

JAN 22 2016

A BILL FOR AN ACT

RELATING TO RENTAL HOUSING.

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

1 SECTION 1. The purpose of this Act is to address rental
2 housing.

3 More specifically, this Act:

4 (1) Establishes an affordable rental housing goal; and

5 (2) Establishes a special action team on affordable rental
6 housing, led by the lieutenant governor, to make
7 recommendations on actions to promote rental housing.

8 SECTION 2. For the period from 2015 to 2025, Hawaii will
9 require an additional 64,700 housing units to meet projected
10 long-term housing demands. Of this amount, 22,247 households of
11 all income levels will require rental units.

12 The need for affordable rental units is particularly acute
13 for households with low incomes. Approximately ninety-three to
14 ninety-five per cent of rental unit tenants have a household
15 income of less than one hundred forty per cent of the median
16 Hawaii income. According to the Affordable Rental Housing Study



1 Update, 2014, prepared for the department of community services,
2 city and county of Honolulu:

3 The rule of thumb is that renter families generally
4 come from the lower income part of our community, and
5 economists and housing analysts think of this in terms
6 of them making 80% of the area's median income, or
7 AMI, or lower. It bears repeating that those making
8 at or under than [sic] 60% and those at or under 30%
9 of AMI are facing no rental unit availability, meaning
10 crowding up or homelessness.

11 Relative to what has been supplied, the number or
12 rental units affordable to those making 80% (and 60%,
13 and 50%, and 30% of AMI), the supply/demand imbalance
14 is tremendous, in quantitative terms. During the 10-
15 year period from 2004-2013, just over 4,500 affordable
16 rental units were delivered statewide with government
17 assistance. (Source: HHFDC) To wit, there simply is
18 an insufficient number of them being supplied, either
19 in the affordable, the subsidized, or the market-rate
20 rental markets.



1 The lack of supply leads to higher rents for households of
2 all income levels, leaving all tenants with less disposable
3 income, increasing the personal stress of tenants, reducing
4 tenant quality of life, and exacerbating the population
5 overcrowding and homelessness problems. Without sufficient
6 affordable rental housing, the future social, community, and
7 economic consequences for Hawaii may be dire.

8 Although many reasons contribute to the lack of affordable
9 rental units for low- and moderate-income households, the
10 primary reason is a poor rate of return for investments in
11 affordable rental housing projects. As the Affordable Rental
12 Housing Study Update, 2014, succinctly states, "Simply put,
13 affordable rental housing is unprofitable, so the market won't
14 address the need by itself." Government regulations that
15 restrict affordable housing development and lengthen the time
16 tenants qualify for affordable rental housing also contribute to
17 the lack of affordable rental housing.

18 Given these barriers, the legislature finds that the lack
19 of affordable rental housing requires the concentrated attention
20 of state government at the highest level. Thus, the legislature
21 believes that the establishment of an affordable rental housing



1 goal and special action team to make recommendations to achieve
2 the goal are imperative.

3 SECTION 3. Goal for affordable rental housing units. (a)
4 The legislature establishes the goal for state government, by
5 itself or jointly with other parties, to develop or vest the
6 development of at least 22,500 affordable rental housing units,
7 ready for occupancy between January 1, 2017 and December 31,
8 2026.

9 (b) For the purpose of measuring progress toward achieving
10 the goal:

11 (1) Fee simple residential units, rental housing units
12 that are not affordable, and units in resort,
13 commercial, industrial, or other uses on or before
14 December 31, 2016, that are subsequently converted to
15 affordable rental units, shall be counted as having
16 been developed between January 1, 2017 and
17 December 31, 2026; and

18 (2) Affordable rental housing units that have all
19 entitlements for construction on or before
20 December 31, 2016, but are completed and ready for
21 occupancy after that date, shall not be counted as



1 having been developed between January 1, 2017 and
2 December 31, 2026.

