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# 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 legislature finds that the United States  
2 Department of Housing and Urban Development encourages  
3 authorities undertaking redevelopment efforts to create  
4 financially viable and socially stable communities through  
5 mixed-income development. Accordingly, the Hawaii community  
6 development authority has strived to create a dynamic urban  
7 neighborhood in Kakaako, where a mix of individuals with a wide  
8 range of socioeconomic statuses live, work, and play in the  
9 mixed-income, mixed-use neighborhood.

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



1 Leasehold housing units tend to be more affordable than fee  
2 simple housing units if the land on which the housing is  
3 developed is owned by the State and leased to a developer for  
4 housing development. Developing multi-family housing units on a  
5 lot lowers the cost of land for the development, which in turn  
6 will lower the sale price of the housing units. Because the  
7 cost of leasehold land is lower than fee simple land and paid  
8 over a longer period, it further reduces the land cost and makes  
9 the housing units even more affordable. Because the land will  
10 be leasehold, the State will continue to be the fee owner of the  
11 land.

12 Thus, encouraging development of for-sale leasehold housing  
13 units is a viable strategy in meeting housing demand. However,  
14 the term of the lease needs to be long enough to make for-sale  
15 leasehold housing units attractive to buyers and lenders.  
16 Typically, a ninety-nine-year lease is considered to be adequate  
17 to attract both lenders and buyers.

18 Given its experience and expertise in developing affordable  
19 housing in Kakaako, the Hawaii community development authority  
20 is ideally suited for developing for-sale leasehold housing  
21 units in community development districts.



1           Therefore, the purpose of this Act is to provide additional  
2 means to increase the supply of housing in Hawaii by allowing  
3 the Hawaii community development authority to conduct a pilot  
4 program to lease real property for one project in the Kakaako  
5 community development district for a term of ninety-nine years.

6           SECTION 2. Chapter 206E, Hawaii Revised Statutes, is  
7 amended by adding a new section to part II to be appropriately  
8 designated and to read as follows:

9           "§206E-           Pilot program; leasehold; ninety-nine years.

10          (a) Notwithstanding any law to the contrary, the authority may,  
11          without recourse to public auction, lease for a term not to  
12          exceed ninety-nine years all or any portion of the real property  
13          constituting only one redevelopment project for one project in  
14          the Kakaako community development district to any person, upon  
15          terms and conditions as may be approved by the authority, if the  
16          authority finds that the sale of the leasehold interest or lease  
17          is in conformity with the community development plan for the  
18          Kakaako community development district; provided that the lease  
19          shall not be for land that was classed as government or crown  
20          land before August 15, 1895.



1       (b) The terms of the sale of the leasehold interest shall  
2 provide for the repurchase of the property by the authority at  
3 its option, in the event that the purchaser, if other than a  
4 state agency, desires to sell the leasehold interest within ten  
5 years; provided that this requirement may be waived by the  
6 authority if the authority determines that a waiver will not be  
7 contrary to the community development plan for the Kakaako  
8 community development district. The authority shall establish  
9 at the time of original sale of the leasehold interest a formula  
10 setting forth a basis for a repurchase price based on market  
11 considerations, including but not limited to interest rates,  
12 land values, construction costs, and federal tax laws.

13       If the purchaser in a residential project is a state  
14 agency, the authority may include as a term of the sale of the  
15 leasehold interest a provision for the repurchase of the  
16 property in conformance with this section.

17       (c) The authority may adopt rules pursuant to chapter 91  
18 relating to the sale of residential leasehold project units.

19       (d) No later than twenty days before the convening of the  
20 regular session of 2025 and every five years thereafter, the  
21 authority shall submit a report of its findings and



1 recommendations, including any proposed legislation, to the  
2 legislature regarding the pilot program."

3 SECTION 3. New statutory material is underscored.

4 SECTION 4. This Act shall take effect on June 30, 3000,  
5 and shall be repealed on June 30, 2122.



**Report Title:**

Affordable Housing; HCDA; Lease of State Land; Kakaako Community Development District; Pilot Program

**Description:**

Increases options to build affordable housing by allowing the Hawaii community development authority to conduct a pilot program to lease real property for one project in the Kakaako community development district for a term of ninety-nine years. Requires reports to legislature. Repeals 6/30/2122. Effective 6/30/3000. (HD2)

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

