
A BILL FOR AN ACT

RELATING TO LIMITED-PROFIT HOUSING ASSOCIATIONS.

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

PART I

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

"§201- Limited-profit housing council. (a) There is established the limited-profit housing council within the department of business, economic development, and tourism for administrative purposes, to oversee and administer the establishment and governance of limited-profit housing associations in the State.

(b) The limited-profit housing council shall be composed of the following members:

(1) The chairs of the standing committees of the legislature with subject matter jurisdiction over housing or the chairs' designees;



1 (2) The executive director of the Hawaii housing finance
2 and development corporation, who shall serve as
3 co-chair;

4 (3) The executive director of the Hawaii public housing
5 authority, who shall serve as co-chair;

6 (4) The director of business, economic development, and
7 tourism or the director's designee;

8 (5) The attorney general or the attorney general's
9 designee;

10 (6) The director of taxation or the director's designee;

11 (7) A representative from the city and county of
12 Honolulu's office of housing with experience in the
13 development of housing exclusively for qualified
14 residents;

15 (8) A representative from the county of Maui's department
16 of housing with experience in the development of
17 housing exclusively for qualified residents;

18 (9) A representative from the county of Kauai's housing
19 agency with experience in the development of housing
20 exclusively for qualified residents; and



1 (10) A representative from the county of Hawaii's office of
2 housing and community development with experience in
3 the development of housing exclusively for qualified
4 residents.

5 (c) Meetings shall be open to the public and subject to
6 chapter 92. The co-chairs shall determine how often the council
7 shall meet; provided that the council shall meet at least once
8 during each calendar year.

9 (d) The department shall provide administrative support to
10 the council and appoint an administrator, who shall serve at the
11 pleasure of the council and shall be exempt from chapter 76.
12 The administrator shall be responsible for the day-to-day
13 operations of the council.

14 (e) The council may adopt rules under chapter 91 necessary
15 to effectuate this section.

16 (f) For the purposes of this section, "qualified resident"
17 has the same meaning as defined in section 201H-32."

18 PART II

19 SECTION 2. The Hawaii Revised Statutes is amended by
20 adding a new chapter to be appropriately designated and to read
21 as follows:



1 **"CHAPTER**

2 **LIMITED-PROFIT HOUSING ASSOCIATIONS**

3 **§ -1 Purpose.** The purpose of this chapter is to create
4 long-term housing exclusively for qualified residents, through
5 the establishment of limited-profit housing associations.

6 **§ -2 Definitions.** As used in this chapter:

7 "Contractor" means any general engineering, general
8 building, or specialty contractor, any subcontractor, or any
9 person, who by oneself or through others offers to undertake, or
10 holds oneself out as being able to undertake, or does undertake
11 to alter, add to, subtract from, improve, enhance, or beautify
12 any realty or construct, alter, repair, add to, subtract from,
13 improve, move, wreck, or demolish any building, highway, road,
14 railroad, excavation, or other structure, project, development,
15 or improvement, or do any part thereof, including the erection
16 of scaffolding or other structures or works in connection
17 therewith.

18 "Financial relationship" means a relationship between a
19 person and a contractor, where:



1 (1) The person is, or has been within the last three
2 years, an employee of a contractor, its parent
3 company, or its subsidiaries;

4 (2) The person is related by blood, marriage, or adoption
5 to; is a party to a civil union with; is a reciprocal
6 beneficiary or household member of; or resides with a
7 contractor or an officer or director of a contractor,
8 its parent company, or its subsidiaries; or

9 (3) The person or an association of which the person is a
10 director, officer, or manager or in which the person
11 owns beneficially or of record five per cent or more
12 of the outstanding equity interests or the outstanding
13 shares of a contractor, its parent company, or its
14 subsidiaries.

15 "Limited-profit housing association" or "association" means
16 a domestic corporation, incorporated under chapter 414, that is
17 approved by the limited-profit housing council to act as a
18 limited-profit housing association and whose status as a
19 limited-profit housing association has not been terminated as
20 provided in this chapter.



1 "Limited-profit housing council" or "council" means the
2 council established pursuant to section 201- .

