
A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. The legislature finds that it is becoming
2 increasingly difficult to recruit and retain state employees.
3 Having affordable rental and homeownership opportunities for
4 state employees will reduce the resignation and outmigration of
5 state employees and fill critical labor needs throughout state
6 government.

7 The legislature further finds that with the city and county
8 of Honolulu's construction of an elevated rail transit system,
9 the State has an opportunity to enhance Oahu's urban environment
10 and increase the quality of life for residents by increasing the
11 affordable housing inventory and eliminating the need for
12 personal automobiles, among other public benefits. As the
13 largest landowner of transit-oriented development sites along
14 the transit line in the city and county of Honolulu, as well as
15 being the landowner of other transit-oriented development sites
16 in each of the other counties, the State and its various
17 departments and attached agencies must be proactive in



1 establishing a unified vision and approach toward redevelopment
2 of its transit-oriented development sites statewide to maximize
3 the benefits of state lands available for redevelopment.

4 The purpose of this Act is to establish within the Hawaii
5 housing finance and development corporation:

6 (1) A government employee housing revolving fund program
7 and government employee ninety-nine year leasehold
8 rent-to-own program to facilitate the creation of
9 affordable housing and low-cost rental and leasehold
10 residential condominium units for rent and sale to
11 government employees and the general public on
12 state-owned land; and

13 (2) A government employee housing revolving fund to
14 provide interim and permanent financing for the
15 infrastructure, pre-development, development, and
16 construction costs of affordable housing projects
17 developed under the government employee housing
18 revolving fund and government employee ninety-nine
19 year leasehold rent-to-own programs.



1 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
2 amended by adding a new part to be appropriately designated and
3 to read as follows:

4 "PART . GOVERNMENT EMPLOYEE HOUSING

5 A. General Provisions

6 §201H- Purpose. The purpose of this part is to
7 establish a government employee housing revolving fund program
8 and a government employee ninety-nine year leasehold rent-to-own
9 program to facilitate the creation of affordable rental and
10 leasehold residential condominium units for rent and sale to
11 government employees and the general public on state-owned land
12 and to provide interim and permanent financing for the
13 infrastructure, pre-development, development, and construction
14 costs of projects developed under the government employee
15 housing revolving fund and government employee ninety-nine year
16 leasehold rent-to-own programs.

17 §201H- Definitions. As used in this part, unless the
18 context otherwise requires:

19 "Mixed-use project" means a mixed-use developments as
20 defined in section 201H-12(a).



1 "Mixed-use transit-oriented development project" means a
2 mixed-use project on a transit-oriented development site.

3 "Owner-occupied residential use" means any use currently
4 permitted in existing residential zones consistent with owner
5 occupancy. "Owner-occupied residential use" does not include
6 renting or subleasing by the owner of a residential condominium
7 unit to any tenant or sublessee.

8 "Project" means a specific work or improvement, including
9 real and personal properties, or any interest therein, acquired,
10 owned, constructed, reconstructed, rehabilitated, or improved by
11 the corporation, including a commercial project, redevelopment
12 project, residential project, or mixed-use project.

13 "Qualified resident" has the same meaning as defined in
14 section 201H-32.

15 "Transit-oriented development site" means non-ceded
16 state-owned lands within a one-mile radius of a planned or
17 existing station connected to a locally preferred alternative
18 for a mass transit project.

19 **§201H- Annual reports.** The corporation shall submit an
20 annual report to the legislature no later than twenty days prior
21 to the convening of each regular session describing the projects



1 funded, a description of proposals submitted under this part and
2 action taken on the proposals, and any barriers to developing
3 housing units under this part. The annual report shall include
4 the feasibility of expanding the program and the demand for
5 rental and leasehold projects developed under this part.

6 **§201H- Additional powers.** The powers conferred upon
7 the corporation by this part shall be in addition and
8 supplemental to the powers conferred by any other law, and
9 nothing in this part shall be construed as limiting any powers,
10 rights, privileges, or immunities so conferred.

11 **§201H- Rules.** The corporation may adopt rules pursuant
12 to chapter 91 as may be necessary to carry out the purposes of
13 this part.

