

ACT 8

S.B. NO. 110

A Bill for an Act Relating to Housing.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Section 359G-9.2, Hawaii Revised Statutes is amended by amending subsection (a) to read as follows:

“(a) [The] Except for dwelling units which are financed under a federally subsidized mortgage program, the following restrictions shall apply to the transfer of a dwelling unit purchased from the authority, whether on fee simple or leasehold property:

- (1) For a period of ten years after the purchase, whether by lease, assignment of lease, deed, or agreement of sale, if the purchaser wishes to transfer title to the dwelling unit and the property or the lease, the authority shall have the first option to purchase the unit and property or lease at a price which shall not exceed the sum of:
  - (A) The original cost to the purchaser;
  - (B) The cost of any improvements added by the purchaser; and
  - (C) Simple interest on the [purchasers'] purchaser's equity in the property at the rate of seven per cent a year.

The authority may purchase the unit either outright, free and clear of all liens and encumbrances; or by transfer subject to an existing mortgage.

If by outright purchase, the authority shall insure that all existing mortgages, liens, and encumbrances are satisfactorily paid by the purchaser.

In any purchase by transfer subject to an existing mortgage, the authority shall agree to assume and to pay the balance on any first mortgage created for the purpose of enabling the purchaser to obtain funds for the purchase of the unit and any other mortgages which were created with the approval and consent of the authority. In such cases, the amount to be paid to the purchaser by the authority shall be the difference between the above-mentioned price and the principal balance of all mortgages outstanding and assumed at the time of transfer of title to the authority.

- (2) After the end of the tenth year from the date of purchase, or execution of an agreement of sale, the purchaser may sell the unit and sell or assign the property to any person free from any price restrictions; provided that the purchaser shall be required to pay to the authority the sum of:
  - (A) The balance of any mortgage note, agreement of sale, or other amount owing to the authority;
  - (B) Any subsidy made by the authority in the acquisition, development, construction, and sale of the unit, and any other amount expended by the authority not counted as cost under section 359G-8 but charged to the dwelling unit by good accounting practice as determined by the authority whose

## **ACT 8**

books shall be prima facie evidence of the correctness of the cost; and

- (C) Interest on the subsidy and any other amount expended at the rate of seven per cent a year computed as to the subsidy, from the date of purchase, or execution of the agreement of sale, and as to any amount expended, from the date of expenditure; provided that if any proposed sale or transfer will not generate an amount sufficient to pay the authority the sum as computed under paragraph (2) above the authority shall have the first option to purchase the dwelling unit at a price which shall not exceed the sum as computed under paragraph (1) above."

**SECTION 2.** Statutory material to be repealed is bracketed. New statutory material is underscored.

**SECTION 3.** This Act shall take effect upon its approval.

(Approved April 11, 1985.)