
A BILL FOR AN ACT

RELATING TO WORKFORCE HOUSING.

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

1 SECTION 1. The legislature finds that current Governor
2 Josh Green's administration has made significant attempts to
3 increase Hawaii's housing supply, including prioritization of
4 affordable housing and addressing zoning and permitting
5 inefficiencies. The administration advocated for faster
6 processing of housing permits and increasing land availability
7 for residential development. Despite these efforts, progress
8 has stalled due to bureaucratic challenges, lengthy regulatory
9 processes, and limited coordination between state agencies.

10 The legislature also finds that workforce housing is
11 critical for the State, as housing in close proximity to
12 emerging industries provides affordable living options for
13 essential workers who are vital to the State's economy.
14 Increasing workforce housing helps stabilize communities, reduce
15 commute times, and enhance the quality of life for residents. A
16 regulatory sandbox could serve as a pathway to expand workforce
17 housing by allowing developers to test innovative housing



1 solutions under relaxed permitting and regulatory requirements.
2 By fostering collaboration between dedicated state agencies, the
3 sandbox can accelerate the creation of workforce housing while
4 addressing broader housing shortages in the State.

5 Furthermore, the legislature additionally finds that a 2019
6 study conducted by the Hawaii housing planning study projected
7 that the State would need approximately 50,156 new housing units
8 by 2025 to meet existing demand, with a significant portion of
9 this demand being for workforce housing. If targeted efforts
10 were made to improve the workforce housing supply, meeting
11 twenty per cent of this demand through innovative regulatory
12 approaches such as a regulatory sandbox could provide more than
13 ten thousand units, significantly easing the housing shortage
14 over the next decade.

15 The legislature further finds that, if the Hawaii housing
16 finance and development corporation administers the regulatory
17 sandbox, the corporation can ensure effective operations and
18 alignment with the State's unique needs and priorities.
19 Further, establishing an advisory council with environmental and
20 cultural advisors can help ensure that innovative housing
21 solutions respect Hawaii's natural resources and cultural



1 heritage. This collaborative approach will balance the urgency
2 of addressing the housing shortage with the responsibility of
3 preserving the State's environmental and cultural integrity.

4 Urgency for innovative approaches has never been greater,
5 as the State's housing shortage forces more local families to
6 leave the State in search of affordable living. Addressing this
7 challenge by developing ten thousand workforce housing units
8 will be a complex endeavor that promises lasting solutions to
9 sustain the State's growth.

10 Accordingly, the purpose of this Act is to:

- 11 (1) Establish a regulatory sandbox with the Hawaii housing
12 finance and development corporation to provide
13 temporary regulatory flexibility for the development
14 of innovative workforce housing solutions; and
15 (2) Establish an advisory council to support the workforce
16 housing regulatory sandbox.

17 SECTION 2. For the purposes of this Act:

18 "Corporation" means the Hawaii housing finance and
19 development corporation.



1 "Regulatory sandbox" means a temporarily modified
2 regulatory framework that enables workforce housing developers
3 to test innovative solutions.

4 "Workforce housing" means housing targeted for households
5 earning between sixty per cent and one hundred forty per cent of
6 the area median income, adjusted for high-cost area for
7 determining area median income and family size, as defined by
8 the United States Department of Housing and Urban Development.

9 SECTION 3. (a) There is established the workforce housing
10 regulatory sandbox program to be administered by the
11 corporation.

12 (b) The workforce housing regulatory sandbox program shall
13 waive or temporarily modify permitting processes and other
14 regulatory requirements for eligible workforce housing projects
15 to encourage innovation and reduce barriers to construction.

16 SECTION 4. (a) There is established an advisory council
17 to provide guidance and oversight for the workforce housing
18 regulatory sandbox program.

19 (b) The advisory council shall consist of the following
20 members:

21 (1) A representative from the corporation;



- 1 (2) A representative from the board of land and natural
2 resources;
- 3 (3) A representative from the state historic preservation
4 division of the department of land and natural
5 resources;
- 6 (4) One representative from the Hawaii public housing
7 authority;
- 8 (5) One representative from the Hawaii community
9 development authority;
- 10 (6) One representative from the office of planning and
11 sustainable development;
- 12 (7) One representative from each county;
- 13 (8) One representative who shall have a demonstrated
14 knowledge of sustainable development practices;
- 15 (9) One representative who shall be a cultural expert in
16 Native Hawaiian traditional and customary practices;
- 17 (10) One representative from the private housing
18 development sector;
- 19 (11) One representative from a nonprofit housing
20 organization; and



1 (12) Other members whose expertise is relevant to the goals
2 of the workforce housing regulatory sandbox program,
3 who shall be invited by the advisory council.

