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# A BILL FOR AN ACT

RELATING TO AFFORDABLE HOUSING.

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

1           SECTION 1. The legislature finds that the Front Street  
2 Apartments on the island of Maui provide affordable housing to  
3 more than two hundred fifty low-income residents. The Front  
4 Street Apartments were developed in 2001 as an affordable rental  
5 housing project with one hundred forty-two units, using state  
6 financing and state tax credits, and were expected to remain  
7 affordable to low-income tenants for fifty years. However, the  
8 owners of the Front Street Apartments recently exercised an  
9 option to remove the property from affordability requirements  
10 that were tied to the development of the property, and this  
11 change will allow them to begin renting available apartments at  
12 market rates and to raise rents for existing tenants within a  
13 few years.

14           The legislature further finds that many tenants of the  
15 Front Street Apartments were not previously aware of this threat  
16 to their housing and are worried that the removal of  
17 affordability requirements could leave them homeless. There is  
18 a severe shortage of affordable housing on the island of Maui,



1 which will be exacerbated by the conversion of the Front Street  
2 Apartments to market-rate housing.

3 The legislature also finds that the tenants, surrounding  
4 community, and the island of Maui would benefit from the active  
5 intervention of the State in this situation to ensure that there  
6 is no negative impact on current and future tenants of the Front  
7 Street Apartments. Act 288, Session Laws of Hawaii 2006,  
8 regarding state intervention to preserve affordable rents at the  
9 Kukui Gardens affordable rental housing project on the island of  
10 Oahu, provides an important precedent for this Act.

11 Accordingly, the purpose of this Act is to preserve the  
12 Front Street Apartments as an affordable rental housing project.

13 SECTION 2. The legislature declares that it is in the  
14 public interest and is required for public use to acquire the  
15 Front Street Apartments as an affordable rental housing project  
16 by exercise of the power of eminent domain. The legislature  
17 further declares that it is necessary to provide for the public  
18 financing of the acquisition of the Front Street Apartments by  
19 condemnation through the expenditures of general funds, revenue  
20 bonds, rental housing trust funds, federal and state low-income



1 housing tax credits, or any other public and private funds at  
2 the disposal of the State.

3 SECTION 3. The Hawaii housing finance and development  
4 corporation or any appropriate entity of the State as determined  
5 by the governor shall immediately initiate negotiations with  
6 3900 Corporation, leasehold fee owners of the applicable real  
7 property, and Front Street Affordable Housing Partners Limited  
8 Partnership, owners of the improvements constructed upon the  
9 applicable real property, or their successors in interest to  
10 either:

11 (1) Make available, without competitive award, public  
12 financing resources to extend affordable rents at the  
13 Front Street Apartments through at least 2027;  
14 provided that:

15 (A) Seventy rental units shall be retained at  
16 affordable rents to households whose incomes do  
17 not exceed fifty per cent of the median family  
18 income for the area; and

19 (B) Seventy-one rental units shall be retained at  
20 affordable rents to households whose incomes do



1 not exceed sixty per cent of the median family  
2 income for the area,  
3 as determined by the United States Department of  
4 Housing and Urban Development; or

5 (2) Acquire the property known as the Front Street  
6 Apartments, tax map key (2) 4-5-003-013, and may  
7 partner with private for-profit or nonprofit  
8 developers for acquisition of the property and  
9 improvements thereupon; provided that:

10 (A) Seventy rental units shall be retained at  
11 affordable rents to households whose incomes do  
12 not exceed fifty per cent of the median family  
13 income for the area; and

14 (B) Seventy-one rental units shall be retained at  
15 affordable rents to households whose incomes do  
16 not exceed sixty per cent of the median family  
17 income for the area,

18 as determined by the United States Department of  
19 Housing and Urban Development.

20 SECTION 4. The Hawaii housing finance and development  
21 corporation or the appropriate entity of the State as determined



1 by the governor shall submit a report to the legislature not  
2 later than twenty days prior to the convening of the regular  
3 session of 2018 regarding its efforts to acquire the Front  
4 Street Apartments and its recommendations for financing the  
5 purchase of the property.

6 SECTION 5. If an agreement to either extend the affordable  
7 rents to at least 2027 or acquire the property is not reached  
8 within a reasonable time as determined by the Hawaii housing  
9 finance and development corporation or any other appropriate  
10 entity of the State, the state agency shall exercise its power  
11 of eminent domain to acquire the property and improvements  
12 thereupon. For the purposes of this Act, and notwithstanding  
13 any provision of section 201H-13, Hawaii Revised Statutes, to  
14 the contrary, condemnation of the Front Street Apartments  
15 property and improvements thereupon shall not be subject to  
16 legislative disapproval.

17 SECTION 6. There is appropriated out of the general  
18 revenues of the State of Hawaii the sum of \$ or so much  
19 thereof as may be necessary for fiscal year 2017-2018 for the  
20 purpose of negotiating with the owners of the real property and  
21 improvements thereupon known as the Front Street Apartments to



1 either extend the period of affordable rents to at least 2027,  
2 acquire the real property and improvements known as the Front  
3 Street Apartments, or to commence the condemnation process;  
4 provided that no funds authorized pursuant to this appropriation  
5 shall be made available unless the county of Maui appropriates  
6 \$            in matching county funds for the purposes of this Act.

7            The sum appropriated shall be expended by the Hawaii  
8 housing finance and development corporation for the purposes of  
9 this Act.

10            SECTION 7. This Act does not affect rights and duties that  
11 matured, penalties that were incurred, and proceedings that were  
12 begun before its effective date.

13            SECTION 8. This Act shall take effect on July 1, 2017.

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**Report Title:**

HHFDC; Affordable Housing; Maui; Front Street Apartments;  
Appropriation

**Description:**

Directs HHFDC or any appropriate entity of the State to initiate negotiations to keep the units of the Front Street Apartments on the island of Maui affordable or to acquire the Front Street Apartments property. Appropriates funds. (SD1)

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