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# 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 housing program to facilitate the  
7 creation of low-cost rental, leasehold residential,  
8 and for-sale units to government employees on  
9 state-owned land; and

10 (2) A government employee housing revolving fund to  
11 provide interim and permanent financing for the  
12 infrastructure, pre-development, development, and  
13 construction costs of projects developed under the  
14 affordable housing program.

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

18 "PART . GOVERNMENT EMPLOYEE HOUSING

19 A. General Provisions

20 §201H- Definitions. As used in this part:



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

3 "Mixed-use transit-oriented development project" means a  
4 mixed-use project on a transit-oriented development site.

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

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

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 the  
7 corporation by this part shall be in addition and supplemental  
8 to the powers conferred by any other law, and nothing in this  
9 part shall be construed as limiting any powers, rights,  
10 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 funds appropriated for the purpose of the government  
18 employee housing revolving fund and all moneys received or  
19 collected by the corporation for the purpose of the revolving  
20 fund shall be deposited into the revolving fund. The proceeds  
21 in the revolving fund shall be used for the necessary expenses



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

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

- 15 (1) Appropriations made by the legislature; and  
16 (2) Private contributions, repayment of loans, interest,  
17 other returns, and moneys from other sources.

18 (c) The fund shall be used to provide loans or grants for  
19 the development, pre-development, construction, acquisition,  
20 preservation, and substantial rehabilitation of rental housing  
21 units, residential leasehold units, and for-sale units developed



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

13 (d) Moneys available in the fund shall be used for the  
14 purpose of providing, in whole or in part, loans or grants for  
15 government employee housing projects, rental housing projects,  
16 and rental units in mixed-use projects for tenants in the  
17 following order of priority:

- 18 (1) Newly hired permanent full-time state employees;
- 19 (2) Other permanent full-time state employees;
- 20 (3) Permanent full-time county employees;
- 21 (4) Permanent part-time state and county employees;



- 1 (5) Temporary state and county employees;  
2 (6) Retired state and county employees; and  
3 (7) The general public.

4 (e) Should a state or county employee occupying a unit  
5 leave employment by the State or a county, the tenant may  
6 continue to occupy the unit for up to twelve months.

7 (f) The corporation may provide loans and grants under  
8 this section; provided that the corporation shall establish  
9 loan-to-value ratios to protect the fund from inordinate risk  
10 and that under no circumstances shall the rules permit the  
11 loan-to-value ratio to exceed one hundred per cent; provided  
12 further that the underwriting guidelines shall include a  
13 debt-coverage ratio of not less than 1.0 to 1.

14 **§201H- Eligible applicants for funds.** Eligible  
15 applicants for funds shall include nonprofit and for-profit  
16 organizations, limited liability companies, partnerships, and  
17 government agencies that are qualified in accordance with rules  
18 adopted by the corporation pursuant to chapter 91.

19 **§201H- Eligible projects.** (a) Activities eligible for  
20 assistance from the fund shall include but not be limited to:



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

4 (2) The leveraging of moneys with the use of fund assets;

5 (3) Pre-development activity grants or loans to nonprofit  
6 organizations; and

7 (4) For-sale projects.

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

10 (1) Multifamily units;

11 (2) Attached single-family units;

12 (3) Apartments;

13 (4) Townhouses;

14 (5) Housing units above commercial or industrial space;

15 and

16 (6) United States Department of Housing and Urban  
17 Development mixed-finance development of public  
18 housing units.

19 (c) The corporation shall establish an application process  
20 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 Housing Program

17 **§201H- Government employee housing program.** (a) There  
18 is established the government employee housing program for the  
19 purpose of providing low-cost, leasehold residential condominium  
20 units for rent and subsequent sale to government employees,  
21 including for-sale units to government employees, on state-owned



1 lands within a transit-oriented development site. Under the  
2 program, dwelling units may be rented to program participants,  
3 and the corporation shall credit a portion of the rent received  
4 toward the purchase of the unit.

