
HOUSE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO EXAMINE UPCOMING CONDOMINIUM LEASEHOLD EXPIRATIONS AND THEIR IMPACT ON THE AVAILABILITY OF REPLACEMENT AND AFFORDABLE HOUSING FOR HAWAII RESIDENTS.

1 WHEREAS, the availability of affordable housing has reached
2 a state of crisis in Hawaii, where the average statewide median
3 price of a single-family and multi-family dwelling is over
4 \$600,000 and \$300,000, respectively; and
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6 WHEREAS, the Hawaii Housing Policy Study (2006) found that
7 about 34 percent of Hawaii households pay 30 percent or more of
8 their household income on housing costs, compared with the
9 national average of 22 percent for housing costs; and
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11 WHEREAS, over the years, leasehold condominium and co-
12 operative units have remained relatively affordable for many
13 Hawaii residents; and
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15 WHEREAS, in 2007, the first long-term leasehold agreements
16 for approximately 18,700 condominium and co-operative housing
17 units statewide began to expire; and
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19 WHEREAS, these 18,700 leasehold units are situated in
20 approximately 540 condominium and co-operative projects
21 throughout the state, impacting over 63,000 units that are
22 owner-occupied, leased, or rentals; and
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24 WHEREAS, within the next 30 years, the expiration of
25 existing leases for over 8,000 leasehold condominium and co-
26 operative units could result in reversion of these units back to
27 the fee owner, leaving thousands of residents without a place to
28 live - many of whom are elderly residents; and
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30 WHEREAS, Act 307, Session Laws of Hawaii 1967, codified as
31 Chapter 516, Hawaii Revised Statutes, and administered by the



1 Hawaii Housing Finance and Development Corporation, allows
2 lessees of long-term leasehold interests in single-family
3 residential development tracts to purchase the fee interest of
4 their residential lots where the State of Hawaii would condemn
5 the fee interest, paying the fee owner fair compensation for the
6 fee interest and selling the acquired fee interest to the
7 leasehold homeowner; and
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9 WHEREAS, after years of contentious litigation, leasehold
10 conversion for single-family residences was upheld by the United
11 State Supreme Court in 1984, when the Court held in *Hawaii*
12 *Housing Authority v. Midkiff*, that Act 307 did not violate the
13 United States Constitution; and
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15 WHEREAS, shortly thereafter, in *Hawaii Housing Authority v.*
16 *Lyman*, the Supreme Court of Hawaii also found that Act 307 did
17 not violate the Hawaii State Constitution; and
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19 WHEREAS, as a result, over the last 25 years, the number of
20 leasehold single-family residences fell from a high of
21 approximately 28,000 to 4,600, providing affordable housing
22 opportunities for thousands of Hawaii residents; and
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24 WHEREAS, in 1991, the Honolulu City Council adopted
25 ordinance 91-95, which granted multi-family residential
26 leaseholders the right to purchase the fee simple interest in
27 their units in a condemnation procedure similar to that of
28 Chapter 516, Hawaii Revised Statutes; however, in 2002, the City
29 and County of Honolulu repealed Chapter 38, Revised Ordinances
30 of Honolulu, which provided for leasehold conversion of
31 condominium units; and
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33 WHEREAS, the counties of Hawaii, Kauai, and Maui currently
34 do not have leasehold conversion provisions for multi-family
35 units, leaving no county or state mechanism to address the
36 expiration of leasehold condominium and co-operative units; and
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38 WHEREAS, over the next 30 years, about half of over 18,700
39 long-term leasehold condominium units could revert back to fee
40 owners, leaving thousands of Hawaii residents in need of
41 alternative housing; and
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1 WHEREAS, the displacement of hundreds of lessees each year
2 could dramatically impact the affordable housing crisis in
3 Hawaii; and
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5 WHEREAS, the State of Hawaii must anticipate the short- and
6 long-term impact of leasehold conversion of condominium and co-
7 operative units on the availability of affordable housing for
8 Hawaii's residents; now therefore,
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10 BE IT RESOLVED by the House of Representatives of the
11 Twenty-fourth Legislature of the State of Hawaii, Regular
12 Session of 2008, the Senate concurring, that the Auditor is
13 requested to examine the issue of upcoming condominium lease
14 expirations and its impact on the availability of replacement
15 and affordable housing for Hawaii residents; and
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17 BE IT FURTHER RESOLVED that the Auditor is requested to
18 provide data of the loss of affordable housing stock due to
19 leasehold expirations, including examining the current status of
20 residential leaseholds in condominiums and co-operatives; and
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22 BE IT FURTHER RESOLVED that the study provide a range of
23 alternatives, options and solutions to address the upcoming
24 leasehold expirations, including exploring ways to expand the
25 state's affordable housing stock that may be associated with
26 these expiring condominium leases; and
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28 BE IT FURTHER RESOLVED that part of the study, the Auditor
29 shall consult with stakeholders, experts and impacted entities
30 and individuals such as lessors, lessees, large and small fee
31 owners, condominium and co-operative associations, affordable
32 housing specialists, and real estate professionals to provide
33 input and recommendations on addressing the condominium
34 leasehold expirations; and
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36 BE IT FURTHER RESOLVED that the Auditor is requested to
37 report its findings and recommendations to the Legislature no
38 later than 20 days prior to the convening of the Regular Session
39 of 2009; and
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41 BE IT FURTHER RESOLVED that certified copies of this
42 Concurrent Resolution be transmitted to the Auditor, the
43 Director of the Hawaii Housing Finance and Development
44 Corporation, and the Governor.