3 SECTION 4. Definitions. For the purpose of this Act:

4 "Affordable rental housing unit" means a privately-owned
5 residential unit that the owner:

6 (1) Has completed the construction, reconstruction,
7 renovation, repair, or acquisition of after
8 December 31, 2016; and

9 (2) Pledges to comply and require each manager or
10 successor owner of the unit to comply with the
11 following for a period of at least thirty years:

12 (A) Rent the unit to a family with an annual income
13 of not more than one hundred forty per cent of
14 the area median income for a family of the same
15 size; and

16 (B) Charge a monthly rent, excluding utility
17 expenses, for the unit that does not exceed
18 thirty per cent of the family's monthly income.

19 The thirty-year period shall be measured from the date of
20 issuance of the certificate of occupancy for the unit or, if no
21 certificate of occupancy was necessary for the unit after



1 December 31, 2016, the date the unit was first rented to a
2 family in accordance with paragraph (2)(A) and (B).

3 "Affordable rental housing unit" includes a residential
4 unit owned by a federal, state, or county agency for the purpose
5 of rental to a low- or moderate-income family, as may be defined
6 by the agency or law, as applicable.

7 "Area median income" means the most current median family
8 income for an area as estimated and adjusted for family size by
9 the United States Department of Housing and Urban Development.

10 "Family" includes a family of one individual.

11 SECTION 5. Special action team on affordable rental
12 housing; establishment, purpose, termination. (a) There is
13 established for administrative purposes within the office of the
14 lieutenant governor a temporary special action team on
15 affordable rental housing.

16 (b) The special action team is established for the special
17 purpose of recommending actions to increase the supply of rental
18 housing, particularly rental housing affordable to low- and
19 moderate-income families.

20 (c) The special action team shall terminate on December
21 31, 2018; provided that the chair and members of the special



1 action team may represent themselves as the chair or a member
2 after December 31, 2018, when testifying or commenting on
3 actions or recommendations of the team.

4 SECTION 6. Membership. (a) The special action team shall
5 be composed of the following members:

- 6 (1) Lieutenant governor, who shall serve as chair;
- 7 (2) Attorney general;
- 8 (3) Comptroller;
- 9 (4) Director of finance;
- 10 (5) Director of health;
- 11 (6) Director of human services;
- 12 (7) Chairperson of the board of land and natural
13 resources;
- 14 (8) Chairperson of the Hawaiian homes commission;
- 15 (9) Executive officer of the land use commission;
- 16 (10) Executive director of the Hawaii community development
17 authority;
- 18 (11) Executive director of the Hawaii public housing
19 authority;
- 20 (12) Executive director of the Hawaii housing finance and
21 development corporation;



1 (13) Director of the office of environmental quality
2 control; and

3 (14) Governor's coordinator on homelessness.

4 (b) The chair of the special action team shall invite the
5 following persons to become members of the special action team:

6 (1) One officer or employee of each county with duties and
7 responsibilities relating to land use planning,
8 zoning, or housing development, to be appointed by the
9 mayor of the respective county; and

10 (2) The chair of the planning commission of each county;
11 provided that if a county has more than one planning
12 commission, the mayor shall designate which chair
13 shall serve on the special action team.

14 (c) A special action team member may designate another
15 officer or employee of the member's department or agency to
16 attend one or more meetings in place of the member. The special
17 action team member shall make the designation in writing and
18 submit it to the special action team chair before the meeting
19 that the designee is to attend. The designation may apply to
20 more than one meeting or the entire term of the special action



1 team. The designation may be withdrawn at any time by written
2 notice to the special action team chair.

3 A designee of a special action team member shall have all
4 rights and privileges of the member while serving as a designee.

5 (d) Members of the special action team shall receive no
6 additional compensation for service on the team beyond their
7 normal compensation.

8 Members shall be reimbursed for expenses necessarily
9 incurred for service on the team.

10 (e) The special action team may elect officers from among
11 its members.