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

5 **§ -3 Establishment; standards of conduct; termination.**

6 (a) A domestic corporation, incorporated under chapter 414, may
7 establish itself as a limited-profit housing association upon
8 approval from the council. If a corporation that is not a
9 limited-profit housing association is a party to a merger,
10 consolidation, or division, or is the exchanging corporation in
11 a share exchange, and the surviving, new, or any resulting
12 corporation in the merger, consolidation, division, or share
13 exchange is to be a limited-profit housing association, then the
14 plan of merger, consolidation, division, or share exchange shall
15 not be effective unless approved by the council.

16 (b) Upon approval of its limited-profit housing
17 association status, the corporation shall include in its
18 articles, or amend its articles to include, a statement that the
19 corporation's primary purpose is to provide long-term housing
20 exclusively for qualified residents, in the State and that the
21 corporation shall devote its assets, including its shareholders'



1 equity, to generate housing exclusively for qualified residents,
2 and regularly check and monitor its business operations to
3 ensure that it is aligned with this primary purpose.

4 (c) All directors and officers of an association shall be
5 independent of and shall have no financial relationship with any
6 contractors.

7 (d) The director of an association shall not be personally
8 liable for monetary damages for any action taken as a director;
9 provided that the director performed the duties of the
10 director's office in compliance with the general standards of
11 conduct pursuant to section 414-221.

12 (e) The officer of an association shall not be personally
13 liable for monetary damages for any action taken as an officer;
14 provided that the officer performed the duties of the position
15 in compliance with the general standards of conduct pursuant to
16 section 414-233.

17 (f) Upon proper notice, an association that is
18 noncompliant with this chapter shall have its status as a
19 limited-profit housing association revoked.

20 (g) An association may elect to terminate its status as a
21 limited-profit housing association and cease to be subject to



1 this chapter upon approval from the council. If a plan of
2 merger, consolidation, division, or share exchange would have
3 the effect of terminating the status of a corporation as a
4 limited-profit housing association, the plan shall not be
5 effective unless it is approved by the council.

6 **§ -4 Leasehold purchase prices; rental prices.** (a) A
7 limited-profit housing association shall only charge a fixed
8 price for the use of its housing units exclusively for qualified
9 residents. The fixed price shall be at a level neither higher
10 nor lower than necessary to cover the costs for constructing and
11 operating the building, while considering the actual and
12 reasonable costs of managing the housing units exclusively for
13 qualified residents, including the formation of reserves. The
14 fixed price shall be based on the following factors:

- 15 (1) Construction expenses, including the financing of the
16 housing units exclusively for qualified residents;
17 (2) Operating expenses and management costs; and
18 (3) Replacement reserves.

19 (b) If a tenant or buyer of a housing unit exclusively for
20 qualified residents built by an association disagrees with the
21 cost of the housing unit exclusively for qualified residents,



1 the tenant or buyer may have the amount of the fixed price
2 reviewed by a court of law.

3 **§ -5 Asset management.** (a) The revenues generated by a
4 limited-profit housing association shall be reserved and placed
5 in a revolving fund where the moneys shall be used only for
6 limited business activities as provided under section -6.

7 (b) The association shall only distribute its profits once
8 a year. The profit distributed shall not exceed the permissible
9 interest rate for shareholder equity as determined by the
10 council.

11 (c) The dividend paid to a member or shareholder that
12 withdraws from the association shall be only the amount of the
13 nominal value of the member's or shareholder's capital
14 contribution.

15 **§ -6 Limited business activities.** (a) Limited-profit
16 housing associations shall primarily construct, rehabilitate,
17 and manage housing exclusively for qualified residents.
18 Additional primary activities of an association may include the
19 large-scale renovation and management of the housing of other
20 limited-profit housing associations. All activities performed



1 under this subsection shall be performed under the name of the
2 association.

3 (b) With written approval from the council, an association
4 may perform other housing-related services.

5 (c) Any interruption in building activities by an
6 association shall require the explicit permission of the
7 council."

