
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 on one parcel 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 a redevelopment project on one parcel in the
14 Kakaako community development district to any person, upon terms
15 and conditions as may be approved by the authority, if the
16 authority finds that the sale or lease is in conformity with the
17 community development plan for the Kakaako community development
18 district; provided that the lease shall not be for land that was
19 classed as crown or government land prior to August 15, 1895.

20 (b) The terms of the sale shall provide for the repurchase
21 of the property by the authority at its option, in the event



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

10 If the purchaser in a residential project is a state
11 agency, the authority may include as a term of the sale a
12 provision for the repurchase of the property in conformance with
13 this section.

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

16 (d) No later than twenty days before the convening of the
17 regular session of 2025 and every five years thereafter, the
18 authority shall submit a report of its findings and
19 recommendations, including any proposed legislation, to the
20 legislature regarding the pilot program."

21 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on June 30, 3000,
2 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 on one parcel 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. (HD1)

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