

---

# 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 vacant, abandoned,  
2 and fire-damaged residential properties impose significant costs  
3 on communities throughout Hawaii. These properties reduce  
4 surrounding property values, attract criminal activity, create  
5 public safety hazards, and diminish the tax base available to  
6 fund essential government services.

7       The legislature further finds that Hawaii faces a severe  
8 housing shortage, with demand for affordable housing far  
9 exceeding available supply. Vacant and blighted residential  
10 properties represent an underutilized resource that, if acquired  
11 and redeveloped, could contribute to the State's housing  
12 inventory while simultaneously eliminating neighborhood blight.

13       The legislature further finds that existing mechanisms for  
14 addressing vacant and abandoned properties, including tax lien  
15 foreclosure and voluntary acquisition, are inadequate to address  
16 the scope of the problem. The Hawaii housing finance and  
17 development corporation possesses eminent domain authority under



1 existing law but lacks a dedicated program and streamlined  
2 procedures for acquiring and redeveloping blighted residential  
3 properties.

4 The legislature further finds that the city and county of  
5 Honolulu has demonstrated success in encouraging affordable  
6 rental housing development through its affordable rental housing  
7 program. That program's combination of relaxed development  
8 standards, financial incentives, and affordability requirements  
9 has enabled private development of affordable rental housing on  
10 underutilized parcels.

11 The legislature further finds that enshrining similar  
12 development standards and incentives in state law will  
13 facilitate the redevelopment of properties acquired under this  
14 Act and provide consistency across all counties.

15 The purpose of this Act is to:

- 16 (1) Establish the vacant and blighted residential property  
17 redevelopment program within the Hawaii housing  
18 finance and development corporation;
- 19 (2) Create expedited procedures for the acquisition of  
20 qualifying vacant and blighted residential properties;



(3) Establish statewide development standards and incentives modeled on the city and county of Honolulu's affordable rental housing program to facilitate redevelopment of acquired properties as affordable housing;

(4) Provide for the redevelopment of acquired properties as affordable rental housing; and

(5) Appropriate funds for the implementation of this program.

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

**"PART . VACANT AND BLIGHTED RESIDENTIAL PROPERTY  
REDEVELOPMENT PROGRAM**

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

"Affordable rental housing project" means a multifamily dwelling developed on property acquired under this part that meets all of the following criteria:

(1) A minimum of eighty per cent of the dwelling units in the project are rented to households with incomes that



1 do not exceed one hundred per cent of the area median  
2 income for the applicable county, as established  
3 annually by the United States Department of Housing  
4 and Urban Development, as adjusted for household size;

5 (2) The dwelling units described in paragraph (1) are  
6 rented at or below the rental rate limits established  
7 by the United States Department of Housing and Urban  
8 Development for households earning one hundred per  
9 cent of the area median income for the applicable  
10 household size; and

11 (3) The fee owner of the land has executed a declaration  
12 of restrictive covenants in a form approved by the  
13 corporation.

14 "Area median income" means the median family income for the  
15 applicable county, as established annually by the United States  
16 Department of Housing and Urban Development.

17 "Blighted residential property" or "blighted property"  
18 means a parcel containing a residential structure that meets one  
19 or more of the following criteria:



(1) The structure is unfit for human habitation due to fire damage, structural defects, or lack of essential utilities;

(2) The structure has been condemned by a county building official;

(3) The structure poses an imminent threat to public health or safety;

(4) The structure has been substantially damaged by a natural disaster and has not been repaired within twenty-four months of the damage occurring; or

(5) The structure has been determined by the corporation, after inspection, to require rehabilitation costs exceeding fifty per cent of the structure's pre-damage or pre-deterioration market value.

"Declaration of restrictive covenants" means the declaration of covenants, conditions, and restrictions in a form approved by the corporation and signed by the fee owner or owners of the land, including its improvements, on which an affordable rental housing project is built, and that is recorded in the bureau of conveyances, if regular system property, or the



1 office of the assistant registrar of the land court of the  
2 State, if the land is registered under chapter 501.

3 "Eligible developer" means a private developer, nonprofit  
4 organization, community land trust, public housing authority, or  
5 other entity that has been selected by the corporation to  
6 develop an affordable rental housing project on property  
7 acquired under this part.

8 "Floor area ratio" means the ratio of the total floor area  
9 of all buildings on a lot to the lot area.

10 "Program" means the vacant and blighted residential  
11 property redevelopment program established under this part.

