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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 people with a wide range  
8 of socio-economic statuses, live, work, and play in the  
9 mixed-income, mixed-use neighborhood.

10       The legislature has for several years acknowledged that  
11 there exists a need for housing statewide. Given the acute lack  
12 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 sales 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 in leasehold, the State will continue to be the fee owner of  
11 the land. Therefore, encouraging development of for-sale  
12 leasehold housing units is a viable strategy in meeting housing  
13 demand. However, the term of the lease needs to be long enough  
14 to make for-sale leasehold housing units attractive to buyers  
15 and lenders. Typically, a ninety-nine-year lease is considered  
16 to be adequate to attract both lenders and buyers.

17 Given its experience and expertise in developing affordable  
18 housing in Kakaako, the Hawaii community development authority  
19 is ideally suited for developing for-sale leasehold housing  
20 units in community development districts. Therefore, the  
21 purpose of this Act is to provide additional means to increase



1 the supply of housing in Hawaii by allowing the Hawaii community  
2 development authority to lease real property for a term of  
3 ninety-nine years.

4 SECTION 2. Section 206E-14, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 "§206E-14 Sale or lease of redevelopment projects. (a)  
7 The authority [~~may~~], without recourse to public auction, may  
8 sell, or lease for a term not exceeding [~~sixty-five~~] ninety-nine  
9 years, all or any portion of the real or personal property  
10 constituting a redevelopment project to any person, upon [~~such~~]  
11 terms and conditions as may be approved by the authority, if the  
12 authority finds that the sale or lease is in conformity with the  
13 community development plan[~~-~~]; provided that the lease of lands  
14 that were classed as crown or government lands prior to  
15 August 15, 1895, shall have a term not to exceed sixty-five  
16 years.

17 For the stadium development district, leases shall not  
18 exceed a term of ninety-nine years.

19 (b) In the case of residential projects or redevelopment  
20 projects, 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[7]; 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. The authority shall establish at the time of  
6 original sale a formula setting forth a basis for a repurchase  
7 price based on market considerations, including but not [~~being~~]  
8 limited to interest rates, land values, construction costs, and  
9 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 Hawaii community development authority may adopt  
15 rules under chapter 91 relating to sales by unit purchasers in a  
16 residential leasehold project."

17 SECTION 3. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2050.



**Report Title:**

Affordable Housing; HCDA; Lease of State Land

**Description:**

Increases options to build affordable housing in Hawaii Community Development Authority districts by increasing the permissible lease term to 99 years. Prohibits the Hawaii Community Development Authority from encumbering lands that were classed as crown or government lands prior to 8/15/1895, in leases longer than 65 years. Effective 7/1/2050. (SD1)

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