14 B. Government Employee Housing Revolving Fund Program

15 **§201H- Government employee housing revolving fund.** (a)
16 There is created a government employee housing revolving fund.
17 The proceeds in the revolving fund shall be used for the
18 necessary expenses in administering government employee housing
19 development programs and infrastructure programs on state lands
20 and for carrying out the purposes of government employee housing



1 development and infrastructure programs, including but not
2 limited to:

- 3 (1) The expansion of community facilities and
4 infrastructure constructed in conjunction with
5 government employee housing and mixed-use
6 transit-oriented development projects on state lands;
- 7 (2) Interim and permanent primary or secondary financing
8 and supplementing building costs; and
- 9 (3) Federal guarantees required for operational losses,
10 and all things required by any federal agency in the
11 construction and receipt of federal funds or
12 low-income housing tax credits for state employee
13 housing projects.

14 (b) The following may be deposited into the revolving
15 fund:

- 16 (1) Appropriations made by the legislature;
- 17 (2) Private contributions, repayment of loans, interest,
18 other returns, and moneys from other sources; and
- 19 (3) All moneys received or collected by the corporation
20 for the purposes of the revolving fund.



1 (c) The revolving fund shall be used to provide interim
2 and permanent loans or grants for the development,
3 pre-development, construction, acquisition, preservation, and
4 substantial rehabilitation of rental housing units and units
5 developed under the government employee ninety-nine year
6 leasehold rent-to-own program pursuant to subpart C. Permitted
7 uses of the fund may include but are not limited to planning,
8 design, land acquisition, costs of options, agreements of sale,
9 downpayments, equity financing, or other housing development
10 services or activities as provided in any rules adopted by the
11 corporation pursuant to chapter 91. The rules may provide:

12 (1) For a means of recapturing loans or grants made from
13 the revolving fund if a rental housing project or a
14 unit developed under the government employee
15 ninety-nine year leasehold rent-to-own program
16 financed under the revolving fund is refinanced or
17 sold at a later date; and

18 (2) That moneys from the revolving fund shall be leveraged
19 with other financial resources to the extent possible.

20 (d) Moneys available in the revolving fund shall be used
21 for the purpose of providing, in whole or in part, interim and



1 permanent loans or grants for government employee ninety-nine
2 year leasehold rent-to-own projects and rental housing projects
3 and rental units in mixed-use projects for tenants in the
4 following order of priority:

- 5 (1) Newly hired permanent full-time state employees;
- 6 (2) Other permanent full-time state employees;
- 7 (3) Permanent full-time county employees;
- 8 (4) Permanent part-time state and county employees;
- 9 (5) Temporary state and county employees;
- 10 (6) Retired state and county employees; and
- 11 (7) The general public.

12 Sixty per cent of available units shall be for persons and
13 families with incomes at or below one hundred forty per cent of
14 the median family income. For the purposes of this subpart, the
15 applicable median family income shall be the median family
16 income for the county or standard metropolitan statistical area
17 in which the project is located as determined by the United
18 States Department of Housing and Urban Development, as adjusted
19 from time to time.



1 (e) Should a state or county employee occupying a rental
2 unit leave employment with the State or a county, the tenant may
3 continue to occupy the unit for up to twelve months.

4 (f) The corporation may provide loans and grants under
5 this section; provided that:

6 (1) The corporation shall establish loan-to-value ratios
7 to protect the fund from inordinate risk; provided
8 further that under no circumstances shall the rules
9 permit the loan-to-value ratio to exceed one hundred
10 per cent;

11 (2) The underwriting guidelines shall include a
12 debt-coverage ratio of no less than 1.0 to 1; and

13 (3) Grants shall be made only to state departments and
14 agencies.

15 **§201H- Eligible applicants for funds.** Eligible
16 applicants for funds shall include state departments and
17 agencies and for-profit organizations, limited liability
18 companies, partnerships, and government agencies that are
19 qualified in accordance with rules adopted by the corporation
20 pursuant to chapter 91.