12 "Vacant residential property" means a parcel containing a  
13 residential structure that:

14 (1) Has been unoccupied for a continuous period of no less  
15 than twelve months;

16 (2) Shows visible signs of abandonment, including but not  
17 limited to:

18 (A) Overgrown vegetation;

19 (B) Accumulated debris;

20 (C) Unsecured or boarded openings;

21 (D) Disconnected utilities; or



(E) Delinquent property taxes or assessments; and

(3) Is not actively listed for sale or lease with a  
licensed real estate broker, or subject to a pending  
building permit for rehabilitation or redevelopment.

**§201H-B Vacant and blighted residential property**

**redemption program; establishment.** (a) There is established  
within the corporation the vacant and blighted residential  
property redevelopment program. The purpose of the program  
shall be to:

(1) Identify, acquire, and redevelop vacant and blighted  
residential properties throughout the State;

(2) Eliminate conditions of blight that threaten public  
health, safety, and welfare;

(3) Increase the supply of affordable rental housing; and

(4) Stabilize and improve neighborhoods adversely affected  
by vacant and blighted properties.

(b) The corporation shall administer the program and may  
adopt rules pursuant to chapter 91 necessary to implement this  
part.



1 (c) The corporation may delegate program functions to the  
2 counties pursuant to intergovernmental agreements under section  
3 201H-10.

4 **§201H-C Powers of the corporation under the program.** In  
5 addition to the powers granted under in this chapter, the  
6 corporation, for purposes of the program, may:

7 (1) Conduct inspections of properties suspected of being  
8 vacant or blighted residential properties, upon  
9 reasonable notice to the owner of record;

10 (2) Maintain a registry of vacant and blighted residential  
11 properties;

12 (3) Acquire vacant and blighted residential properties by  
13 purchase, donation, exchange, or eminent domain;

14 (4) Clear, demolish, rehabilitate, or redevelop acquired  
15 properties;

16 (5) Sell, lease, or otherwise dispose of acquired  
17 properties to eligible developers, subject to the  
18 development standards and affordability requirements  
19 of this part;

20 (6) Partner with counties, nonprofit organizations,  
21 community development financial institutions, and





1 private developers to effectuate the purposes of this  
2 part;

3 (7) Apply for and receive federal, state, and private  
4 grants and loans for program purposes;

5 (8) Issue requests for proposals for the redevelopment of  
6 acquired properties;

7 (9) Certify affordable rental housing projects developed  
8 under this part for state tax exemptions and other  
9 benefits;

10 (10) Issue development grants to eligible developers from  
11 the vacant and blighted property redevelopment  
12 revolving fund; and

13 (11) Exercise any other power necessary to effectuate the  
14 purposes of this part.

15 **§201H-D Affordable rental housing projects; permitted use.**

16 (a) Affordable rental housing projects developed on properties  
17 acquired under this part shall be a permitted use in any zoning  
18 district that allows residential use, and shall be exempt from  
19 any county zoning ordinance, rule, or regulation that would  
20 otherwise prohibit or restrict the development of multifamily



1 rental housing on the property; provided that the project  
2 complies with the development standards set forth in this part.

3 (b) Affordable rental housing projects developed under  
4 this part shall proceed directly to the building permit process  
5 and no prior discretionary land use approval shall be required,  
6 except as may be required by state law.

7 (c) An executed declaration of restrictive covenants shall  
8 be submitted with any building permit application for an  
9 affordable rental housing project under this part. All  
10 declarations of restrictive covenants shall run with the land  
11 for as long as the affordable rental housing improvements are  
12 standing and shall give notice to all subsequent fee owners of  
13 the land of its affordable rental housing requirements.

14 **§201H-E Setback requirements.** (a) The minimum front yard  
15 setback for an affordable rental housing project developed under  
16 this part shall be ten feet or the minimum required by the  
17 underlying county zoning, whichever is less.

18 (b) The minimum side and rear yard setbacks shall be five  
19 feet or the minimum required by the underlying county zoning,  
20 whichever is less.



(c) Front yard setbacks may be modified to provide landscaping or other amenities.

**§201H-F Building height.** (a) The maximum building height for an affordable rental housing project developed under this part shall be sixty feet.

(b) Building height shall be measured from the average finished grade at the building perimeter to the highest point of the roof structure.

**§201H-G Density and floor area ratio.** (a) The maximum floor area ratio for an affordable rental housing project developed under this part shall be 4.0.

(b) The maximum number of affordable rental housing units for each development site shall be determined by dividing the square footage equivalent of the maximum allowable floor area ratio for the site by a factor of eight hundred and rounding down to the nearest whole number.

**§201H-H Lot coverage.** The maximum lot coverage for an affordable rental housing project developed under this part shall be eighty per cent of the lot area.



