

JAN 19 2018

A BILL FOR AN ACT

RELATING TO AFFORDABLE HOUSING.

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

1 SECTION 1. The legislature finds that the Front street
2 apartments on the island of Maui provide affordable housing to
3 more than two hundred fifty low-income residents. The Front
4 street apartments were developed in 2001 as an affordable rental
5 housing project with one hundred forty-two units, using state
6 financing and state tax credits, and were expected to remain
7 affordable to low-income tenants for fifty years. However, the
8 owners of the Front street apartments recently exercised an
9 option to remove the property from affordability requirements
10 that were tied to the development of the property, and this
11 change will allow them to begin renting available apartments at
12 market rates and to raise rents for existing tenants within a
13 few years.

14 The legislature further finds that many tenants of the
15 Front street apartments were not previously aware of this threat
16 to their housing and are worried that the removal of
17 affordability requirements could leave them homeless. There is



1 a severe shortage of affordable housing on the island of Maui,
2 especially in west Maui, which will be exacerbated by the
3 conversion of the Front street apartments to market-rate
4 housing.

5 The legislature also finds that the tenants, surrounding
6 community, and the island of Maui would benefit from the active
7 intervention of the State in this situation to ensure that there
8 is no negative impact on current and future tenants of the Front
9 street apartments. Act 288, Session Laws of Hawaii 2006,
10 regarding state intervention to preserve affordable rents at the
11 Kukui gardens affordable rental housing project on the island of
12 Oahu, provides an important precedent for this Act.

13 Accordingly, the purpose of this Act is to preserve the
14 Front street apartments as an affordable rental housing project.

15 SECTION 2. The legislature declares that it is in the
16 public interest and is required for public use to acquire the
17 Front street apartments as an affordable rental housing project
18 by exercise of the power of eminent domain if an agreement to
19 either extend the affordable rents or acquire the property is
20 not reached within a reasonable time. The legislature further
21 declares that it is necessary to provide for the public



1 financing of the acquisition of the Front street apartments by
2 condemnation through the expenditures of general funds, revenue
3 bonds, rental housing revolving funds, federal and state low-
4 income housing tax credits, or any other public and private
5 funds at the disposal of the State.

6 SECTION 3. The Hawaii housing finance and development
7 corporation, or any appropriate entity of the State as
8 determined by the governor, shall immediately initiate
9 negotiations with 3900 Corporation, leasehold fee owners of the
10 applicable real property, and Front Street Affordable Housing
11 Partners Limited Partnership, owners of the improvements
12 constructed upon the applicable real property, or their
13 successors in interest to either:

- 14 (1) Make available, without competitive award, public
15 financing resources to extend affordable rents at the
16 Front street apartments through at least 2027 for
17 persons who were tenants of the Front street
18 apartments as of January 1, 2018; provided that the
19 tenant's household income does not exceed eighty per
20 cent of the median family income for the area as



determined by the United States Department of Housing
and Urban Development; or

(2) Acquire the property known as the Front street
apartments, tax map key (2) 4-5-003-013, and may
partner with private for-profit or nonprofit
developers for acquisition of the property and
improvements thereupon; provided that:

(A) Seventy rental units shall be retained at
affordable rents to households whose incomes do
not exceed fifty per cent of the median family
income for the area as determined by the United
States Department of Housing and Urban
Development; and

(B) Seventy-one rental units shall be retained at
affordable rents to households whose incomes do
not exceed sixty per cent of the median family
income for the area as determined by the United
States Department of Housing and Urban
Development.

SECTION 4. The Hawaii housing finance and development
corporation, or the appropriate entity of the State as



1 determined by the governor, shall submit a report to the
2 legislature no later than twenty days prior to the convening of
3 the regular session of 2019 regarding its efforts to acquire the
4 Front street apartments and its recommendations for financing
5 the purchase of the property.

6 SECTION 5. If an agreement to either extend the affordable
7 rents to at least 2027 or acquire the property is not reached
8 within a reasonable time as determined by the Hawaii housing
9 finance and development corporation, or any other appropriate
10 entity of the State as determined by the governor, the
11 appropriate state agency shall exercise its power of eminent
12 domain to acquire the property and improvements thereon. For
13 the purposes of this Act, and notwithstanding any provision of
14 section 201H-13, Hawaii Revised Statutes, to the contrary,
15 condemnation of the Front street apartments property and
16 improvements thereupon shall not be subject to legislative
17 disapproval.

18 SECTION 6. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$250,000 or so much
20 thereof as may be necessary for fiscal year 2018-2019 for the
21 purposes of negotiating with the owners of the real property and



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1 improvements thereupon known as the Front street apartments to
 2 either extend the period of affordable rents to at least 2027,
 3 acquire the real property and improvements known as the Front
 4 street apartments, or to commence the condemnation process;
 5 provided that no funds authorized pursuant to this section shall
 6 be made available unless the county of Maui appropriates
 7 \$250,000 in matching county funds for the purposes of this Act.

8 The sum appropriated shall be expended by the Hawaii
 9 housing finance and development corporation for the purposes of
 10 this Act.

11 SECTION 7. This Act does not affect rights and duties that
 12 matured, penalties that were incurred, and proceedings that were
 13 begun before its effective date.

14 SECTION 8. This Act shall take effect on July 1, 2018.

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Report Title:

Hawaii Housing Finance and Development Corporation; Affordable Housing; Maui; Front Street Apartments; Appropriation

Description:

Directs the Hawaii Housing Finance and Development Corporation, or the appropriate state entity, to initiate negotiations to keep the units of the Front street apartments on the island of Maui affordable or to acquire the Front street apartments property unless certain conditions are met. Appropriates funds.

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