12 SECTION 7. Duties. (a) The special action team shall
13 recommend to the governor, legislature, and other parties,
14 actions to be taken to achieve the affordable rental housing
15 goal set forth in section 3.

16 (b) To comply with subsection (a), the special action team
17 shall recommend short- and long-term actions to:

18 (1) Increase the supply of rental housing affordable for
19 low- and moderate-income families;

20 (2) Increase the supply of rental housing for the
21 remainder of the resident population;



- 1 (3) Preserve the existing rental housing stock;
- 2 (4) Enhance the attractiveness of and market for rental
- 3 housing relative to fee simple housing; and
- 4 (5) Mitigate community concerns over the development of
- 5 nearby rental housing projects, particularly
- 6 affordable public or private rental housing projects
- 7 for low-income families and individuals.

8 (c) The special action team also shall establish
9 performance measures and timelines for the development of
10 affordable rental housing units for the following:

- 11 (1) Families with not more than sixty per cent of the area
- 12 median income;
- 13 (2) Families with more than sixty per cent, but not more
- 14 than eighty per cent, of the area median income;
- 15 (3) Families with more than eighty per cent, but not more
- 16 than one hundred per cent, of the area median income;
- 17 (4) Families with more than one hundred per cent, but not
- 18 more than one hundred twenty per cent, of the area
- 19 median income; and



1 (5) Families with more than one hundred twenty per cent,
2 but not more than one hundred forty per cent, of the
3 area median income.

4 The special action team shall also recommend the agency
5 that should monitor and periodically report on the achievement
6 of the performance measures and compliance with the timelines.

7 (d) The special action team shall also address and make
8 recommendations to reconcile the public interests that may
9 compete against and restrict the development of rental housing.

10 The competing public interests shall include the following:

11 (1) Regulatory burden associated with developing,
12 managing, and operating subsidized affordable housing
13 projects;

14 (2) Preservation of the environment;

15 (3) Protection of the quality of life of the surrounding
16 communities;

17 (4) Devotion of scarce public resources for mixed-use
18 projects that include fee simple, market-priced
19 housing;

20 (5) Reluctance to use more public lands for affordable
21 rental housing development; and



1 (6) Preference of most persons for low-density dwelling
2 units.

3 (e) In the performance of its duties, the special action
4 team shall periodically consult with the Hawaii interagency
5 council on homelessness.

6 SECTION 8. Annual reports. The special action team shall
7 submit reports to the legislature of its findings and
8 recommendations no later than twenty days prior to the convening
9 of the regular sessions of 2017, 2018, and 2019.

10 SECTION 9. Appropriation. (a) There is appropriated out
11 of the general revenues of the State of Hawaii the sum of
12 \$100,000 or so much thereof as may be necessary for fiscal year
13 2016-2017 for the administration and operation of the special
14 action team on rental housing, including the establishment and
15 filing of a 1.00 full-time equivalent temporary planner
16 position, which shall be exempt from chapter 76, Hawaii Revised
17 Statutes.

18 The sum appropriated shall be expended by the office of the
19 lieutenant governor for the purposes of this Act.

20 (b) In addition to the appropriation under subsection (a),
21 the office of the lieutenant governor may use other moneys



1 appropriated to the office of the lieutenant governor for the
2 special action team.

3 SECTION 10. This Act shall take effect upon its approval;
4 provided that section 9 shall take effect on July 1, 2016.
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S.B. NO. 2561

Report Title:

Affordable Rental Housing Goal; Special Action Team on Rental Housing; Appropriation

Description:

Establishes a goal of developing or vesting the development of at least 22,500 affordable rental housing units ready for occupancy between 01/01/17 and 12/31/26. Establishes a temporary special action team on rental housing to recommend actions by the governor to achieve the goal. Places the team under the lieutenant governor's office for administrative purposes and designates the lieutenant governor as special action team chair. Makes an appropriation.

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