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

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

17 **§201H- Leasehold and for-sale condominiums on state**  
18 **lands.** (a) The corporation may sell leasehold units in  
19 condominiums organized pursuant to chapter 514B and developed  
20 under this part on state land to a qualified resident as defined  
21 in section 201H-32.



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 or extend the term of the lease.

4 (c) Any for-sale projects developed under this part shall  
5 be eligible for the government employee housing program and  
6 funding from the government employee housing revolving fund  
7 established pursuant to subpart B of this part.

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

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

19 (c) Development shall be revenue-neutral to the greatest  
20 extent possible.



1 (d) Transit-oriented development sites shall maximize  
2 walkability.

3 **§201H- Sale of the leasehold interest of residential**  
4 **condominium units; rules; guidelines.** (a) The corporation  
5 shall adopt rules pursuant to chapter 91 for the sale of the  
6 leasehold interest of residential condominium units under its  
7 control within transit-oriented development sites; provided that  
8 each lease shall be for a term of ninety-nine years. The rules  
9 shall include the following requirements for an eligible buyer  
10 or owner of a residential condominium unit within a  
11 transit-oriented development site:

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

14 (2) The person shall not use a government employee  
15 residential condominium unit within a transit-oriented  
16 development site for any purpose other than  
17 owner-occupied residential use; and

18 (3) The person, the person's spouse, or any other person  
19 intending to live with the eligible buyer or owner,  
20 shall not own any other real property, including any  
21 residential or non-residential property, beneficial



1 ownership of trusts, and co-ownership or fractional  
2 ownership, while owning a residential condominium unit  
3 within a transit-oriented development site; provided  
4 that an eligible buyer may own real property up to six  
5 months after closing on the purchase of a residential  
6 condominium unit within a transit-oriented development  
7 site; provided further that an owner of a residential  
8 condominium unit within a transit-oriented development  
9 site in the process of selling the residential  
10 condominium unit may own other real property up to six  
11 months before closing on the sale of the residential  
12 condominium unit to an eligible buyer.

13 The rules adopted pursuant to this subsection shall include  
14 strict enforcement of owner-occupancy, including a prohibition  
15 on renting or subleasing a residential condominium unit within a  
16 transit-oriented development site to any tenant or sublessee.

17 The corporation may also establish rules for a minimum number of  
18 days residents shall be physically present on the premises and a  
19 maximum number of days non-residents may have access to the  
20 premises.



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

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



1 residential condominium unit, the deceased's heir shall sell the  
2 residential condominium unit to an eligible buyer.

3 (d) The corporation may adopt rules pursuant to chapter 91  
4 that authorize the executive director to waive the requirements  
5 set forth in subsection (a), where the inability of an owner to  
6 reside in the residential condominium unit is due to unforeseen  
7 circumstances, military transfer, serious illness, or other  
8 hardship circumstances as determined by the executive director.

9 **§201H- Use of public lands; acquisition of state lands.**

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

17 (b) Notwithstanding subsection (a), no public lands shall  
18 be conveyed or leased to the corporation pursuant to this  
19 section if the conveyance or lease would impair any covenant  
20 between the State or any county or any department or board



1 thereof and the holders of bonds issued by the State or that  
2 county, department, or board.

3           **§201H- Acquisition of real property from a county.**

4 Notwithstanding the provision of any law or charter, any county,  
5 by resolution of its county council, without public auction,  
6 sealed bids, or public notice, may sell, lease, grant, or convey  
7 to the corporation any real property owned by the county that  
8 the corporation certifies to be necessary for the purposes of  
9 this part. The sale, lease, grant, or conveyance shall be made  
10 with or without consideration and upon terms and conditions as  
11 may be agreed upon by the county and the corporation.

12 Certification shall be evidenced by a formal request from the  
13 corporation. Before the sale, lease, grant, or conveyance may  
14 be made to the corporation, a public hearing shall be held by  
15 the county council to consider the same. Notice of the hearing  
16 shall be published at least six days before the date set for the  
17 hearing in the publication and in the manner as may be  
18 designated by the county council.

