

JAN 23 2025

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



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

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

6 (1) An affordable rental housing program and an affordable
7 ninety-nine year leasehold rent-to-own program to
8 facilitate the creation of low-cost rental and
9 leasehold residential condominium units for rent and
10 sale to government employees on state-owned land; and

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

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

20 **"PART . GOVERNMENT EMPLOYEE HOUSING**

21 **A. General Provisions**



1 **§201H- Definitions.** As used in this part, unless the
2 context otherwise requires:

3 "Mixed-use project" means a mixed-use development as
4 defined in section 201H-12(a).

5 "Mixed-use transit-oriented development project" means a
6 mixed-use project on a transit-oriented development site.

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

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

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



1 **§201H- Annual reports.** The corporation shall submit an
2 annual report to the legislature no later than twenty days prior
3 to the convening of each regular session describing the projects
4 funded, a description of proposals submitted under this part and
5 action taken on the proposals, and any barriers to developing
6 housing units under this part. The annual report shall include
7 the feasibility of expanding the program and the demand for
8 rental and leasehold projects developed under this part.

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

14 **§201H- Rules.** The corporation may adopt rules pursuant
15 to chapter 91 as may be necessary to carry out the purposes of
16 this part.

17 B. Government Employee Housing Revolving Fund Program

18 **§201H- Government employee housing revolving fund.** (a)
19 There is created a government employee housing revolving fund.
20 The funds appropriated for the purpose of the government
21 employee housing revolving fund and all moneys received or



1 collected by the corporation for the purpose of the revolving
2 fund shall be deposited into the revolving fund. The proceeds
3 in the revolving fund shall be used for the necessary expenses
4 in administering government employee housing development
5 programs and infrastructure programs on state lands and for
6 carrying out the purposes of government employee housing
7 development and infrastructure programs, including but not
8 limited to the expansion of community facilities and
9 infrastructure constructed in conjunction with government
10 employee housing and mixed-use transit-oriented development
11 projects on state lands; interim and permanent primary or
12 secondary financing and supplementing building costs; and
13 federal guarantees required for operational losses, and all
14 things required by any federal agency in the construction and
15 receipt of federal funds or low-income housing tax credits for
16 state employee housing projects.

- 17 (b) The following may be deposited into the fund:
- 18 (1) Appropriations made by the legislature; and
- 19 (2) Private contributions, repayment of loans, interest,
20 other returns, and moneys from other sources.



1 (c) The fund shall be used to provide loans or grants for
2 the development, pre-development, construction, acquisition,
3 preservation, and substantial rehabilitation of rental housing
4 units and units developed under the government employee ninety-
5 nine year leasehold rent-to-own program pursuant to subpart C.
6 Permitted uses of the fund may include but are not limited to
7 planning, design, land acquisition, costs of options, agreements
8 of sale, downpayments, equity financing, or other housing
9 development services or activities as provided in rules adopted
10 by the corporation pursuant to chapter 91. The rules may
11 provide for a means of recapturing loans or grants made from the
12 fund if a rental housing project or a unit developed under the
13 government employee ninety-nine year leasehold rent-to-own
14 program financed under the fund is refinanced or sold at a later
15 date. The rules may also provide that moneys from the fund
16 shall be leveraged with other financial resources to the extent
17 possible.

18 (d) Moneys available in the fund shall be used for the
19 purpose of providing, in whole or in part, loans or grants for
20 government employee ninety-nine year leasehold rent-to-own



1 projects and rental housing projects and rental units in mixed-
2 use projects for tenants in the following order of priority:

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

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

17 (e) Should a state or county employee occupying a rental
18 unit leave employment by the State or a county, the tenant may
19 continue to occupy the unit for up to twelve months.

20 (f) The corporation may provide loans and grants under
21 this section; provided that the corporation shall establish



1 loan-to-value ratios to protect the fund from inordinate risk
2 and that under no circumstances shall the rules permit the loan-
3 to-value ratio to exceed one hundred per cent; provided further
4 that the underwriting guidelines include a debt-coverage ratio
5 of not less than 1.0 to 1.

