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# A BILL FOR AN ACT

RELATING TO WORKFORCE HOUSING.

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

1       SECTION 1. The legislature finds that the current  
2 executive administration has made significant attempts to  
3 increase Hawaii's housing supply, including prioritization of  
4 affordable housing and addressing zoning and permitting  
5 inefficiencies. The administration advocated for faster  
6 processing of housing permits and increasing land availability  
7 for residential development. Despite these efforts, progress  
8 has stalled due to bureaucratic challenges, lengthy regulatory  
9 processes, and limited coordination between state agencies.

10       The legislature also finds that workforce housing is  
11 critical for the State, as housing in close proximity to  
12 emerging industries provides affordable living options for  
13 essential workers who are vital to the State's economy.  
14 Increasing workforce housing helps stabilize communities, reduce  
15 commute times, and enhance the quality of life for residents. A  
16 regulatory sandbox could serve as a pathway to expand workforce  
17 housing by allowing developers to test innovative housing



1 solutions under relaxed permitting and regulatory requirements.  
2 By fostering collaboration between dedicated state agencies, the  
3 sandbox can accelerate the creation of workforce housing while  
4 addressing broader housing shortages in the State.

5 The legislature additionally finds that a 2019 study  
6 conducted by the Hawaii Housing Planning Study projected that  
7 the State would need approximately 50,156 new housing units by  
8 2025 to meet existing demand, with a significant portion of this  
9 demand being for workforce housing. If targeted efforts were  
10 made to improve the workforce housing supply, meeting twenty per  
11 cent of this demand through innovative regulatory approaches  
12 such as a regulatory sandbox could provide more than ten  
13 thousand units, significantly easing the housing crisis over the  
14 next decade.

15 The legislature further finds that, if the Hawaii housing  
16 finance and development corporation administers the regulatory  
17 sandbox, the corporation can ensure effective operations and  
18 alignment with the State's unique needs and priorities.  
19 Establishing an advisory council with environmental and cultural  
20 advisors can also help ensure that innovative housing solutions  
21 respect Hawaii's natural resources and cultural heritage. This



1 collaborative approach will balance the urgency of addressing  
2 the housing crisis with the responsibility of preserving the  
3 State's environmental and cultural integrity.

4 Urgency for innovative approaches has never been greater,  
5 as the State's housing crisis forces more local families to  
6 leave the State in search of affordable living. Addressing this  
7 challenge by developing ten thousand workforce housing units  
8 will be a complex endeavor that promises lasting solutions to  
9 sustain the State's growth.

10 Accordingly, the purpose of this Act is to:

- 11 (1) Establish a regulatory sandbox with the Hawaii housing  
12 finance and development corporation to provide  
13 temporary regulatory flexibility for the development  
14 of innovative workforce housing solutions; and  
15 (2) Establish an advisory council to support the workforce  
16 housing regulatory sandbox.

17 SECTION 2. For the purposes of this Act:

18 "Corporation" means the Hawaii housing finance and  
19 development corporation.



1 "Regulatory sandbox" means a temporarily modified  
2 regulatory framework that enables workforce housing developers  
3 to test innovative solutions.

4 "Workforce housing" means housing targeted for households  
5 earning between sixty per cent and one hundred forty per cent of  
6 the area median income, adjusted for high-cost area for  
7 determining area median income and family size, as defined by  
8 the United States Department of Housing and Urban Development.

9 SECTION 3. (a) There is established the workforce housing  
10 regulatory sandbox program to be administered by the  
11 corporation.

12 (b) Notwithstanding any other law, rule, ordinance, or  
13 code to the contrary, the workforce housing regulatory sandbox  
14 program shall be vested with the authority to waive or  
15 temporarily modify permitting processes and other regulatory  
16 requirements for eligible workforce housing projects to  
17 encourage innovation and reduce barriers to construction.

18 SECTION 4. (a) There is established an advisory council  
19 to provide guidance and oversight for the workforce housing  
20 regulatory sandbox program.



