
A BILL FOR AN ACT

RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION.

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

1 SECTION 1. The legislature acknowledges that Hawaii's
2 housing shortage is exacerbated when housing developed or
3 supported through public approvals subsequently leaves the
4 inventory available to residents. Furthermore, the legislature
5 recognizes that affordability restrictions limited by time may
6 result in units being sold or rented without consideration of
7 local residency or occupancy, thereby undermining the long-term
8 objectives of housing programs.

9 The legislature further finds that perpetual deed
10 restrictions can help preserve residential housing for future
11 generations by ensuring that units are sold exclusively to
12 qualified residents and that occupancy is limited to individuals
13 domiciled within the State. These restrictions are intended to
14 promote local ownership, encourage resident occupancy, and
15 reduce vacant investment holdings and transient usage.



1 Additionally, the legislature notes that the Hawaii housing
2 finance and development corporation requires qualified residents
3 to demonstrate financial viability to purchase or the ability to
4 pay rent for units in certain housing projects. However,
5 lenders and landlords already conduct necessary underwriting and
6 screening, and duplicative reviews by the corporation may cause
7 unwarranted delays and administrative burden.

8 The legislature also recognizes that certain ownership-
9 based criteria in the existing definition of qualified resident
10 may inadvertently limit mobility for local households and
11 disrupt typical progression through the housing market, such as
12 when growing families need to move to larger units. Deed-
13 restricted units should be permitted to be rented on a long-term
14 basis and not be subject to perpetual owner-occupancy
15 requirements following an initial occupancy period, as long as
16 residency and occupancy standards remain enforced and transient
17 use is prohibited.

18 Accordingly, the purpose of this Act is to strengthen the
19 long-term public benefit of Hawaii housing finance and
20 development corporation approved housing projects by:



- (1) Removing certain financial screening and ownership qualifications for purchasers of a unit in a corporation-approved housing project; and
 - (2) Requiring perpetual deed restrictions on the sale of certain units within the housing project.

SECTION 2. Section 201H-32, Hawaii Revised Statutes, is

7 amended by amending the definition of "qualified resident" to
8 read as follows:

""Qualified resident" means a person who:

- (1) Is a citizen of the United States or a resident alien;
 - (2) Is at least eighteen years of age;
 - (3) Is domiciled in the State and physically resides in the dwelling unit purchased or rented under this chapter; and
 - (4) ~~[In the case of the purchase of real property in fee simple or leasehold, has a gross income sufficient to qualify for the loan to finance the purchase; or in the case of a rental, demonstrates an ability to pay rent as determined by the corporation and meets any additional criteria established by the corporation for~~



1 the respective rental housing development for which
2 the applicant is applying; and
3 (5) Meets the following qualifications:
4 (A) Is a person who either by the person's self, or
5 together with spouse or household member, does
6 not own a majority interest in fee simple or
7 leasehold lands suitable for dwelling purposes or
8 a majority interest in lands under any trust
9 agreement or other fiduciary arrangement in which
10 another person holds the legal title to the land;
11 and
12 (B) Is a person whose spouse or household member does
13 not own a majority interest in fee simple or
14 leasehold lands suitable for dwelling purposes or
15 more than a majority interest in lands under any
16 trust agreement or other fiduciary arrangement in
17 which another person holds the legal title to the
18 land, except when husband and wife are living
19 apart under a decree of separation from bed and
20 board issued by the family court pursuant to
21 section 580-71;



1 provided that for] In the case of purchasers of
2 market-priced units in an economically integrated
3 housing project, [~~the term "qualified resident" means~~
4 ~~a person who~~ is a citizen of the United States or a
5 resident alien; is domiciled in the State and shall
6 physically reside in the dwelling unit purchased; is
7 at least eighteen years of age; and meets other
8 qualifications as determined by the developer."