6 **§201H- Eligible applicants for funds.** Eligible
7 applicants for funds shall include nonprofit and for-profit
8 organizations, limited liability companies, partnerships, and
9 government agencies that are qualified in accordance with rules
10 adopted by the corporation pursuant to chapter 91.

11 **§201H- Eligible projects.** (a) Activities eligible for
12 assistance from the fund shall include but not be limited to:

13 (1) New construction, rehabilitation, or preservation of
14 low-income rental housing units that meet the criteria
15 for eligibility described in subsection (c);

16 (2) The leveraging of moneys with the use of fund assets;
17 and

18 (3) Pre-development activity grants or loans to nonprofit
19 organizations.

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



- 1 (1) Multifamily units;
- 2 (2) Attached single-family units;
- 3 (3) Apartments;
- 4 (4) Townhouses; or
- 5 (5) Housing units above commercial or industrial space;
- 6 and
- 7 (6) United States Department of Housing and Urban
- 8 Development mixed-finance development of public
- 9 housing units.
- 10 (c) The corporation shall establish an application process
- 11 for fund allocation that gives preference to projects meeting
- 12 the following criteria that are listed in descending order of
- 13 priority:
- 14 (1) Serve the original target group;
- 15 (2) Are committed to serving the target group over a
- 16 longer period of time;
- 17 (3) Increase the integration of income levels of the
- 18 immediate community area;
- 19 (4) Meet the geographic needs of the target group of the
- 20 proposed government employee housing project, such as
- 21 proximity to employment centers and services; and



1 (5) Have favorable past performance in developing, owning,
2 managing, or maintaining affordable rental and rent-
3 to-own housing.

4 (d) The corporation may include other criteria as it deems
5 necessary to carry out the purposes of this subpart.

6 C. Government Employee Ninety-Nine Year Leasehold Rent-to-Own
7 Program

8 **§201H- Government employee ninety-nine year leasehold**
9 **rent-to-own program.** (a) There is established the government
10 employee ninety-nine year leasehold rent-to-own program for the
11 purpose of providing low-cost, leasehold residential condominium
12 units for rent and subsequent sale to government employees on
13 state-owned lands within a transit-oriented development site.
14 Under the program, dwelling units that are for sale may be
15 rented to program participants, and the corporation shall credit
16 a portion of the rent received toward the purchase of the unit.

17 (b) The sales price shall be established at the beginning
18 of the rental term and shall remain fixed for the first ten
19 years after the rental agreement is executed. During this
20 period, the participant shall have the option of purchasing the
21 unit at the designated sales price. If the participant does not



1 elect to purchase the unit within the ten-year period, the
2 participant shall forfeit the right to continue living in the
3 unit and the unit shall be made available to another purchaser
4 or renter.

5 (c) The corporation shall have the right to reestablish
6 the sales price upon expiration of the option period or upon
7 resale of the unit.

8 **§201H- Leasehold condominiums on state lands.** (a) The
9 corporation may sell leasehold units in condominiums organized
10 pursuant to chapter 514B and developed under this part on state
11 land to a qualified resident as defined in section 201H-32.

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

15 **§201H- Rules; guidelines.** (a) Government employee
16 residential condominium units within transit-oriented
17 development sites shall not be advertised for rent, rented, or
18 used for any purpose other than owner-occupied residential use.
19 The corporation, by rule, shall establish penalties for
20 violations of this subsection up to and including forced sale of



1 a residential condominium unit within a transit-oriented
2 development site.

3 (b) The design and development contracts for residential
4 condominium units within a transit-oriented development site
5 shall be subject to chapter 103D.

6 (c) Development shall be revenue-neutral to the greatest
7 extent possible.

8 (d) Transit-oriented development sites shall maximize
9 walkability.