1        **§201H-I Maximum unit sizes.** The maximum floor area for  
2 each dwelling unit in an affordable rental housing project  
3 developed under this part shall be as follows:

4        (1) Studio with one bathroom: five hundred square feet;

5        (2) One bedroom with one bathroom: six hundred fifty  
6 square feet;

7        (3) One bedroom with one and one-half bathrooms: seven  
8 hundred square feet;

9        (4) One bedroom with two bathrooms: seven hundred fifty  
10 square feet;

11       (5) Two bedrooms with one bathroom: eight hundred square  
12 feet;

13       (6) Two bedrooms with one and one-half bathrooms: nine  
14 hundred square feet;

15       (7) Two bedrooms with two bathrooms: one thousand square  
16 feet;

17       (8) Three bedrooms with one and one-half bathrooms: one  
18 thousand one hundred square feet;

19       (9) Three bedrooms with two bathrooms: one thousand two  
20 hundred square feet;



1 (10) Four bedrooms with two bathrooms: one thousand three  
2 hundred square feet; and

3 (11) Four bedrooms with two and one-half bathrooms: one  
4 thousand three hundred fifty square feet.

5 **§201H-J Parking requirements.** (a) Off-street parking  
6 spaces shall not be required for affordable rental housing  
7 projects developed under this part; provided that an eligible  
8 developer may voluntarily provide parking.

9 (b) Bicycle parking shall not be required for affordable  
10 rental housing projects developed under this part; provided that  
11 if an eligible developer voluntarily provides short-term or  
12 long-term bicycle parking on site, such parking may encroach  
13 into required yards.

14 (c) Loading zones shall not be required for affordable  
15 rental housing projects developed under this part.

16 **§201H-K Other exemptions.** Affordable rental housing  
17 projects developed under this part shall be exempt from:

18 (1) Park dedication requirements under county subdivision  
19 ordinances;

20 (2) Impact fees for schools, traffic, parks, or other  
21 public facilities, to the extent permitted by law;



(3) Any county ordinance requiring the provision of affordable housing units as a condition of development; and

(4) Elevator requirements, unless mandated by the state building code for the specific building type and height.

**§201H-L Income and rent requirements.** (a) All affordable rental housing projects developed on properties acquired under this part shall meet the following affordability requirements:

(1) A minimum of eighty per cent of the dwelling units shall be rented to households with incomes at or below one hundred per cent of the area median income for the applicable county, as adjusted for household size;

(2) Of the units required to be affordable under paragraph (1), at least twenty-five per cent shall be rented to households with incomes at or below eighty per cent of the area median income for the applicable county, as adjusted for household size;

(3) Units rented to households with incomes at or below eighty per cent of area median income shall be rented at or below the rental rate limits established by the



1 United States Department of Housing and Urban  
2 Development for households earning eighty per cent of  
3 the area median income for the applicable household  
4 size;

5 (4) Units rented to households with incomes above eighty  
6 per cent but at or below one hundred per cent of area  
7 median income shall be rented at or below the rental  
8 rate limits established by the United States  
9 Department of Housing and Urban Development for  
10 households earning one hundred per cent of the area  
11 median income for the applicable household size; and

12 (5) The remaining twenty per cent of units may be rented  
13 at market rates.

14 (b) The affordability requirements of this section shall  
15 remain in effect for a minimum period of thirty years from the  
16 date of initial occupancy; provided that affordability  
17 restrictions recorded in the declaration of restrictive  
18 covenants shall run with the land for as long as the affordable  
19 rental housing improvements are standing.

20 **§201H-M Real property tax exemption.** (a) Notwithstanding  
21 any other law to the contrary, the portion of real property used



1 for affordable rental housing units in an affordable rental  
2 housing project developed under this part shall be exempt from  
3 real property taxes for a period of fifteen years from the date  
4 of initial occupancy; provided that:

5 (1) The affordable rental housing units are rented to  
6 households earning eighty per cent or below of the  
7 area median income; and

8 (2) The affordable rental housing units are rented at or  
9 below the rental rate limits established by the United  
10 States Department of Housing and Urban Development for  
11 households earning eighty per cent of the area median  
12 income for the applicable household size.

13 (b) Real property taxes on the land underlying an  
14 affordable rental housing project developed under this part  
15 shall be frozen at the pre-development assessed value during the  
16 period of construction; provided that the period of construction  
17 shall not exceed three years from the date of building permit  
18 issuance.

19 **§201H-N Vacant and blighted property redevelopment**  
20 **revolving fund.** (a) There is established in the state treasury  
21 the vacant and blighted property redevelopment revolving fund,





1 to be administered by the corporation. The fund shall be used  
2 to provide loans, grants, or other financial assistance for the  
3 acquisition, rehabilitation, or redevelopment of vacant or  
4 blighted real property for purposes consistent with this part.

