

JAN 21 2026

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 the State must take
2 proactive steps to preserve the long-term affordability of
3 government-assisted for-sale housing units. Currently,
4 affordability restrictions expire after ten years, at which
5 point residential dwelling units may be sold at market rates.
6 This undermines the State's investment in housing subsidies and
7 exacerbates the housing shortage.

8 Accordingly, the purpose of this Act is to establish a
9 framework for the designation and regulation of permanently
10 affordable for-sale housing, including price indexing that
11 allows homeowners to build equity while preserving affordability
12 across generations.

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

16 "§201H- Permanently affordable for-sale housing program;
17 designation; restrictions on transfer. (a) Beginning



1 July 1, , the corporation may designate a for-sale housing
2 unit as permanently affordable if the unit:

3 (1) Was developed by or with assistance from the
4 corporation; and

5 (2) Is sold to an eligible buyer under criteria
6 established by the corporation by rule.

7 (b) Any unit designated as permanently affordable under
8 this section shall be:

9 (1) Sold to a qualified resident as defined in section
10 201H-32;

11 (2) Subject to resale only:

12 (A) With the written approval of the corporation;
13 provided that the corporation shall have the
14 first option to purchase the real property or
15 assign the unit to another qualified purchaser;
16 and

17 (B) As restricted by a resale price formula or index
18 established by the corporation's program
19 agreement, which may include the housing
20 affordability index or other reasonable
21 affordability measures;



1 (3) Prohibited from use as a short-term rental, including
2 for rental periods of fewer than ninety days; and

3 (4) Subject to additional terms and conditions as
4 established by rule.

5 (c) The requirements of subsection (b) shall be
6 enforceable by deed restrictions, covenants, or other legal
7 instruments recorded against the unit.

8 (d) The corporation may waive the restrictions prescribed
9 in subsection (b) to preserve the intent of this section or
10 comply with or conform to requirements set forth in federal law.

11 (e) The corporation shall adopt rules pursuant to chapter
12 91 to implement this section, including but not limited to
13 establishing:

14 (1) Designation and eligibility criteria for the
15 permanently affordable for-sale housing program; and

16 (2) Procedures for the resale and transfer of ownership of
17 designated units."

18 SECTION 3. Section 201H-32, Hawaii Revised Statutes, is
19 amended by amending the definition of "qualified resident" to
20 read as follows:

21 ""Qualified resident" means a person who:



1 (1) Is a citizen of the United States or a resident alien;

2 (2) Is at least eighteen years of age; and

3 (3) Is domiciled in the State and physically resides in
4 the dwelling unit purchased or rented under this
5 chapter[+]

6 ~~(4) In the case of the purchase of real property in fee~~
7 ~~simple or leasehold, has a gross income sufficient to~~
8 ~~qualify for the loan to finance the purchase; or in~~
9 ~~the case of a rental, demonstrates an ability to pay~~
10 ~~rent as determined by the corporation and meets any~~
11 ~~additional criteria established by the corporation for~~
12 ~~the respective rental housing development for which~~
13 ~~the applicant is applying; and~~

14 ~~(5) Meets the following qualifications:~~

15 ~~(A) Is a person who either by the person's self, or~~
16 ~~together with spouse or household member, does~~
17 ~~not own a majority interest in fee simple or~~
18 ~~leasehold lands suitable for dwelling purposes or~~
19 ~~a majority interest in lands under any trust~~
20 ~~agreement or other fiduciary arrangement in which~~



1 ~~another person holds the legal title to the land,~~
2 ~~and~~

3 ~~(B) Is a person whose spouse or household member does~~
4 ~~not own a majority interest in fee simple or~~
5 ~~leasehold lands suitable for dwelling purposes or~~
6 ~~more than a majority interest in lands under any~~
7 ~~trust agreement or other fiduciary arrangement in~~
8 ~~which another person holds the legal title to the~~
9 ~~land, except when husband and wife are living~~
10 ~~apart under a decree of separation from bed and~~
11 ~~board issued by the family court pursuant to~~
12 ~~section 580-71,~~

13 ~~provided that for purchasers of market-priced units in an~~
14 ~~economically integrated housing project, the term "qualified~~
15 ~~resident" means a person who is a citizen of the United States~~
16 ~~or a resident alien; is domiciled in the State and shall~~
17 ~~physically reside in the dwelling unit purchased; is at least~~
18 ~~eighteen years of age; and meets other qualifications as~~
19 ~~determined by the developer]."~~

20 SECTION 4. Section 201H-47, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:



1 "(a) The following restrictions shall apply to the
2 transfer of real property developed and sold under this
3 chapter[7] before July 1, _____, whether in fee simple or
4 leasehold:

5 (1) For a period of ten years after the purchase, whether
6 by lease, assignment of lease, deed, or agreement of
7 sale, if the purchaser wishes to transfer title to the
8 real property, the corporation shall have the first
9 option to purchase the real property at a price that
10 shall not exceed the sum of:

11 (A) The original cost to the purchaser, as defined in
12 rules adopted by the corporation;

13 (B) The cost of any improvements added by the
14 purchaser, as defined in rules adopted by the
15 corporation;

16 (C) Simple interest on the original cost and capital
17 improvements to the purchaser at the rate of one
18 per cent per year; and

19 (D) The amount, if any, previously paid by the
20 purchaser to the corporation as the corporation's
21 share of net appreciation in the real property;



(2) The corporation may purchase the real property either:

(A) By conveyance free and clear of all mortgages and liens; or

(B) By conveyance subject to existing mortgages and liens.

