

STAND. COM. REP. NO.

474

Honolulu, Hawaii

**FEB 13 2025**

RE: S.B. No. 612  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 612  
entitled:

"A BILL FOR AN ACT RELATING TO RENT TO BUILD EQUITY,"

begs leave to report as follows:

The purpose and intent of this measure is to require  
developers of new housing projects that are approved after July 1,  
2025, and exempt from certain laws to enter into profit-sharing  
agreements with the tenants of those properties.

Your Committee received testimony in support of this measure  
from three individuals.

Your Committee received comments on this measure from the  
Hawaii Housing Finance and Development Corporation (HHFDC).

Your Committee finds that developers of affordable housing  
who receive certain subsidies are only required to keep the units  
"affordable" for a specific period of time. When the  
affordability commitment period ends, the developer can sell the  
units or project, realizing all the equity, or can rent the units  
that were once deemed "affordable" at market rates. Accordingly,  
residents who relied on the affordability of those units are put  
at risk of being displaced if they cannot afford the market rent.  
Furthermore, despite some tenants paying decades worth of rent to  
the developer, the developer solely realizes all the equity from



any sale of the units or project. This measure would therefore require developers of new housing projects to enter into an agreement with tenants that would allow the tenants to share in these profits in certain circumstances.

Your Committee notes the concerns raised in testimony that this measure may have the unintended consequence of exacerbating the State's housing shortage and potentially leading to developers being unable to cover rehabilitation costs. Other options could be explored to disincentivize developers from selling their properties at market rates after the initial affordability commitment period ends. Accordingly, amendments to this measure are necessary to address these concerns.

Your Committee further finds that nearly fifteen thousand state-financed affordable housing units will expire by the year 2100. As a result, the expiration on affordability will potentially displace these existing tenants. Therefore, data from a study will allow the State to examine rent-to-build equity options to mitigate the impacts of expired affordable housing units.

Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have required HHFDC to establish a statutory rent-to-build equity requirement;
- (2) Inserting language that requires HHFDC to conduct a study on rent-to-build equity for existing and future state financed housing, including additional options such as:
  - (A) The imposition of conveyance tax, capital gains tax, or other taxes on projects following the expiration of the affordability period; and
  - (B) Requirements to pay for tenant assistance for any displaced tenants;
- (3) Requiring HHFDC to submit a report of its findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2026;



- (4) Inserting an effective date of July 1, 2050, to encourage further discussion;
- (5) Amending section 1 to reflect its amended purpose; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 612, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 612, S.D. 1, and be referred to your Committees on Commerce and Consumer Protection and Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Housing,

  
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STANLEY CHANG, Chair