1 (b) The advisory council shall consist of the following  
2 members or their designees:

3 (1) The director of the office of planning and sustainable  
4 development, who shall serve as chairperson;

5 (2) The executive director of the corporation;

6 (3) The chairperson of the board of land and natural  
7 resources;

8 (4) One representative from the state historic  
9 preservation division;

10 (5) Each director of a county department of planning or  
11 department of planning and permitting, as applicable;

12 (6) Each director of a county department of public works  
13 or department of facility maintenance, as applicable;

14 (7) One representative who shall have a demonstrated  
15 knowledge of sustainable development practices, to be  
16 invited by the chairperson;

17 (8) One representative who shall be a cultural expert in  
18 Native Hawaiian traditional and customary practices,  
19 to be invited by the chairperson;

20 (9) One representative from the private housing  
21 development sector, to be invited by the chairperson;



- 1       (10) One representative from a nonprofit housing  
2               organization, to be invited by the chairperson; and  
3       (11) Other members whose expertise is relevant to the goals  
4               of the workforce housing regulatory sandbox program,  
5               who shall be invited by the advisory council.  
6       (c) The advisory council shall:  
7       (1) Provide recommendations to the corporation regarding  
8               cultural, environmental, and sustainability  
9               considerations; and  
10       (2) Monitor projects to ensure compliance with the  
11               objectives of the regulatory sandbox.

12       SECTION 5. (a) Developers seeking entry into the  
13       regulatory sandbox shall submit an application to the  
14       corporation that includes:

- 15       (1) A description of the proposed innovative workforce  
16               housing solution;  
17       (2) An explanation of how the project addresses  
18               affordability, sustainability, and expedited  
19               construction; and  
20       (3) An assessment of potential environmental and cultural  
21               impacts, including proposed mitigation measures.



1 (b) Projects shall meet the following criteria for  
2 consideration:

- 3 (1) Demonstrate alignment with the affordability targets  
4 of workforce housing;  
5 (2) Incorporate sustainable building practice; and  
6 (3) Demonstrate potential for significant reduction in  
7 construction timelines.

8 SECTION 6. (a) As authorized under section 3(b), the  
9 workforce housing regulatory sandbox program may temporarily  
10 waive or modify regulatory requirements for approved projects  
11 including but not limited to:

- 12 (1) Expedited permitting processes;  
13 (2) Reduced or waived infrastructure capacity fees; or  
14 (3) Flexible zoning and land use requirements.

15 (b) All waivers or modifications shall be subject to  
16 review and approval by the advisory council.

17 SECTION 7. Developers participating in the workforce  
18 housing regulatory sandbox program shall ensure that:

- 19 (1) Sale prices or rents remain affordable for workforce  
20 households earning between sixty per cent and one



1           hundred forty per cent of the area median income for a  
2           minimum of ten years;

3           (2) Units shall be prohibited from being used as short-  
4           term rentals for at least ten years;

5           (3) Units shall be owned or rented by legal United States  
6           residents and occupied full-time by the resident's  
7           household; and

8           (4) At least one adult in each household shall work an  
9           average of thirty hours or more per week at a business  
10          operating in the State;

11       provided that deed restrictions or equivalent legal mechanisms  
12       shall be used to enforce the requirements in accordance with  
13       this section.

14       SECTION 8. (a) The corporation shall monitor the progress  
15       of all projects in the workforce housing regulatory sandbox  
16       program and ensure compliance with the objectives of this Act.

17       (b) The corporation shall submit a report of its findings  
18       and recommendations, including any proposed legislation, to the  
19       legislature no later than twenty days prior to the convening of  
20       each regular session for the duration of the program. The  
21       report shall include:





- 1 (1) The number and types of projects approved;
- 2 (2) The regulatory modifications granted;
- 3 (3) Outcomes related to affordability, sustainability, and
- 4 construction timelines; and
- 5 (4) Future improvements or extension of the workforce
- 6 housing regulatory sandbox program.

7 SECTION 9. There is appropriated out of the general  
8 revenues of the State of Hawaii the sum of \$5,000,000 or so much  
9 thereof as may be necessary for fiscal year 2025-2026 and the  
10 same sum or so much thereof as may be necessary for fiscal year  
11 2026-2027 for the establishment and operation of the workforce  
12 housing regulatory sandbox program established pursuant to this  
13 Act, including administrative costs, staffing, and support for  
14 approved projects.

15 The sums appropriated shall be expended by the Hawaii  
16 housing finance and development corporation for the purposes of  
17 this Act.

18 SECTION 10. This Act shall take effect on July 1, 3000;  
19 provided that this Act shall be repealed on June 30, 2030.



# H.B. NO. 1317 H.D. 1

**Report Title:**

HHFDC; Workforce Housing Regulatory Sandbox Program; Advisory Council; Workforce Housing; Permitting; Affordable Housing; Reports; Appropriation

**Description:**

Establishes the Workforce Housing Regulatory Sandbox Program within the Hawaii Housing Finance and Development Corporation. Establishes an advisory council within the Workforce Housing Regulatory Sandbox Program to advise on environmental and cultural practices within specific developments. Requires annual reports to the Legislature. Appropriates funds. Repeals 6/30/2030. Effective 7/1/3000. (HD1)

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