
A BILL FOR AN ACT

RELATING TO HOMEOWNERSHIP.

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

SECTION 1. The legislature finds that the rate of homeownership in the United States is currently 67.4 per cent while homeownership in Hawaii has declined 60 per cent, to a rate of 56.1 per cent by 2010. In this country, homeownership is considered one of the basic building blocks of family wealth and social stability. Families that have a stable and secure place to raise children and live out their lives typically enjoy a better overall sense of well-being.

The legislature further finds that the construction of new residential structures brings healthy competition to the housing market and results in the availability of more homes for purchase at a spectrum of prices. This in turn allows Hawaii residents of all socio-economic levels to enter the homeownership market. At the same time, responsible environmental stewardship calls for balancing such development with the preservation of open spaces (green space, watersheds, recreational areas, and other conservation-related uses). One way to achieve this balance is to promote the construction of



higher density multi-family residential structures in the existing urban zones of each island.

The legislature further finds that many individuals and families in Hawaii are prevented from entering the homeownership market simply because they do not have enough money for a down payment. It is in the public interest to help Hawaii's working residents overcome such obstacles to buy their first home. This can be done through pilot programs that allow State employees to leverage their retirement savings while ensuring the fiscal integrity of the State retirement system.

The purpose of this Act is to establish a pilot program to permit first-time homebuyers who are qualifying public employees and members of the employees' retirement system under Chapter 88 of the Hawaii Revised Statutes to withdraw funds for the purchase of a residence in a multi-family residential structure.

SECTION 2. Chapter 88, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§ ___-___. Homeownership Initiative Pilot Program (a) The board of trustees of the employees' retirement system, department of budget and finance, shall establish a program



known as the Homeownership Initiative Pilot Program, to remain in effect for five years.

(b) Eligible participants in the program shall include public employees who:

(1) Are members of the employees' retirement system established pursuant to Chapter 88, Hawaii Revised Statutes;

(2) Have credited service of at least 10 years;

(3) Are not eligible to retire from public service for at least another five years as of the time of their application to participate in the program;

(4) Do not currently own, and have not previously owned, a primary residence; and

(5) Submit evidence of their intention to reside full-time in the residence they seek to purchase under the program.

(c) Public employees who meet all of the above criteria may apply for a withdrawal of up to 60 per cent of the accumulated retirement benefits in the employees' retirement system attributable to their payroll deductions and the required employer match to their payroll deductions, to be used exclusively for the purpose of making a down payment on a primary residence under this program.



(d) Applications shall be submitted to the board of trustees of the employees' retirement system. The board shall prescribe the form and content of the application.

(e) Properties eligible for purchase under this program shall be limited to multi-family residences of at least five stories in height, and shall include condominium properties described in chapters 514A and 514B as well as cooperative housing projects described in chapters 421H and 421I.

(f) A repayment schedule for funds withdrawn from the employees' retirement system shall be established upon approval of an employee's application. Funds may be repaid via payroll deductions from the wages of the eligible employee.

(g) In the event of death or disability of the eligible employee prior to full repayment of the amount withdrawn, the employee's death or disability benefits will be reduced by the amount owed.

(h) In the event the employee terminates employment with the State or county prior to full repayment of the amount withdrawn, the employee shall continue to make payments according to the established repayment schedule. In the event the employee defaults on repayment, the board shall place a lien



against the property that was purchased under the program, and may take any appropriate legal action to collect in full.

(i) The director of the department of budget and finance shall adopt rules pursuant to chapter 91 as are necessary to effectuate the purposes of this section and provide for the efficient administration thereof."

SECTION 3. The board shall submit a report to the legislature no later than the 20th day prior to the start of the legislative session three years subsequent to the effective date of this Act. The report shall include, but not be limited to, information on the number of public employees who qualified to participate in the pilot program, the number of applications received, the number of applications approved, and the total amount of funds withdrawn from the employees' retirement system and redirected into the Homeownership Initiative Pilot Program. The board shall submit a second report to the legislature upon completion of the five year period of the pilot program.

SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2012.

INTRODUCED BY:

[Handwritten signatures: Joseph Albano, Patricia Thibault]

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JAN 24 2012



H.B. NO. 2692

Report Title:

Employees' Retirement System; Homeownership Pilot Program

Description:

Establishes the Homeownership Initiative Pilot Program which allows eligible employees to withdraw funds from their employees' retirement system accounts, to be used exclusively for a down payment on a qualifying multifamily residential property that will be used as a primary residence.

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