8 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§235- Income earned by a limited-profit housing
12 association. Notwithstanding any law to the contrary, all
13 income earned from a limited-profit housing association
14 established pursuant to chapter that would otherwise be
15 taxed as ordinary income shall be excluded from taxation under
16 this chapter; provided that any income that is not used for
17 primary business activities under section -6(a) shall be
18 subject to taxation under this chapter if the limited-profit
19 housing association is unable to verify that the income has been
20 properly utilized in five years for the primary business
21 activities of the association."



1 SECTION 4. Section 23-94, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) This section shall apply to the following:

- 4 (1) Section 235-4.5(a)--Exclusion of intangible income
5 earned by a trust sited in this State;
- 6 (2) Section 235-4.5(b)--Exclusion of intangible income of
7 a foreign corporation owned by a trust sited in this
8 State;
- 9 (3) Section 235-4.5(c)--Credit to a resident beneficiary
10 of a trust for income taxes paid by the trust to
11 another state;
- 12 (4) Sections 235-55 and 235-129--Credit for income taxes
13 paid by a resident taxpayer to another jurisdiction;
- 14 (5) Section 235-71(c)--Credit for a regulated investment
15 company shareholder for the capital gains tax paid by
16 the company;
- 17 (6) Section 235-110.6--Credit for fuel taxes paid by a
18 commercial fisher;
- 19 (7) Section 235-110.93--Credit for important agricultural
20 land qualified agricultural cost;



1 ~~[(8) Section 235-110.94--Credit for organically produced~~
2 ~~agricultural products;~~

3 ~~+(9)]~~ (8) Section 235-129(b)--Credit to a shareholder of
4 an S corporation for the shareholder's pro rata share
5 of the tax credit earned by the S corporation in this
6 State; ~~[and~~

7 ~~+(10)]~~ (9) Section 209E-10--Credit for a qualified business
8 in an enterprise zone; provided that the review of
9 this credit pursuant to this part shall be limited in
10 scope to income tax credits~~[-]~~; and

11 (10) Section 235- --Exclusion of income earned by a
12 limited-profit housing association."

13 SECTION 5. Section 76-16, Hawaii Revised Statutes, is
14 amended by amending subsection (b) to read as follows:

15 "(b) The civil service to which this chapter applies shall
16 comprise all positions in the State now existing or hereafter
17 established and embrace all personal services performed for the
18 State, except the following:

19 (1) Commissioned and enlisted personnel of the Hawaii
20 National Guard and positions in the Hawaii National
21 Guard that are required by state or federal laws or



1 regulations or orders of the National Guard to be

2 filled from those commissioned or enlisted personnel;

3 (2) Positions filled by persons employed by contract where

4 the director of human resources development has

5 certified that the service is special or unique or is

6 essential to the public interest and that, because of

7 circumstances surrounding its fulfillment, personnel

8 to perform the service cannot be obtained through

9 normal civil service recruitment procedures. Any

10 contract may be for any period not exceeding one year;

11 (3) Positions that must be filled without delay to comply

12 with a court order or decree if the director

13 determines that recruitment through normal recruitment

14 civil service procedures would result in delay or

15 noncompliance, such as the Felix-Cayetano consent

16 decree;

17 (4) Positions filled by the legislature or by either house

18 or any committee thereof;

19 (5) Employees in the office of the governor and office of

20 the lieutenant governor, and household employees at

21 Washington Place;



- 1 (6) Positions filled by popular vote;
- 2 (7) Department heads, officers, and members of any board,
3 commission, or other state agency whose appointments
4 are made by the governor or are required by law to be
5 confirmed by the senate;
- 6 (8) Judges, referees, receivers, masters, jurors, notaries
7 public, land court examiners, court commissioners, and
8 attorneys appointed by a state court for a special
9 temporary service;
- 10 (9) One bailiff for the chief justice of the supreme court
11 who shall have the powers and duties of a court
12 officer and bailiff under section 606-14; one
13 secretary or clerk for each justice of the supreme
14 court, each judge of the intermediate appellate court,
15 and each judge of the circuit court; one secretary for
16 the judicial council; one deputy administrative
17 director of the courts; three law clerks for the chief
18 justice of the supreme court, two law clerks for each
19 associate justice of the supreme court and each judge
20 of the intermediate appellate court, one law clerk for
21 each judge of the circuit court, two additional law



