
A BILL FOR AN ACT

RELATING TO THE DWELLING UNIT REVOLVING FUND.

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

1 SECTION 1. Section 201H-47, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) The following restrictions shall apply to the
4 transfer of real property developed and sold under this chapter,
5 whether in fee simple or leasehold:

6 (1) For a period of ten years after the purchase, whether
7 by lease, assignment of lease, deed, or agreement of
8 sale, if the purchaser wishes to transfer title to the
9 real property, the corporation shall have the first
10 option to purchase the real property at a price that
11 shall not exceed the sum of:

12 (A) The original cost to the purchaser, as defined in
13 rules adopted by the corporation;

14 (B) The cost of any improvements added by the
15 purchaser, as defined in rules adopted by the
16 corporation;



1 (C) Simple interest on the original cost and capital
2 improvements to the purchaser at the rate of one
3 per cent per year; and

4 (D) The amount, if any, previously paid by the
5 purchaser to the corporation as the corporation's
6 share of net appreciation in the real property;

7 (2) The corporation may purchase the real property either:

8 (A) By conveyance free and clear of all mortgages and
9 liens; or

10 (B) By conveyance subject to existing mortgages and
11 liens.

12 If the real property is conveyed in the manner
13 provided in subparagraph (A), it shall be conveyed to
14 the corporation only after all mortgages and liens are
15 released. If the real property is conveyed in the
16 manner provided in subparagraph (B), the corporation
17 shall acquire the real property subject to any first
18 mortgage created for the purpose of securing the
19 payment of a loan of funds expended solely for the
20 purchase of the real property by the seller; and any
21 mortgage or lien created for any other purpose;



1 provided that the corporation has previously consented
2 to it in writing.

3 The corporation's interest created by this
4 section shall constitute a statutory lien on the real
5 property and shall be superior to any other mortgage
6 or lien, except for any first mortgage created for the
7 purpose of securing the payment of a loan of funds
8 expended solely for the purchase of the real property
9 by the seller; any mortgage insured or held by a
10 federal housing agency; and any mortgage or lien
11 created for any other purpose; provided that the
12 corporation has previously consented to it in writing.

13 The amount paid by the corporation to the seller shall
14 be the difference, if any, between the purchase price
15 determined by paragraph (1) (A) to (D), and the total
16 of the outstanding principal balances of the mortgages
17 and liens assumed by the corporation;

18 (3) A purchaser may refinance real property developed and
19 sold under this chapter; provided that the purchaser
20 shall not refinance the real property within ten years
21 from the date of purchase for an amount in excess of



1 the purchase price as determined by paragraph (1)(A)
2 to (C); provided further that the purchaser shall
3 obtain the corporation's written consent if any
4 restriction on the transfer of the real property
5 remains applicable;

6 (4) After the end of the tenth year from the date of
7 initial purchase or execution of an agreement of sale,
8 the purchaser may sell the real property and sell or
9 assign the property free from any price restrictions;
10 provided that the purchaser shall be required to pay
11 to the corporation the sum of:

12 (A) The balance of any mortgage note, agreement of
13 sale, or other amount owing to the corporation;

14 (B) Any subsidy or deferred sales price made by the
15 corporation in the acquisition, development,
16 construction, and sale of the real property, and
17 any other amount expended by the corporation not
18 counted as costs under section 201H-45 but
19 charged to the real property by good accounting
20 practice as determined by the corporation whose



1 books shall be prima facie evidence of the
2 correctness of the costs;
3 (C) Interest on the subsidy or deferred sales price,
4 if applicable, and any other amount expended at
5 ~~[the] a rate [of seven per cent per year]~~
6 established by the corporation computed as to the
7 subsidy or deferred sales price, if applicable,
8 from the date of purchase or execution of the
9 agreement of sale, and as to any amount expended,
10 from the date of expenditure; provided that the
11 computed interest shall not extend beyond thirty
12 years from the date of purchase or execution of
13 the agreement of sale of the real property. If
14 any proposed sale or transfer will not generate
15 an amount sufficient to pay the corporation the
16 sum as computed under this paragraph, the
17 corporation shall have the first option to
18 purchase the real property at a price that shall
19 not exceed the sum as computed under paragraphs
20 (1) and (2); and



- 1 (D) The corporation's share of appreciation in the
2 real property as determined under rules adopted
3 pursuant to chapter 91, when applicable;
- 4 (5) Notwithstanding any provision in this section to the
5 contrary, pursuant to rules adopted by the
6 corporation, the subsidy or deferred sales price
7 described in paragraph (4)(B) and any interest accrued
8 pursuant to paragraph (4)(C) may be paid, in part or
9 in full, at any time; and
- 10 (6) Notwithstanding any provision in this section to the
11 contrary, the corporation's share of appreciation in
12 the real property described in paragraph (4)(D):
- 13 (A) Shall apply when the sales price of the real
14 property that is developed and sold under this
15 chapter is less than the then-current,
16 unencumbered, fair market value of the real
17 property, as determined by a real property
18 appraisal obtained prior to the closing of the
19 sale;
- 20 (B) Shall be a restriction that runs with the land
21 until it is paid in full and released by the



1 corporation, or extinguished pursuant to
2 subsection (f); and

3 (C) May be paid, in part or in full, at any time
4 after recordation of the sale."