1 **§201H- Eligible projects.** (a) Activities eligible for
2 assistance from the fund shall include but not be limited to:

- 3 (1) New construction, rehabilitation, or preservation of
4 low-income rental housing units that meet the criteria
5 for eligibility described in subsection (c);
- 6 (2) The leveraging of moneys with the use of fund assets;
7 and
- 8 (3) Pre-development activity grants or loans to nonprofit
9 organizations.

10 (b) Preference shall be given to projects producing units
11 in at least one of the following categories:

- 12 (1) Multifamily units;
- 13 (2) Attached single-family units;
- 14 (3) Apartments;
- 15 (4) Townhouses;
- 16 (5) Housing units above commercial or industrial space; or
- 17 (6) United States Department of Housing and Urban
18 Development mixed-finance development of public
19 housing units.

20 (c) The corporation shall establish an application process
21 for fund allocation that gives preference to projects meeting



1 the following criteria that are listed in descending order of
2 priority:

- 3 (1) Serve the original target group;
- 4 (2) Are committed to serving the target group over a
5 longer period of time;
- 6 (3) Increase the integration of income levels of the
7 immediate community area;
- 8 (4) Meet the geographic needs of the target group of the
9 proposed government employee housing project, such as
10 proximity to employment centers and services; and
- 11 (5) Have favorable past performance in developing, owning,
12 managing, or maintaining affordable rental and
13 rent-to-own housing.
- 14 (d) The corporation may include other criteria as it deems
15 necessary to carry out the purposes of this subpart.

16 C. Government Employee Ninety-Nine Year Leasehold Rent-to-Own
17 Program

18 **§201H- Government employee ninety-nine year leasehold**
19 **rent-to-own program.** (a) There is established the government
20 employee ninety-nine year leasehold rent-to-own program for the
21 purpose of providing low-cost, leasehold residential condominium



1 units for rent and subsequent sale to government employees on
2 state-owned lands within a transit-oriented development site.
3 Under the program, dwelling units that are for sale may be
4 rented to program participants, and the corporation may credit a
5 portion of the rent received toward the purchase of the unit.

6 (b) The sales price shall be established at the beginning
7 of the rental term and shall remain fixed for the first ten
8 years after the rental agreement is executed. During this
9 period, the participant shall have the option of purchasing the
10 unit at the designated sales price. If the participant does not
11 elect to purchase the unit within the ten-year period, the
12 participant shall forfeit the right to continue living in the
13 unit and the unit shall be made available to another purchaser
14 or renter.

15 (c) The corporation shall have the right to reestablish
16 the sales price upon expiration of the option period or upon
17 resale of the unit.

18 **§201H- Leasehold condominiums on state lands.** (a) The
19 corporation may sell leasehold units in condominiums organized
20 pursuant to chapter 514B and developed under this part on state
21 land to a qualified resident.



1 (b) The term of the lease may be for ninety-nine years,
2 and the corporation may extend or modify the fixed rental period
3 of the lease.

4 **§201H- Rules; guidelines.** (a) Government employee
5 residential condominium units within transit-oriented
6 development sites shall not be advertised for rent, rented, or
7 used for any purpose other than owner-occupied residential use.
8 The corporation, by rule, shall establish penalties for
9 violations of this subsection up to and including forced sale of
10 a residential condominium unit within a transit-oriented
11 development site.

12 (b) The design and development contracts for residential
13 condominium units within a transit-oriented development site
14 shall not be subject to chapter 103D.

15 (c) Development shall be revenue-neutral to the greatest
16 extent possible.

17 (d) Transit-oriented development sites shall maximize
18 walkability.

19 **§201H- Sale of the leasehold interest of residential**
20 **condominium units; rules; guidelines.** (a) The corporation
21 shall adopt rules pursuant to chapter 91 for the sale of the



1 leasehold interest of residential condominium units under its
2 control within transit-oriented development sites; provided that
3 each lease shall be for a term of ninety-nine years. The rules
4 shall include the following requirements for an eligible buyer
5 or owner of a residential condominium unit within a
6 transit-oriented development site:

7 (1) The person shall be a qualified resident;

8 (2) The person shall not use a government employee
9 residential condominium unit within a transit-oriented
10 development site for any purpose other than
11 owner-occupied residential use; and

