waiver will not be contrary to the community
22 development plan. The authority shall establish at the time of

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1 original sale a formula setting forth a basis for a repurchase
2 price based on market considerations including but not being
3 limited to interest rates, land values, construction costs, and
4 federal tax laws.

5 If the purchaser in a residential project is a state
6 agency, the authority may include as a term of the sale a
7 provision for the repurchase of the property in conformance with
8 this section.

9 (c) The Hawaii community development authority may
10 promulgate rules under chapter 91 relating to sales by unit
11 purchasers in a residential leasehold project."

12 SECTION 3. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: W. M. D. W.

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BY REQUEST

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Report Title:

Affordable Housing; Hawaii Community Development Authority;
Lease of State Land

Description:

Increases options to build affordable housing in Hawaii Community Development Authority districts by increasing the permissible lease term to ninety-nine years. Prohibits the Hawaii Community Development Authority from encumbering lands that were classed as crown lands previous to August 15, 1895, in leases longer than sixty-five years.

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

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY.

PURPOSE: To authorize the Hawaii Community Development Authority (the Authority) to lease property for ninety-nine years (for non-crown lands) instead of the current sixty-five years, creating additional options for housing development, including but not limited to rentals and for sale projects.

MEANS: Amend section 206E-14, Hawaii Revised Statutes.

JUSTIFICATION: The Authority is the State's redevelopment agency, responsible for community renewal by promoting and coordinating public and private sector development. To encourage redevelopment of areas in need, the Authority, with input from the community, develops policies and plans for its districts, and then constructs infrastructure to encourage redevelopment.

The Authority also creates programs that create affordable housing without the use of government subsidies, for example, the Reserved and Workforce Housing program.

As the need for more affordable housing grows, so does the need for innovative ways of creating new housing at affordable prices. New options for financing, resourcing building material, and policy making are all needed to provide homes for future generations in Hawaii, where land is limited. This bill offers the opportunity for additional housing options in the Authority's designated districts and would allow the Authority to enter into ninety-nine-year leases with developers to develop

a for sale leasehold product, or to develop rental housing. However, ninety-nine-year leases for crown lands would be prohibited and limited to a term not exceeding sixty-five years.

Leasehold housing units tend to be more affordable than fee simple housing units if the land on which housing is developed is owned by the state and leased to a developer for housing development. Developing multi-family housing units on a lot lowers the cost of land for the development, which in turn will lower the sales price of the housing units. Because the cost of leasehold land is lower than fee simple land and paid over a longer period, it further reduces the land cost and makes the housing units even more affordable. Because the land will be in leasehold, the state will continue to be the fee owner of the land. Therefore, encouraging development of for sale leasehold housing units is a viable strategy in meeting housing demand. However, the term of the lease needs to be long enough to make for sale leasehold housing units attractive to buyers as well as lenders. Typically, a ninety-nine-year lease is considered to be adequate to attract both lenders and buyers.

Impact on the public: The general public could benefit significantly from the new housing developed, especially if it is done in a timely manner, and without tax dollars.

Impact on the department and other agencies: The ability to offer sustainable long-term ninety-nine-year leases, on non-crown lands, for housing will also enhance the Authority's ability to produce housing for generations, something that is a challenge with a shorter duration, sixty-five-year lease.

GENERAL FUND:

None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BED-150.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.