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# 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 exits the pool  
4 of housing inventory available to residents. Furthermore, the  
5 legislature recognizes that affordability restrictions limited  
6 by time may result in units being sold or rented without  
7 consideration of local residency or occupancy, thereby  
8 undermining the long-term 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       (1) Removing certain financial screening and ownership
- 2                qualifications for purchasers of a unit in a
- 3                corporation-approved housing project; and
- 4       (2) Requiring perpetual deed restrictions on the sale of
- 5                certain units within the housing project.

6       SECTION 2. Section 201H-32, Hawaii Revised Statutes, is  
7       amended by amending the definition of "qualified resident" to  
8       read as follows:

9       ""Qualified resident" means a person who:

- 10      (1) Is a citizen of the United States or a resident alien;
- 11      (2) Is at least eighteen years of age;
- 12      (3) Is domiciled in the State and physically resides in  
13               the dwelling unit purchased or rented under this  
14               chapter; and
- 15      [4) ~~In the case of the purchase of real property in fee  
16               simple or leasehold, has a gross income sufficient to  
17               qualify for the loan to finance the purchase; or in  
18               the case of a rental, demonstrates an ability to pay  
19               rent as determined by the corporation and meets any  
20               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]

2                   (4) In the case of purchasers of market-priced units in an  
3                   economically integrated housing project[, the term  
4                   "qualified resident" means a person who is]:  
5                   (A) Is a citizen of the United States or a resident  
6                   alien; [is]  
7                   (B) Is domiciled in the State and shall physically  
8                   reside in the dwelling unit purchased; [is]  
9                   (C) Is at least eighteen years of age; and [meets]  
10                   (D) Meets other qualifications as determined by the  
11                   developer."

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

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



1 (1) The housing projects meet the following conditions:

2 (A) The corporation finds the housing project is

3 consistent with the purpose and intent of this

4 chapter, meets minimum requirements of health and

5 safety, and provides the county an opportunity to

6 comment;

7 (B) The development of the proposed housing project

8 does not contravene any safety standards,

9 tariffs, or rates and fees approved by the public

10 utilities commission for public utilities or of

11 the various boards of water supply authorized

12 under chapter 54;

13 (C) The legislative body of the county in which the

14 housing project is to be situated has approved

15 the project with or without modifications:

16 (i) The legislative body shall approve, approve

17 with modification, or disapprove the project

18 by resolution within forty-five days after

19 the corporation has submitted the

20 preliminary plans and specifications for the

21 project to the legislative body; provided



1 that the legislative body shall not impose  
2 stricter conditions, impose stricter median  
3 income requirements, or reduce fee waivers  
4 that will increase the cost of the project  
5 beyond those approved by the corporation.  
6 If, on the forty-sixth day a project is not  
7 disapproved, it shall be deemed approved by  
8 the legislative body;  
9 (ii) No action shall be prosecuted or maintained  
10 against any county, its officials, or  
11 employees on account of actions taken by  
12 them in reviewing, approving, modifying, or  
13 disapproving the plans and specifications;  
14 and  
15 (iii) The final plans and specifications for the  
16 project shall be deemed approved by the  
17 legislative body if the final plans and  
18 specifications do not substantially deviate  
19 from the preliminary plans and  
20 specifications. The final plans and  
21 specifications for the project shall





1 (A) Meet the conditions of paragraph (1) [+] , except  
2 for any requirements that impose income  
3 requirements for a housing project; and  
4 [ (B) Do not impose stricter income requirements than  
5 those adopted or established by the State; and  
6 (C) For the lifetime of the project, require that one  
7 hundred per cent of the units in the project be  
8 exclusively for qualified residents.]  
9 (B) Notwithstanding the ten-year owner-occupancy  
10 requirement in section 201H-49, ensure that no  
11 less than eighty per cent of the units are sold  
12 to qualified residents and shall remain owner-  
13 occupied for a minimum of one year following the  
14 initial sale of the unit; provided that upon the  
15 initial sale, each unit in the project shall be  
16 subject to a perpetual deed restriction requiring  
17 that:  
18 (i) The unit is at all times occupied by a  
19 person domiciled in the State, except in  
20 cases of hardship as provided in section  
21 201H-49;

- 1        (ii) Any rental of the unit shall be for a  
2                    minimum lease term of one year or more; and  
3        (iii) Any sale of the unit shall be to a qualified  
4                    resident."

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

7        SECTION 5. This Act shall take effect on July 1, 3000.



**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. Effective 7/1/3000. (HD1)

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