12 (3) The person, the person's spouse, or any other person
13 intending to live with the eligible buyer or owner,
14 shall not own any other real property, including any
15 residential or non-residential property, beneficial
16 ownership of trusts, and co-ownership or fractional
17 ownership, while owning a residential condominium unit
18 within a transit-oriented development site; provided
19 that an eligible buyer may own real property up to six
20 months after closing on the purchase of a residential
21 condominium unit within a transit-oriented development



1 site; provided further that an owner of a residential
2 condominium unit within a transit-oriented development
3 site in the process of selling the residential
4 condominium unit may own other real property up to six
5 months before closing on the sale of the residential
6 condominium unit to an eligible buyer;
7 provided that the rules adopted pursuant to this subsection may
8 require at least fifty per cent of the residential condominium
9 units be sold to an individual or household with an income of up
10 to one hundred forty per cent of the area median income. The
11 rules shall include strict enforcement of owner-occupancy,
12 including a prohibition on renting or subleasing a residential
13 condominium unit within a transit-oriented development site to
14 any tenant or sublessee. The corporation may also establish
15 rules for a minimum number of days residents shall be physically
16 present on the premises and a maximum number of days
17 non-residents may have access to the premises.

18 (b) The median price of residential condominium units
19 within a transit-oriented development site shall be priced at
20 the minimum levels necessary to ensure that the development is
21 revenue-neutral for the State.



1 (c) An owner of a residential condominium unit within a
2 transit-oriented development site may sell the owner's
3 residential condominium unit; provided that the corporation
4 shall have the right of first refusal to purchase the
5 residential condominium unit for a certain period of time and
6 for a buyback price to be determined by the corporation. If the
7 corporation does not exercise its right to purchase the
8 residential condominium unit, the residential condominium unit
9 may be sold by the owner to an eligible buyer. Upon the death
10 of the owner of a residential condominium unit within a
11 transit-oriented development site, the residential condominium
12 unit may be transferred to the deceased's heir by devise or as
13 any other real property under existing law; provided that the
14 deceased's heir shall meet the requirements listed in subsection
15 (a); provided further that if the deceased's heir does not meet
16 requirements to accept transfer of the residential condominium
17 unit, the deceased's heir shall sell the residential condominium
18 unit to an eligible buyer.

19 (d) The corporation may adopt rules pursuant to chapter 91
20 that authorize the executive director to waive the requirements
21 set forth in subsection (a), where the inability of an owner to



1 reside in the residential condominium unit is due to unforeseen
2 circumstances, military transfer, serious illness, or other
3 hardship circumstances as determined by the executive director.

4 **§201H- Use of public lands; acquisition of state lands.**

5 (a) If state lands under the control and management of other
6 public agencies are required by the corporation for the purposes
7 of this part, the agency having the control and management of
8 those required lands, upon request by the corporation and with
9 the approval of the governor, may convey or lease those lands to
10 the corporation upon terms and conditions as may be agreed to by
11 the parties.

12 (b) Notwithstanding subsection (a), no public lands shall
13 be conveyed or leased to the corporation pursuant to this
14 section if the conveyance or lease would impair any covenant
15 between the State or any county or any department or board
16 thereof and the holders of bonds issued by the State or that
17 county, department, or board.

18 **§201H- Acquisition of real property from a county.**

19 Notwithstanding the provision of any law or charter, any county,
20 by resolution of its county council, without public auction,
21 sealed bids, or public notice, may sell, lease, grant, or convey



1 to the corporation any real property owned by the county that
2 the corporation certifies to be necessary for the purposes of
3 this part. The sale, lease, grant, or conveyance shall be made
4 with or without consideration and upon terms and conditions as
5 may be agreed upon by the county and the corporation.
6 Certification shall be evidenced by a formal request from the
7 corporation. Before the sale, lease, grant, or conveyance is
8 made to the corporation, a public hearing shall be held by the
9 county council to consider the same. Notice of the hearing
10 shall be published at least six days before the date set for the
11 hearing in the publication and in the manner as may be
12 designated by the county council.