9 SECTION 3. Section 201H-38, Hawaii Revised Statutes, is
10 amended by amending subsection (a) to read as follows:

11 "(a) The corporation may develop on behalf of the State or
12 with an eligible developer, or may assist under a government
13 assistance program in the development of, housing projects that
14 shall be exempt from all statutes, charter provisions,
15 ordinances, and rules of any government agency relating to
16 planning, zoning, construction standards for subdivisions,
17 development and improvement of land, and the construction of
18 dwelling units thereon; provided that:

19 (1) The housing projects meet the following conditions:
20 (A) The corporation finds the housing project is
21 consistent with the purpose and intent of this



chapter, meets minimum requirements of health and safety, and provides the county an opportunity to comment;

- (B) The development of the proposed housing project does not contravene any safety standards, tariffs, or rates and fees approved by the public utilities commission for public utilities or of the various boards of water supply authorized under chapter 54;
 - (C) The legislative body of the county in which the housing project is to be situated has approved the project with or without modifications:
 - (i) The legislative body shall approve, approve with modification, or disapprove the project by resolution within forty-five days after the corporation has submitted the preliminary plans and specifications for the project to the legislative body; provided that the legislative body shall not impose stricter conditions, impose stricter median income requirements, or reduce fee waivers



that will increase the cost of the project beyond those approved by the corporation.

If, on the forty-sixth day a project is not disapproved, it shall be deemed approved by the legislative body;

(ii) No action shall be prosecuted or maintained against any county, its officials, or employees on account of actions taken by them in reviewing, approving, modifying, or disapproving the plans and specifications; and

(iii) The final plans and specifications for the project shall be deemed approved by the legislative body if the final plans and specifications do not substantially deviate from the preliminary plans and specifications. The final plans and specifications for the project shall constitute the zoning, building, construction, and subdivision standards for that project. For purposes of sections 501-



85 and 502-17, the executive director of the corporation or the responsible county official may certify maps and plans of lands connected with the project as having complied with applicable laws and ordinances relating to consolidation and subdivision of lands, and the maps and plans shall be accepted for registration or recordation by the land court and registrar; and

10 (D) The land use commission has approved, approved
11 with modification, or disapproved a boundary
12 change within forty-five days after the
13 corporation has submitted a petition to the
14 commission as provided in section 205-4. If, on
15 the forty-sixth day, the petition is not
16 disapproved, it shall be deemed approved by the
17 commission; or

18 (2) The housing projects [÷

19 (A) ~~Meet the conditions of paragraph (1);~~

20 (B) ~~Do not impose stricter income requirements than~~

21 ~~those adopted or established by the State; and~~



- 1 (C) For the lifetime of the project, require that one
2 hundred per cent of the units in the project be
3 exclusively for qualified residents.] meet the
4 following conditions:

5 (A) The corporation approves the housing project and
6 finds the housing project is consistent with the
7 purpose and intent of this chapter, meets minimum
8 requirements of health and safety, and provides
9 the county an opportunity to comment; and

10 (B) No less than eighty per cent of the units in the
11 housing project are sold to qualified residents
12 and shall remain owner-occupied for a minimum of
13 one year following the initial sale of the unit;
14 provided that upon sale, each unit in the project
15 shall be subject to a perpetual deed restriction
16 requiring that:

17 (i) The occupant of the unit is domiciled in the
18 State;

19 (ii) Any rental of the unit shall be for a
20 minimum lease term of one year or more; and



1 (iii) Any sale of the unit shall be to a qualified
2 resident."

3 SECTION 4. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 5. This Act shall take effect upon its approval.

6

INTRODUCED BY:

ZHC

JAN 20 2026



H.B. NO. 1740

Report Title:

HHFDC; Qualified Residents; Affordable Housing; Housing Development; Exemptions; Owner-Occupancy; Deed Restrictions

Description:

Removes the prohibition against qualified residents for Hawaii Housing Finance and Development Corporation-approved projects holding a majority interest in land and removes the requirement that qualified residents demonstrate financial viability or ability to pay rent. Amends exemptions from statutes, ordinances, charter provisions, and rules for certain housing projects developed by the Corporation that satisfy certain conditions, including requirements related to employment, owner-occupancy, and deed restrictions.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