1 clerks for the civil administrative judge of the
2 circuit court of the first circuit, two additional law
3 clerks for the criminal administrative judge of the
4 circuit court of the first circuit, one additional law
5 clerk for the senior judge of the family court of the
6 first circuit, two additional law clerks for the civil
7 motions judge of the circuit court of the first
8 circuit, two additional law clerks for the criminal
9 motions judge of the circuit court of the first
10 circuit, and two law clerks for the administrative
11 judge of the district court of the first circuit; and
12 one private secretary for the administrative director
13 of the courts, the deputy administrative director of
14 the courts, each department head, each deputy or first
15 assistant, and each additional deputy, or assistant
16 deputy, or assistant defined in paragraph (16);

17 (10) First deputy and deputy attorneys general, the
18 administrative services manager of the department of
19 the attorney general, one secretary for the
20 administrative services manager, an administrator and
21 any support staff for the criminal and juvenile



1 justice resources coordination functions, and law
2 clerks;

3 (11) (A) Teachers, principals, vice-principals, complex
4 area superintendents, deputy and assistant
5 superintendents, other certificated personnel,
6 and no more than twenty noncertificated
7 administrative, professional, and technical
8 personnel not engaged in instructional work;
9 (B) Effective July 1, 2003, teaching assistants,
10 educational assistants, bilingual or bicultural
11 school-home assistants, school psychologists,
12 psychological examiners, speech pathologists,
13 athletic health care trainers, alternative school
14 work study assistants, alternative school
15 educational or supportive services specialists,
16 alternative school project coordinators, and
17 communications aides in the department of
18 education;

19 (C) The special assistant to the state librarian and
20 one secretary for the special assistant to the
21 state librarian; and



(D) Members of the faculty of the University of Hawaii, including research workers, extension agents, personnel engaged in instructional work, and administrative, professional, and technical personnel of the university;

(12) Employees engaged in special, research, or demonstration projects approved by the governor;

(13) (A) Positions filled by inmates, patients of state institutions, and persons with severe physical or mental disabilities participating in the work experience training programs;

(B) Positions filled with students in accordance with guidelines for established state employment programs; and

(C) Positions that provide work experience training or temporary public service employment that are filled by persons entering the workforce or persons transitioning into other careers under programs such as the federal Workforce Investment Act of 1998, as amended, or the Senior Community Service Employment Program of the Employment and



1 Training Administration of the United States
2 Department of Labor, or under other similar state
3 programs;

4 (14) A custodian or guide at Iolani Palace, the Royal
5 Mausoleum, and Hulihee Palace;

6 (15) Positions filled by persons employed on a fee,
7 contract, or piecework basis, who may lawfully perform
8 their duties concurrently with their private business
9 or profession or other private employment and whose
10 duties require only a portion of their time, if it is
11 impracticable to ascertain or anticipate the portion
12 of time to be devoted to the service of the State;

13 (16) Positions of first deputies or first assistants of
14 each department head appointed under or in the manner
15 provided in section 6, article V, of the Hawaii State
16 Constitution; three additional deputies or assistants
17 either in charge of the highways, harbors, and
18 airports divisions or other functions within the
19 department of transportation as may be assigned by the
20 director of transportation, with the approval of the
21 governor; one additional deputy in the department of



1 human services either in charge of welfare or other
2 functions within the department as may be assigned by
3 the director of human services; four additional
4 deputies in the department of health, each in charge
5 of one of the following: behavioral health,
6 environmental health, hospitals, and health resources
7 administration, including other functions within the
8 department as may be assigned by the director of
9 health, with the approval of the governor; two
10 additional deputies in charge of the law enforcement
11 programs, administration, or other functions within
12 the department of law enforcement as may be assigned
13 by the director of law enforcement, with the approval
14 of the governor; three additional deputies each in
15 charge of the correctional institutions,
16 rehabilitation services and programs, and
17 administration or other functions within the
18 department of corrections and rehabilitation as may be
19 assigned by the director of corrections and
20 rehabilitation, with the approval of the governor; two
21 administrative assistants to the state librarian; and