4 (c) The advisory council shall:

5 (1) Provide recommendations to the corporation regarding
6 cultural, environmental, and sustainability
7 considerations; and

8 (2) Monitor projects to ensure compliance with the
9 objectives of the regulatory sandbox.

10 SECTION 5. (a) Developers seeking entry into the
11 regulatory sandbox shall submit an application to the
12 corporation that includes:

13 (1) A description of the proposed innovative workforce
14 housing solution;

15 (2) An explanation of how the project addresses
16 affordability, sustainability, and expedited
17 construction; and

18 (3) An assessment of potential environmental and cultural
19 impacts, including proposed mitigation measures.

20 (b) Projects shall meet the following criteria for
21 consideration:



- 1 (1) Demonstrate alignment with the affordability targets
- 2 of workforce housing;
- 3 (2) Incorporate sustainable building practice; and
- 4 (3) Demonstrate potential for significant reduction in
- 5 construction timelines.

6 SECTION 6. (a) The corporation may temporarily waive or
7 modify regulatory requirements for approved projects including
8 but not limited to:

- 9 (1) Expedited permitting processes;
- 10 (2) Reduced or waived infrastructure capacity fees; or
- 11 (3) Flexible zoning and land use requirements.

12 (b) All waivers or modifications shall be subject to
13 review and approval by the advisory council.

14 SECTION 7. Developers participating in the workforce
15 housing regulatory sandbox program shall ensure that:

- 16 (1) Sale prices or rents remain affordable for workforce
- 17 households earning between sixty per cent and one
- 18 hundred forty per cent of the area median income for a
- 19 minimum of ten years;
- 20 (2) Units shall be prohibited from being used as
- 21 short-term rentals for at least ten years;



1 (3) Units shall be owned or rented by legal United States
2 residents and occupied full-time by the resident's
3 household; and

4 (4) At least one adult in each household shall be employed
5 full-time or the equivalent for ten years;
6 provided that deed restrictions or equivalent legal mechanisms
7 shall be used to enforce the requirements in accordance with
8 this section.

9 SECTION 8. (a) The corporation shall monitor the progress
10 of all projects in the workforce housing regulatory sandbox
11 program and ensure compliance with the objectives of this Act.

12 (b) The corporation shall submit a report of its findings
13 and recommendations, including any proposed legislation, to the
14 legislature no later than twenty days prior to the convening of
15 each regular session for the duration of the program. The
16 report shall include:

- 17 (1) The number and types of projects approved;
18 (2) The regulatory modifications granted;
19 (3) Outcomes related to affordability, sustainability, and
20 construction timelines; and



1 (4) Future improvements or extension of the workforce
2 housing regulatory sandbox program.

3 SECTION 9. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$5,000,000 or so much
5 thereof as may be necessary for fiscal year 2025-2026 and the
6 same sum or so much thereof as may be necessary for fiscal year
7 2026-2027 for the establishment and operation of the workforce
8 housing regulatory sandbox program established pursuant to this
9 Act, including administrative costs, and support for approved
10 projects, and the establishment of one full-time equivalent
11 (1.0 FTE).

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

15 SECTION 10. This Act shall take effect on July 1, 2025;
16 provided that this Act shall be repealed on June 30, 2030.



Report Title:

HHFDC; Workforce Housing Regulatory Sandbox Program; Advisory Council; Workforce Housing; Permitting; Affordable Housing; Position; Reports; Appropriations

Description:

Establishes the Workforce Housing Regulatory Sandbox Program within the Hawaii Housing Finance and Development Corporation. Establishes an Advisory Council within the Workforce Housing Regulatory Sandbox Program to advise on environmental and cultural practices within specific developments. Establishes a position. Requires annual reports to the Legislature. Appropriates funds. Repeals 6/30/2030. (SD1)

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