10 **§201H- Sale of the leasehold interest of residential**
11 **condominium units; rules; guidelines.** (a) The corporation
12 shall adopt rules pursuant to chapter 91 for the sale of the
13 leasehold interest of residential condominium units under its
14 control within transit-oriented development sites; provided that
15 each lease shall be for a term of ninety-nine years. The rules
16 shall include the following requirements for an eligible buyer
17 or owner of a residential condominium unit within a transit-
18 oriented development site:

19 (1) The person shall be a qualified resident of the State,
20 as defined in section 201H-32;



- 1 (2) The person shall not use a government employee
2 residential condominium unit within a transit-oriented
3 development site for any purpose other than owner-
4 occupied residential use; and
- 5 (3) The person, the person's spouse, or any other person
6 intending to live with the eligible buyer or owner,
7 shall not own any other real property, including any
8 residential or non-residential property, beneficial
9 ownership of trusts, and co-ownership or fractional
10 ownership, while owning a residential condominium unit
11 within a transit-oriented development site; provided
12 that an eligible buyer may own real property up to six
13 months after closing on the purchase of a residential
14 condominium unit within a transit-oriented development
15 site; provided further that an owner of a residential
16 condominium unit within a transit-oriented development
17 site in the process of selling the residential
18 condominium unit may own other real property up to six
19 months prior to closing on the sale of the residential
20 condominium unit to an eligible buyer;



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

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

17 (c) An owner of a residential condominium unit within a
18 transit-oriented development site may sell the owner's
19 residential condominium unit; provided that the corporation
20 shall have the right of first refusal to purchase the
21 residential condominium unit for certain period of time and for



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

14 (e) The corporation may adopt rules pursuant to chapter 91
15 that authorize the executive director to waive the requirements
16 set forth in subsection (a), where the inability of an owner to
17 reside in the residential condominium unit is due to unforeseen
18 circumstances, military transfer, serious illness, or other
19 hardship circumstances as determined by the executive director.

20 **§201H- Use of public lands; acquisition of state lands.**

21 (a) If state lands under the control and management of other



1 public agencies are required by the corporation for the purposes
2 of this part, the agency having the control and management of
3 those required lands, upon request by the corporation and with
4 the approval of the governor, may convey or lease those lands to
5 the corporation upon terms and conditions as may be agreed to by
6 the parties.

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

13 **§201H- Acquisition of real property from a county.**
14 Notwithstanding the provision of any law or charter, any county,
15 by resolution of its county council, without public auction,
16 sealed bids, or public notice, may sell, lease, grant, or convey
17 to the authority any real property owned by the county that the
18 corporation certifies to be necessary for the purposes of this
19 part. The sale, lease, grant, or conveyance shall be made with
20 or without consideration and upon terms and conditions as may be
21 agreed upon by the county and the corporation. Certification



1 shall be evidenced by a formal request from the corporation.
2 Before the sale, lease, grant, or conveyance may be made to the
3 corporation, a public hearing shall be held by the county
4 council to consider the same. Notice of the hearing shall be
5 published at least six days before the date set for the hearing
6 in the publication and in the manner as may be designated by the
7 county council.

8 **§201H- Condemnation of real property.** The corporation,
9 upon making a finding that it is necessary to acquire any real
10 property for its immediate or future use for the purposes of
11 this part, may acquire the property, including property already
12 devoted to a public use, by condemnation pursuant to chapter
13 101. The property shall not thereafter be taken for any other
14 public use without the consent of the corporation. No award of
15 compensation shall be increased by reason of any increase in the
16 value of real property caused by the designation of the urban
17 redevelopment site or plan adopted pursuant to a designation, or
18 the actual or proposed acquisition, use, or disposition of any
19 other real property by the corporation.



1 **§201H- Construction contracts.** Construction contracts
2 for residential condominium units within a transient-oriented
3 development site shall be subject to chapter 103D.

