

JAN 30 2026

A BILL FOR AN ACT

RELATING TO WORKFORCE HOUSING.

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

1 SECTION 1. The legislature finds that the current
2 executive administration in Hawaii has made significant efforts
3 to increase the State's housing supply, including prioritizing
4 affordable housing development and addressing zoning and
5 permitting inefficiencies. These efforts have included
6 advocating for faster processing of housing permits and
7 increasing land availability for residential development.
8 Despite these initiatives, housing production continues to lag
9 due to bureaucratic challenges, lengthy regulatory processes,
10 and limited coordination among state and county agencies.

11 The legislature further finds that workforce housing is
12 critical to the State's economic stability and long-term growth.
13 Housing located in reasonable proximity to employment centers
14 and emerging industries provides affordable living options for
15 essential workers who are vital to the State's economy.
16 Expanding the supply of workforce housing can help stabilize



1 communities, reduce commute times, and improve quality of life
2 for residents.

3 Additionally, the legislature further finds that innovative
4 regulatory approaches are necessary to address the State's
5 housing crisis. Regulatory sandbox programs have been used in
6 other policy areas to test time-limited, data-driven regulatory
7 flexibility without permanently altering existing regulatory
8 frameworks. A workforce housing regulatory sandbox can provide
9 a pathway for developers to test innovative housing solutions
10 while maintaining appropriate environmental, cultural, and
11 public safeguards. Through structured collaboration among state
12 agencies and participating counties, such a program can
13 accelerate the development of workforce housing while respecting
14 county land use authority.

15 The legislature further finds, however, that a 2024 Hawaii
16 housing planning study projected that the State would need
17 approximately 64,490 new housing units by 2027 to meet existing
18 demand, a significant portion of that demand consisting of
19 workforce housing. Targeted efforts to improve the supply of
20 workforce housing through innovative regulatory approaches,
21 including a regulatory sandbox, could meaningfully contribute



1 toward meeting this demand and help alleviate the housing
2 shortage over the coming decade.

3 Furthermore, the legislature finds that the Hawaii housing
4 finance and development corporation is well positioned to
5 administer a workforce housing regulatory sandbox program due to
6 its experience financing, facilitating, and coordinating housing
7 development statewide. The legislature also finds that the
8 inclusion of environmental, cultural, infrastructure, and
9 sustainability expertise through an advisory council can help
10 ensure that innovative housing solutions respect the State's
11 natural resources, cultural heritage, and community needs.

12 The legislature further finds that similar measures
13 proposing a workforce housing regulatory sandbox program were
14 introduced during the regular session of 2025, including Senate
15 Bill No. 1200 and its companion House Bill No. 1317, on which
16 the department of the attorney general provided comments and
17 recommendations. The attorney general's comments and
18 recommendations have been considered and incorporated into the
19 design of this Act to further the intent and purpose of those
20 measures.

21 Accordingly, the purpose of this Act is to:



- (1) Establish a voluntary, time-limited workforce housing regulatory sandbox program administered by the Hawaii housing finance and development corporation in coordination with participating counties; and
- (2) Establish an advisory council to provide nonbinding guidance and recommendations to support the workforce housing regulatory sandbox program.

SECTION 2. As used in this Act:

"Corporation" means the Hawaii housing finance and development corporation.

"Participating county" means a county that has formally agreed, through resolution, memorandum, or agreement, or other official action, to participate in the workforce housing regulatory sandbox program.

"Regulatory sandbox" means a time-limited, project-specific framework that allows for temporary regulatory flexibility for approved workforce housing projects, subject to defined conditions and expiration.

"Workforce housing" means housing primarily targeted for households earning between sixty per cent and one hundred forty per cent of the area median income, adjusted for family size and



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1 high-cost areas, as defined by the United States Department of
2 Housing and Urban Development.

3 SECTION 3. (a) There is established the workforce housing
4 regulatory sandbox program, to be administered by the
5 corporation in coordination with participating counties.

6 (b) Notwithstanding any other law, rule, ordinance, or
7 code to the contrary, the workforce housing regulatory sandbox
8 program shall be vested with the authority to waive or
9 temporarily modify permitting processes and other regulatory
10 requirements for eligible workforce housing projects, subject to
11 the conditions and limitations established by this Act and with
12 the consent of the participating county.

13 (c) Participation by a county in the workforce housing
14 regulatory sandbox program shall be voluntary and shall not be
15 construed to limit or supersede any authority granted to
16 counties under chapter 46, Hawaii Revised Statutes.

17 SECTION 4. (a) There is established a workforce housing
18 regulatory sandbox advisory council to provide nonbinding
19 guidance and recommendations to the corporation.