1 an administrative assistant to the superintendent of
2 education;

3 (17) Positions specifically exempted from this part by any
4 other law; provided that:

5 (A) Any exemption created after July 1, 2014, shall
6 expire three years after its enactment unless
7 affirmatively extended by an act of the
8 legislature; and

9 (B) All of the positions defined by paragraph (9)
10 shall be included in the position classification
11 plan;

12 (18) Positions in the state foster grandparent program and
13 positions for temporary employment of senior citizens
14 in occupations in which there is a severe personnel
15 shortage or in special projects;

16 (19) Household employees at the official residence of the
17 president of the University of Hawaii;

18 (20) Employees in the department of education engaged in
19 the supervision of students during meal periods in the
20 distribution, collection, and counting of meal



1 tickets, and in the cleaning of classrooms after
2 school hours on a less than half-time basis;

3 (21) Employees hired under the tenant hire program of the
4 Hawaii public housing authority; provided that no more
5 than twenty-six per cent of the authority's workforce
6 in any housing project maintained or operated by the
7 authority shall be hired under the tenant hire
8 program;

9 (22) Positions of the federally funded expanded food and
10 nutrition program of the University of Hawaii that
11 require the hiring of nutrition program assistants who
12 live in the areas they serve;

13 (23) Positions filled by persons with severe disabilities
14 who are certified by the state vocational
15 rehabilitation office that they are able to perform
16 safely the duties of the positions;

17 (24) The sheriff;

18 (25) A gender and other fairness coordinator hired by the
19 judiciary;

20 (26) Positions in the Hawaii National Guard youth and adult
21 education programs;



1 (27) In the Hawaii state energy office in the department of
2 business, economic development, and tourism, all
3 energy program managers, energy program specialists,
4 energy program assistants, and energy analysts;

5 (28) Administrative appeals hearing officers in the
6 department of human services;

7 (29) In the Med-QUEST division of the department of human
8 services, the division administrator, finance officer,
9 health care services branch administrator, medical
10 director, and clinical standards administrator;

11 (30) In the director's office of the department of human
12 services, the enterprise officer, information security
13 and privacy compliance officer, security and privacy
14 compliance engineer, security and privacy compliance
15 analyst, information technology implementation
16 manager, assistant information technology
17 implementation manager, resource manager, community or
18 project development director, policy director, special
19 assistant to the director, and limited English
20 proficiency project manager or coordinator;



1 (31) The Alzheimer's disease and related dementia services
2 coordinator in the executive office on aging;

3 (32) In the Hawaii emergency management agency, the
4 executive officer, public information officer, civil
5 defense administrative officer, branch chiefs, and
6 emergency operations center state warning point
7 personnel; provided that for state warning point
8 personnel, the director shall determine that
9 recruitment through normal civil service recruitment
10 procedures would result in delay or noncompliance;

11 (33) The executive director and seven full-time
12 administrative positions of the school facilities
13 authority;

14 (34) Positions in the Mauna Kea stewardship and oversight
15 authority;

16 (35) In the office of homeland security of the department
17 of law enforcement, the statewide interoperable
18 communications coordinator;

19 (36) In the social services division of the department of
20 human services, the business technology analyst;

21 (37) The executive director and staff of the 911 board;



[+] (38) [+] Senior software developers in the department of
taxation;

[+] (39) [+] In the department of law enforcement, five Commission
on Accreditation for Law Enforcement Agencies, Inc.,
coordinator positions;

[+] (40) [+] The state fire marshal; ~~and~~

[+] (41) [+] The administrator for the law enforcement standards
board[-]; and

(42) The administrator for the limited-profit housing
council.

The director shall determine the applicability of this
section to specific positions.

Nothing in this section shall be deemed to affect the civil
service status of any incumbent as it existed on July 1, 1955."