4 **§201H- Lease of projects.** Notwithstanding any law to
5 the contrary, the corporation, without recourse to chapter 103D,
6 may lease for a term not exceeding sixty-five years all or any
7 portion of the real or personal property constituting a
8 commercial project to any person, upon terms and conditions as
9 may be approved by the corporation; provided that all revenues
10 generated from the lease shall be used to support the purpose of
11 this part.

12 **§201H- Assistance by state and county agencies.** Any
13 state or county agency, upon request of the corporation, may
14 render services for the purposes of this part.

15 **§201H- Lands no longer needed.** Lands acquired by the
16 corporation from another government agency that are no longer
17 needed by the corporation for the program shall be returned to
18 the previous owner of those lands. Lands acquired by the
19 corporation from a private party that are owned by the
20 corporation and designated for the program but are subsequently



1 no longer needed for the program shall be retained by the
2 corporation."

3 SECTION 3. Section 201H-211, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§201H-211 Expenditures of revolving funds under the**
6 **corporation exempt from appropriation and allotment.** Except as
7 to administrative expenditures, and except as otherwise provided
8 by law, expenditures from the revolving funds administered by
9 the corporation under subparts I and J of part III, relating to
10 financing programs, subpart B of part _____, relating to
11 government employee housing, or section 201H-80 or 201H-123 may
12 be made by the corporation without appropriation or allotment by
13 the legislature; provided that no expenditure shall be made from
14 and no obligation shall be incurred against any revolving fund
15 in excess of the amount standing to the credit of the fund or
16 for any purpose for which the fund may not lawfully be expended.
17 Nothing in sections 37-31 to 37-41 shall require the proceeds of
18 the revolving funds identified in subparts I and J of part III,
19 subpart B of part _____, or section 201H-80 or 201H-123 to be
20 reappropriated annually."



1 SECTION 4. Section 302A-1603, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

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

4 (1) Any form of housing permanently excluding school-aged
5 children, with the necessary covenants or declarations
6 of restrictions recorded on the property;

7 (2) Any form of housing that is or will be paying the
8 transient accommodations tax under chapter 237D;

9 (3) All nonresidential development;

10 (4) Any development with an executed education
11 contribution agreement or other like document with the
12 agency for the contribution of school sites or payment
13 of fees for school land or school construction; ~~and~~

14 ~~+~~ (5) ~~+~~ Any form of development by the Hawaii community
15 development authority pursuant to part XII of chapter
16 206E~~-~~; and

17 (6) Any form of development by the Hawaii housing finance
18 and development corporation pursuant to part of
19 chapter 201H."

20 SECTION 5. There is appropriated out of the dwelling unit
21 revolving fund the sum of \$ or so much thereof as may



1 be necessary for fiscal year 2025-2026 and the same sum or so
2 much thereof as may be necessary for fiscal year 2026-2027 for
3 the Hawaii housing finance and development corporation to:

- 4 (1) Adopt rules;
- 5 (2) Engage the community; and
- 6 (3) Conduct site and pre-development planning for at least
7 one government employee rental or ninety-nine year
8 leasehold rent-to-own project in each county.

9 The sums appropriated shall be expended by the Hawaii
10 housing finance and development corporation for the purposes of
11 this Act.

12 SECTION 6. There is appropriated out of the dwelling unit
13 revolving fund the sum of \$ or so much thereof as may
14 be necessary for fiscal year 2025-2026 and the same sum or so
15 much thereof as may be necessary for fiscal year 2026-2027 for
16 the establishment of two full-time equivalent (2.0 FTE)
17 positions within the Hawaii housing finance and development
18 corporation.

19 The sums appropriated shall be expended by the Hawaii
20 housing finance and development corporation for the purposes of
21 this Act.



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

3 SECTION 8. This Act shall take effect on July 1, 2025.

4

INTRODUCED BY:

Tamara L. ...



S.B. NO. 1235

Report Title:

Government Employee Housing; Hawaii Housing Finance and Development Corporation; Affordable Rental Housing; Leasehold; Rent-to-own; Appropriation

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.

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