If the real property is conveyed in the manner provided in subparagraph (A), it shall be conveyed to the corporation only after all mortgages and liens are released. If the real property is conveyed in the manner provided in subparagraph (B), the corporation shall acquire the real property subject to any first mortgage created for the purpose of securing the payment of a loan of funds expended solely for the purchase of the real property by the seller; and any mortgage or lien created for any other purpose; provided that the corporation has previously consented to it in writing.

The corporation's interest created by this section shall constitute a statutory lien on the real property and shall be superior to any other mortgage or lien, except for any first mortgage created for the



1 purpose of securing the payment of a loan of funds
2 expended solely for the purchase of the real property
3 by the seller; any mortgage insured or held by a
4 federal housing agency; and any mortgage or lien
5 created for any other purpose; provided that the
6 corporation has previously consented to it in writing.
7 The amount paid by the corporation to the seller shall
8 be the difference, if any, between the purchase price
9 determined by paragraph (1)(A) to (D), and the total
10 of the outstanding principal balances of the mortgages
11 and liens assumed by the corporation;

12 (3) A purchaser may refinance real property developed and
13 sold under this chapter; provided that the purchaser
14 shall not refinance the real property within ten years
15 from the date of purchase for an amount in excess of
16 the purchase price as determined by paragraph (1)(A)
17 to (C); provided further that the purchaser shall
18 obtain the corporation's written consent if any
19 restriction on the transfer of the real property
20 remains applicable;



1 (4) After the end of the tenth year from the date of
2 initial purchase or execution of an agreement of sale,
3 the purchaser may sell the real property and sell or
4 assign the property free from any price restrictions;
5 provided that the purchaser shall be required to pay
6 to the corporation the sum of:

7 (A) The balance of any mortgage note, agreement of
8 sale, or other amount owing to the corporation;

9 (B) Any subsidy or deferred sales price made by the
10 corporation in the acquisition, development,
11 construction, and sale of the real property, and
12 any other amount expended by the corporation not
13 counted as costs under section 201H-45 but
14 charged to the real property by good accounting
15 practice as determined by the corporation whose
16 books shall be prima facie evidence of the
17 correctness of the costs;

18 (C) Interest on the subsidy or deferred sales price,
19 if applicable, and any other amount expended at a
20 rate established by the corporation computed as
21 to the subsidy or deferred sales price, if



1 applicable, from the date of purchase or
2 execution of the agreement of sale, and as to any
3 amount expended, from the date of expenditure;
4 provided that the computed interest shall not
5 extend beyond thirty years from the date of
6 purchase or execution of the agreement of sale of
7 the real property. If any proposed sale or
8 transfer will not generate an amount sufficient
9 to pay the corporation the sum as computed under
10 this paragraph, the corporation shall have the
11 first option to purchase the real property at a
12 price that shall not exceed the sum as computed
13 under paragraphs (1) and (2); and

14 (D) The corporation's share of appreciation in the
15 real property as determined under rules adopted
16 pursuant to chapter 91, when applicable;

17 (5) Notwithstanding any provision in this section to the
18 contrary, pursuant to rules adopted by the
19 corporation, the subsidy or deferred sales price
20 described in paragraph (4) (B) and any interest accrued



1 pursuant to paragraph (4)(C) may be paid, in part or
2 in full, at any time; and

3 (6) Notwithstanding any provision in this section to the
4 contrary, the corporation's share of appreciation in
5 the real property described in paragraph (4)(D):

6 (A) Shall apply when the sales price of the real
7 property that is developed and sold under this
8 chapter is less than the then-current,
9 unencumbered, fair market value of the real
10 property, as determined by a real property
11 appraisal obtained prior to the closing of the
12 sale;

13 (B) Shall be a restriction that runs with the land
14 until it is paid in full and released by the
15 corporation, or extinguished pursuant to
16 subsection (f); and

17 (C) May be paid, in part or in full, at any time
18 after recordation of the sale."

19 SECTION 5. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



S.B. NO. 2070

Report Title:

HHFDC; Real Property; Qualified Resident; Permanently Affordable; For-Sale Housing; Restrictions on Transfer

Description:

Authorizes the Hawaii Housing Finance and Development Corporation to designate certain for-sale housing units as permanently affordable. Requires the HHFDC to adopt rules to implement the Permanently Affordable For-Sale Housing Program. Repeals certain requirements defining a qualified resident. Removes certain restrictions applicable to the transfer of real property developed and sold under chapter 201H, HRS. Effective 7/1/2050.

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