5 (b) The corporation may expend moneys from the fund for:

6 (1) The purchase, long-term lease, or other acquisition of  
7 vacant or blighted real property;

8 (2) Planning, design, environmental review, permitting,  
9 and related pre-development activities;

10 (3) The stabilization, clearing, remediation, or  
11 rehabilitation of vacant or blighted real property;

12 (4) Redevelopment activities that facilitate the  
13 construction of affordable housing, mixed-use projects  
14 that include affordable housing components, or  
15 community-serving amenities;

16 (5) Administrative expenses directly related to the  
17 purposes of this section, not to exceed per cent  
18 of annual fund expenditures; and

19 (6) Any other purpose the corporation determines necessary  
20 to carry out the intent of this section.

21 (c) The fund shall consist of:



- 1 (1) Appropriations made by the legislature;
- 2 (2) Moneys received from federal, state, or county
- 3 sources;
- 4 (3) Moneys received from fees, assessments, or other
- 5 charges collected by the corporation related to vacant
- 6 or blighted property redevelopment, if applicable;
- 7 (4) Loan repayments, interest, and other returns on
- 8 investments made from the fund; and
- 9 (5) Any other moneys received by the corporation for the
- 10 purposes of this section.

11 **§201H-O Development grants.** (a) The corporation may  
12 provide development grants from the vacant and blighted property  
13 redevelopment revolving fund under section 201H-N to eligible  
14 developers who develop affordable rental housing projects on  
15 properties acquired under this part.

16 (b) Grants shall be awarded according to the following  
17 schedule:

- 18 (1) For dwelling units with a floor area of less than
- 19 three hundred square feet: \$40 per square foot of
- 20 dwelling floor area;



(2) For dwelling units with a floor area of three hundred square feet or more: \$12,000 per dwelling unit or \$15 per square foot, whichever is greater; and

(3) For dwelling units rented to households earning sixty per cent or below of the area median income: an additional \$3 per square foot of dwelling floor area.

(c) Grants may be provided on either a preconstruction basis or a post-construction basis, but not both.

(d) Preconstruction grant recipients shall be required to pay their workers wages at rates no less than the wages prevailing in the applicable county for corresponding classes of laborers and mechanics as determined pursuant to section 104-2.

**§201H-P Waiver of fees.** Affordable rental housing projects developed under this part shall be exempt from:

(1) Building permit fees;

(2) Plan review fees;

(3) Sewer connection fees and wastewater system facility charges;

(4) Water system facility charges and new meter costs;

(5) Grading and grubbing permit fees; and



1 (6) Any other permit fees charged by a state agency for  
2 the development of the project."

3 SECTION 3. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$25,000,000 or so  
5 much thereof as may be necessary for fiscal year 2026-2027 to be  
6 deposited into the vacant and blighted property redevelopment  
7 revolving fund.

8 SECTION 4. There is appropriated out of the vacant and  
9 blighted property redevelopment revolving fund the sum of  
10 \$25,000,000 or so much thereof as may be necessary for fiscal  
11 year 2026-2027 for the purposes of the vacant and blighted  
12 residential property redevelopment program.

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

16 SECTION 5. There is appropriated out of the general  
17 revenues of the State of Hawaii the sum of \$750,000 or so much  
18 thereof as may be necessary for fiscal year 2026-2027 for  
19 administrative expenses of the vacant and blighted residential  
20 property redevelopment program, including personnel costs,  
21 property inspections, and program development.



1       The sum appropriated shall be expended by the Hawaii  
2   housing finance and development corporation for the purposes of  
3   this Act.

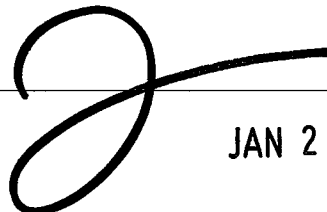
4       SECTION 6. In codifying the new sections added by section  
5   2 of this Act, the revisor of statutes shall substitute  
6   appropriate section numbers for the letters used in designating  
7   the new sections in this Act.

8       SECTION 7. If any provision of this Act, or the  
9   application thereof to any person or circumstance, is held  
10   invalid, the invalidity does not affect other provisions or  
11   applications of the Act that can be given effect without the  
12   invalid provision or application, and to this end the provisions  
13   of this Act are severable.

14       SECTION 8. This Act shall take effect on July 1, 2026.

15

INTRODUCED BY: \_\_\_\_\_



JAN 28 2026



# H.B. NO. 2625

**Report Title:**

HHFDC; Vacant and Blighted Residential Property Redevelopment Program; Revolving Fund; Real Property Tax Exemption; Appropriations

**Description:**

Establishes the Vacant and Blighted Residential Property Redevelopment Program within the Hawaii Housing Finance and Development Corporation. Appropriates funds.

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