19           **§201H- Condemnation of real property.** The corporation,  
20 upon making a finding that it is necessary to acquire any real  
21 property for its immediate or future use for the purposes of



1 this part, may acquire the property, including property already  
2 devoted to a public use, by condemnation pursuant to  
3 chapter 101. The property shall not thereafter be taken for any  
4 other public use without the consent of the corporation. No  
5 award of compensation shall be increased by reason of any  
6 increase in the value of real property caused by the designation  
7 of the urban redevelopment site or plan adopted pursuant to a  
8 designation, or the actual or proposed acquisition, use, or  
9 disposition of any other real property by the corporation.

10       **§201H- Construction contracts.** Construction contracts  
11 for residential condominium units within a transient-oriented  
12 development site shall be subject to chapter 103D.

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



1           **§201H- Assistance by state and county agencies.** Any  
2 state or county agency, upon request of the corporation, may  
3 render services for the purposes of this part.

4           **§201H- Lands no longer needed.** Lands acquired by the  
5 corporation from another government agency that are no longer  
6 needed by the corporation for the program shall be returned to  
7 the previous owner of those lands. Lands acquired by the  
8 corporation from a private party that are owned by the  
9 corporation and designated for the program but are subsequently  
10 no longer needed for the program shall be retained by the  
11 corporation."

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

14           **"§201H-211 Expenditures of revolving funds under the**  
15 **corporation exempt from appropriation and allotment.** Except as  
16 to administrative expenditures, and except as otherwise provided  
17 by law, expenditures from the revolving funds administered by  
18 the corporation under subparts I and J of part III, relating to  
19 financing programs, subpart B of part \_\_\_\_\_, relating to  
20 government employee housing, or section 201H-80 or 201H-123 may  
21 be made by the corporation without appropriation or allotment by



1 the legislature; provided that no expenditure shall be made from  
 2 and no obligation shall be incurred against any revolving fund  
 3 in excess of the amount standing to the credit of the fund or  
 4 for any purpose for which the fund may not lawfully be expended.  
 5 Nothing in sections 37-31 to 37-41 shall require the proceeds of  
 6 the revolving funds identified in subparts I and J of part III,  
 7 subpart B of part \_\_\_\_\_, or section 201H-80 or 201H-123 to be  
 8 reappropriated annually."

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

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

- 12 (1) Any form of housing permanently excluding school-aged  
 13 children, with the necessary covenants or declarations  
 14 of restrictions recorded on the property;
- 15 (2) Any form of housing that is or will be paying the  
 16 transient accommodations tax under chapter 237D;
- 17 (3) All nonresidential development;
- 18 (4) Any development with an executed education  
 19 contribution agreement or other like document with the  
 20 agency for the contribution of school sites or payment  
 21 of fees for school land or school construction; [~~and~~



1 +] (5) [+] Any form of development by the Hawaii community  
2 development authority pursuant to part XII of chapter  
3 206E[+]; and

4 (6) Any form of development by the Hawaii housing finance  
5 and development corporation pursuant to part \_\_\_\_\_ of  
6 chapter 201H."

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

- 12 (1) Adopt rules;
- 13 (2) Engage the community; and
- 14 (3) Conduct site and pre-development planning for at least  
15 one government employee housing project in each  
16 county.

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

20 SECTION 6. There is appropriated out of the dwelling unit  
21 revolving fund the sum of \$450,000 or so much thereof as may be



1 necessary for fiscal year 2025-2026 and the same sum or so much  
2 thereof as may be necessary for fiscal year 2026-2027 for the  
3 establishment of two full-time equivalent (2.0 FTE) positions  
4 within the Hawaii housing finance and development corporation.

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

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

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



**Report Title:**

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

**Description:**

Establishes within the Hawaii Housing Finance and Development Corporation the Government Employee Housing Program.  
Establishes the Government Employee Housing Revolving Fund.  
Clarifies eligibility for the Government Housing Revolving Fund and Government Employee Housing Program. Appropriates funds.  
(SD1)

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