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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 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.

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

"PART . VACANT AND BLIGHTED RESIDENTIAL PROPERTY  
REDEVELOPMENT PROGRAM

**15**        **§201H-A    Definitions.** As used in this part, unless the  
**16**        context otherwise requires:

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

20 (1) A minimum of eighty per cent of the dwelling units in  
21 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

16 declaration of covenants, conditions, and restrictions in a form  
17 approved by the corporation and signed by the fee owner or  
18 owners of the land, including its improvements, on which an  
19 affordable rental housing project is built, and that is recorded  
20 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



§201H-B Vacant and blighted residential property

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

10 (1) Identify, acquire, and redevelop vacant and blighted  
11 residential properties throughout the State;  
12 (2) Eliminate conditions of blight that threaten public  
13 health, safety, and welfare;  
14 (3) Increase the supply of affordable rental housing; and  
15 (4) Stabilize and improve neighborhoods adversely affected  
16 by vacant and blighted properties.

17 (b) The corporation shall administer the program and may  
18 adopt rules pursuant to chapter 91 necessary to implement this  
19 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.

**3           §201H-F   Building height.** (a) The maximum building height  
4 for an affordable rental housing project developed under this  
5 part shall be sixty feet.

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

9           **S201H-G Density and floor area ratio.** (a) The maximum  
10          floor area ratio for an affordable rental housing project  
11          developed under this part shall be 4.0.

**§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           **S201H-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           S201H-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.

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.

**S201H-L Income and rent requirements.** (a) All affordable

8 rental housing projects developed on properties acquired under  
9 this part shall meet the following affordability requirements:

10 (1) A minimum of eighty per cent of the dwelling units  
11 shall be rented to households with incomes at or below  
12 one hundred per cent of the area median income for the  
13 applicable county, as adjusted for household size;  
14 (2) Of the units required to be affordable under paragraph  
15 (1), at least twenty-five per cent shall be rented to  
16 households with incomes at or below eighty per cent of  
17 the area median income for the applicable county, as  
18 adjusted for household size;  
19 (3) Units rented to households with incomes at or below  
20 eighty per cent of area median income shall be rented  
21 at or below the rental rate limits established by the



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

**§201H-0 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;



- 1       (2) For dwelling units with a floor area of three hundred
- 2               square feet or more: \$12,000 per dwelling unit or \$15
- 3               per square foot, whichever is greater; and
- 4       (3) For dwelling units rented to households earning sixty
- 5               per cent or below of the area median income: an
- 6               additional \$3 per square foot of dwelling floor area.

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

13           **§201H-P Waiver of fees.** Affordable rental housing  
14 projects developed under this part shall be exempt from:

15 (1) Building permit fees;

16 (2) Plan review fees;

17 (3) Sewer connection fees and wastewater system facility

18 charges;

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

20 (5) Grading and grubbing permit fees; and



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.

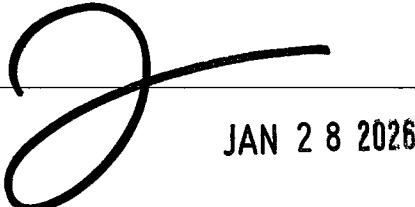
4        SECTION 6. In codifying the new sections added by section  
5        2 of this Act, the revisor of statutes shall substitute  
6        appropriate section numbers for the letters used in designating  
7        the new sections in this Act.

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.*