5 SECTION 2. (a) The Hawaii housing finance and development
6 corporation shall establish a five-year dwelling unit revolving
7 fund equity pilot program to address the high, unmet demand of
8 for-sale units by Hawaii residents, specifically those residents
9 earning more than eighty per cent and up to one hundred twenty
10 per cent of the area median income.

11 (b) The Hawaii housing finance and development corporation
12 shall purchase equity in for-sale housing development projects;
13 provided that this equity shall be allocated to specific units
14 within the housing development projects and the price to be paid
15 by each eligible buyer of a unit shall be reduced by the Hawaii
16 housing finance and development corporation's equity amount for
17 that unit.

18 (c) If a buyer sells the buyer's unit within thirty years
19 of the date of the buyer's purchase of the unit, then at the
20 time of the sale, the buyer shall repay to the Hawaii housing
21 finance and development corporation the corporation's



1 appreciated equity value; provided that if the buyer does not
2 sell the unit within thirty years of the date of the buyer's
3 purchase of the unit, then the buyer shall repay to the Hawaii
4 housing finance and development corporation the corporation's
5 appreciated equity value prior to the expiration of the
6 thirty-year period; provided further that this requirement shall
7 run with the deed for each unit until the obligation to repay
8 the appreciated equity value has been satisfied.

9 (d) The Hawaii housing finance and development corporation
10 shall establish rules pursuant to chapter 91, Hawaii Revised
11 Statutes, to implement this section, including rules that
12 establish the methods by which appreciated equity values shall
13 be calculated, assessed, and satisfied.

14 (e) The Hawaii housing finance and development corporation
15 shall establish criteria for the prioritization of eligible
16 buyers based on state goals and policies and submit a report on
17 the criteria to the legislature no later than twenty days prior
18 to the convening of the regular session of 2024.

19 (f) The Hawaii housing finance and development corporation
20 shall submit interim reports on the dwelling unit revolving fund
21 equity pilot program to the legislature no later than twenty



1 days prior to the convening of the regular sessions of 2024,
 2 2025, 2026, and 2027. The Hawaii housing finance and
 3 development corporation shall submit a final report on the
 4 dwelling unit revolving fund equity pilot program to the
 5 legislature no later than twenty days prior to the convening of
 6 the regular session of 2028.

7 (g) As used in this section:

8 "Housing development project" means a plan, design, or
 9 undertaking by the Hawaii housing finance and development
 10 corporation or an eligible developer for the development of
 11 units. "Housing development project" includes all real and
 12 personal property, buildings and improvements, commercial space,
 13 lands for farming and gardening, community facilities acquired
 14 or constructed or to be acquired or constructed, and all
 15 tangible or intangible assets held or used in connection with
 16 the housing development project.

17 "Unit" means:

18 (1) The structure and land upon which the structure is
 19 constructed, whether on fee simple or leasehold
 20 property, developed for residential purposes pursuant
 21 to chapter 201H, Hawaii Revised Statutes; or



1 (2) Improved or unimproved real property that is developed
2 for residential purposes pursuant to chapter 201H,
3 Hawaii Revised Statutes.

4 "Unit" includes dwelling units.

5 SECTION 3. There is appropriated out of the general
6 revenues of the State of Hawaii the sum of \$ or so
7 much thereof as may be necessary for fiscal year 2023-2024 and
8 the same sum or so much thereof as may be necessary for fiscal
9 year 2024-2025 to be deposited into the dwelling unit revolving
10 fund.

11 SECTION 4. There is appropriated out of the dwelling unit
12 revolving fund the sum of \$ or so much thereof as may
13 be necessary for fiscal year 2023-2024 and the same sum or so
14 much thereof as may be necessary for fiscal year 2024-2025 for
15 the dwelling unit revolving fund equity pilot program
16 established pursuant to this Act.

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

20 SECTION 5. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$ or so



1 much thereof as may be necessary for fiscal year 2023-2024 and
2 the same sum or so much thereof as may be necessary for fiscal
3 year 2024-2025 for the establishment and hiring of one full-time
4 equivalent (1.00 FTE) housing development specialist III
5 position to support the dwelling unit revolving fund equity
6 pilot program.

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

10 SECTION 6. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 7. This Act shall take effect on July 1, 2050, and
13 shall be repealed on June 30, 2028; provided that the
14 requirements imposed pursuant to section 2(c) of this Act shall
15 remain in effect after June 30, 2028.



Report Title:

HHFDC; Dwelling Unit Revolving Fund Equity Pilot Program;
Reports; Position; Appropriations

Description:

Changes the computation of interest that a purchaser of certain real property is required to pay to the Hawaii Housing Finance and Development Corporation upon the purchaser's sale or assignment of the real property after a specified period of time. Requires the Corporation to establish a 5-year dwelling unit revolving fund equity pilot program, establish criteria for the prioritization of eligible buyers of the Pilot Program based on state policies and goals, and submit reports to the Legislature. Establishes 1 full-time equivalent housing development specialist III position. Appropriates funds. Sunsets 6/30/2028. Effective 7/1/2050. (SD2)

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