13 **§201H- Condemnation of real property.** The corporation,
14 upon making a finding that it is necessary to acquire any real
15 property for its immediate or future use for the purposes of
16 this part, may acquire the property, including property already
17 devoted to a public use, by condemnation pursuant to chapter
18 101. The property shall not thereafter be taken for any other
19 public use without the consent of the corporation. No award of
20 compensation shall be increased by reason of any increase in the
21 value of real property caused by the designation of the urban



1 redevelopment site or plan adopted pursuant to a designation, or
2 the actual or proposed acquisition, use, or disposition of any
3 other real property by the corporation.

4 **§201H- Construction contracts.** Construction contracts
5 for residential condominium units within a transient-oriented
6 development site shall not be subject to chapter 103D.

7 **§201H- Lease of projects.** Notwithstanding any law to
8 the contrary, the corporation, without recourse to chapter 103D,
9 may lease for a term not exceeding sixty-five years all or any
10 portion of the real or personal property constituting a
11 commercial project to any person, upon terms and conditions as
12 may be approved by the corporation; provided that all revenues
13 generated from the lease shall be used to support the purpose of
14 this part.

15 **§201H- Assistance by state and county agencies.** Any
16 state or county agency, upon request of the corporation, may
17 render services for the purposes of this part.

18 **§201H- Lands no longer needed.** Lands acquired by the
19 corporation from another government agency that are no longer
20 needed by the corporation for the program shall be returned to
21 the previous owner of those lands. Lands acquired by the



1 corporation from a private party that are owned by the
2 corporation and designated for the program but are subsequently
3 no longer needed for the program shall be retained by the
4 corporation."

5 SECTION 3. Section 302A-1603, Hawaii Revised Statutes, is
6 amended by amending subsection (b) to read as follows:

7 "(b) The following shall be exempt from this section:

- 8 (1) Any form of housing permanently excluding school-aged
9 children, with the necessary covenants or declarations
10 of restrictions recorded on the property;
- 11 (2) Any form of housing that is or will be paying the
12 transient accommodations tax under chapter 237D;
- 13 (3) All nonresidential development;
- 14 (4) Any development with an executed education
15 contribution agreement or other like document with the
16 agency for the contribution of school sites or payment
17 of fees for school land or school construction; [~~and~~
18 ~~+~~](5)~~+~~ Any form of development by the Hawaii community
19 development authority pursuant to part XII of chapter
20 206E~~[-]~~; and



1 (6) Any form of development by the Hawaii housing finance
2 and development corporation pursuant to part of
3 chapter 201H."

4 SECTION 4. There is appropriated out of the dwelling unit
5 revolving fund the sum of \$ or so much thereof as may
6 be necessary for fiscal year 2025-2026 and the same sum or so
7 much thereof as may be necessary for fiscal year 2026-2027 for
8 the Hawaii housing finance and development corporation to:

- 9 (1) Adopt rules;
- 10 (2) Engage the community; and
- 11 (3) Conduct site and pre-development planning for at least
12 one government employee rental or ninety-nine year
13 leasehold rent-to-own project in each county.

14 The sums appropriated shall be expended by the Hawaii
15 housing finance and development corporation for the purposes of
16 this Act.

17 SECTION 5. There is appropriated out of the dwelling unit
18 revolving fund the sum of \$ or so much thereof as may
19 be necessary for fiscal year 2025-2026 and the same sum or so
20 much thereof as may be necessary for fiscal year 2026-2027 for
21 the establishment of full-time equivalent (FTE)



1 positions within the Hawaii housing finance and development
2 corporation.

3 The sums appropriated shall be expended by the Hawaii
4 housing finance and development corporation for the purposes of
5 this Act.

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

8 SECTION 7. This Act shall take effect on July 1, 2050.



Report Title:

HHFDC; Government Employee Housing; Affordable Rental Housing;
Leasehold; Rent-to-Own; Revolving Fund; Appropriations

Description:

Requires the Hawaii Housing Finance and Development Corporation to establish a Government Employee Housing Revolving Fund Program and Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program. Establishes the Government Employee Housing Revolving Fund. Appropriates funds. Takes effect 7/1/2050.
(SD1)

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