SECTION 6. Section 247-3, Hawaii Revised Statutes, is
amended to read as follows:

"§247-3 Exemptions. The tax imposed by section 247-1
shall not apply to:

(1) Any document or instrument that is executed prior to
January 1, 1967;



1 (2) Any document or instrument that is given to secure a
2 debt or obligation;

3 (3) Any document or instrument that only confirms or
4 corrects a deed, lease, sublease, assignment,
5 transfer, or conveyance previously recorded or filed;

6 (4) Any document or instrument between [~~husband and wife,~~]
7 spouses, reciprocal beneficiaries, or parent and
8 child, in which only a nominal consideration is paid;

9 (5) Any document or instrument in which there is a
10 consideration of \$100 or less paid or to be paid;

11 (6) Any document or instrument conveying real property
12 that is executed pursuant to an agreement of sale, and
13 where applicable, any assignment of the agreement of
14 sale, or assignments thereof; provided that the taxes
15 under this chapter have been fully paid upon the
16 agreement of sale, and where applicable, upon [~~such~~]
17 the assignment or assignments of agreements of sale;

18 (7) Any deed, lease, sublease, assignment of lease,
19 agreement of sale, assignment of agreement of sale,
20 instrument or writing [~~in which~~] that the United
21 States or any agency or instrumentality thereof or the



1 State or any agency, instrumentality, or governmental
2 or political subdivision thereof are the only parties
3 thereto;

4 (8) Any document or instrument executed pursuant to a tax
5 sale conducted by the United States or any agency or
6 instrumentality thereof or the State or any agency,
7 instrumentality, or governmental or political
8 subdivision thereof for delinquent taxes or
9 assessments;

10 (9) Any document or instrument conveying real property to
11 the United States or any agency or instrumentality
12 thereof or the State or any agency, instrumentality,
13 or governmental or political subdivision thereof
14 pursuant to the threat of the exercise or the exercise
15 of the power of eminent domain;

16 (10) Any document or instrument that solely conveys or
17 grants an easement or easements;

18 (11) Any document or instrument whereby owners partition
19 their property, whether by mutual agreement or
20 judicial action; provided that the value of each
21 owner's interest in the property after partition is



1 equal in value to that owner's interest before
2 partition;

3 (12) Any document or instrument between marital partners or
4 reciprocal beneficiaries who are parties to a divorce
5 action or termination of reciprocal beneficiary
6 relationship that is executed pursuant to an order of
7 the court in the divorce action or termination of
8 reciprocal beneficiary relationship;

9 (13) Any document or instrument conveying real property
10 from a testamentary trust to a beneficiary under the
11 trust;

12 (14) Any document or instrument conveying real property
13 from a grantor to the grantor's revocable living
14 trust, or from a grantor's revocable living trust to
15 the grantor as beneficiary of the trust;

16 (15) Any document or instrument conveying real property, or
17 any interest therein, from an entity that is a party
18 to a merger or consolidation under chapter 414, 414D,
19 415A, 421, 421C, 425, 425E, or 428 to the surviving or
20 new entity;



(16) Any document or instrument conveying real property, or any interest therein, from a dissolving limited partnership to its corporate general partner that owns, directly or indirectly, at least a ninety per cent interest in the partnership, determined by applying section 318 (with respect to constructive ownership of stock) of the federal Internal Revenue Code of 1986, as amended, to the constructive ownership of interests in the partnership; ~~and~~

~~+~~ (17) ~~+~~ Any document or instrument that conforms to the transfer on death deed as authorized under chapter 527~~[-]~~; and

(18) Any document or instrument conveying real property, or any interest therein, to or by a limited-profit housing association established pursuant to chapter ____."

PART III

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

SECTION 8. This Act shall take effect upon its approval; provided that:



- 1 (1) Sections 3, 4, and 6 shall take effect on January 1,
2 2026; and
3 (2) Section 3 shall apply to taxable years beginning after
4 December 31, 2025.

5



Report Title:

Housing; Limited-Profit Housing Associations; Limited-Profit
Housing Council; Qualified Residents

Description:

Establishes an organizational, tax, and regulatory framework for
limited-profit housing associations. Establishes the
Limited-Profit Housing Council to oversee limited-profit housing
associations. (SD1)

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not legislation or evidence of legislative intent.*