20 (b) The advisory council shall consist of the following
21 members:



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- 1 (1) The director of the office of planning and sustainable
2 development, who shall serve as chairperson;
- 3 (2) One member representing the Hawaii housing finance and
4 development corporation;
- 5 (3) One member representing the board of land and natural
6 resources;
- 7 (4) One member representing the state historic
8 preservation division of the department of land and
9 natural resources;
- 10 (5) One member representing the Hawaii public housing
11 authority;
- 12 (6) One member representing the Hawaii community
13 development authority;
- 14 (7) The director of the department of planning or
15 department of planning and permitting, as applicable,
16 of each county;
- 17 (8) The director of the department of public works or
18 department of facility maintenance, as applicable, of
19 each county; and
- 20 (9) Four members to be invited by the chair, comprising:



- 1 (A) One member with demonstrated knowledge of
2 sustainable development practices;
- 3 (B) One member with expertise in Native Hawaiian
4 traditional and customary practices;
- 5 (C) One member representing the private housing
6 development sector; and
- 7 (D) One member representing a nonprofit housing
8 organization.
- 9 (c) The advisory council shall:
- 10 (1) Provide advisory recommendations regarding
11 environmental, cultural, infrastructure, and
12 sustainability considerations; and
- 13 (2) Assist in identifying best practices and lessons
14 learned from sandbox projects.
- 15 (d) The advisory council shall not have approval, veto, or
16 decision-making authority over regulatory waivers or project
17 approvals.
- 18 (e) The advisory council shall be subject to chapter 92,
19 Hawaii Revised Statutes.
- 20 (f) A majority of the appointed members shall constitute a
21 quorum for the transaction of business.



1 SECTION 5. (a) Developers seeking participation in the
2 regulatory sandbox program shall submit an application to the
3 corporation that includes:

4 (1) A description of the proposed workforce housing
5 project and innovative elements;

6 (2) An explanation of how the project addresses
7 affordability, sustainability, and construction
8 timelines;

9 (3) Identification of the county or counties in which the
10 project is located; and

11 (4) Documentation demonstrating the county's participation
12 or consent, if applicable.

13 (b) The corporation may consult with the advisory council
14 before approving an application.

15 SECTION 6. (a) With the written consent of the
16 participating county, the corporation may approve temporary
17 waivers or modifications of county-administered permitting,
18 zoning, or infrastructure requirements for an approved project
19 under the program.

20 (b) Any waiver or modification granted pursuant to this
21 section shall:



(1) Be project-specific;

(2) Be limited in duration and expire on the earliest of:

(A) Issuance of a certificate of occupancy;

(B) Ten years from the date of the project approval;

or

(C) Termination of the project's participation in the program; and

(3) Not be construed as establishing precedent or permanently altering any county or state regulatory requirement.

(c) Upon expiration, all applicable laws, ordinances, rules, and codes shall apply as if no waiver or modification had been granted.

SECTION 7. (a) Developers participating in the program shall ensure that:

(1) Sale prices or rents remain affordable to workforce households earning between sixty per cent and one hundred forty per cent of the area median income under rules adopted by the corporation;

(2) Units are not used as short-term rentals during the affordability period; and



(3) Units are occupied on a full-time basis by the resident household.

(b) The requirements of this section shall be enforced through deed restrictions or equivalent legal mechanisms.

SECTION 8. (a) The corporation shall administer and oversee the workforce housing regulatory sandbox program.

(b) The corporation shall establish one full-time equivalent (1.0 FTE) position to administer and support the workforce housing regulatory sandbox program, including coordination with participating counties, developers, and the advisory council.

(c) The corporation shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of each regular session. The report shall include:

(1) The number and type of projects approved;

(2) The nature and duration of any regulatory waivers granted;

(3) Measurable outcomes related to affordability and project timelines; and



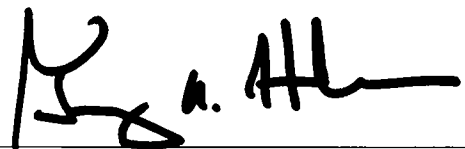
(4) Recommendations regarding continuation, modification,
or termination of the program.

SECTION 9. There is appropriated out of the general
revenues of the State of Hawaii the sum of \$5,000,000 or so much
thereof as may be necessary for fiscal year 2026-2027 for the
establishment and operation, including administrative costs and
support for approved projects, of the workforce housing
regulatory sandbox program established by this Act, and for the
establishment of one full-time equivalent (1.0 FTE) position.

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

SECTION 10. This Act shall take effect on July 1, 2026 and
shall be repealed on June 30, 2031.

INTRODUCED BY:





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Report Title:

HHFDC; Workforce Housing Regulatory Sandbox Program; Advisory Council; Workforce Housing; Permitting; Affordable Housing; Position; Reports; Appropriation

Description:

Establishes the Workforce Housing Regulatory Sandbox Program within the Hawaii Housing Finance and Development Corporation. Establishes an advisory council within the Workforce Housing Regulatory Sandbox Program to advise on environmental and cultural practices within specific developments. Establishes a position. Requires annual reports to the legislature. Appropriates funds. Repeals 6/30/2031.

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