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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 project on the island of Maui provides affordable  
3 housing to more than two hundred fifty low-income residents.  
4 The project was developed using state financing and state tax  
5 credits in 2001 as an affordable rental housing project with one  
6 hundred forty-two units, and was expected to remain affordable  
7 to low-income tenants for fifty years. However, the owners of  
8 the project have exercised an option to remove the project from  
9 the affordability requirements tied to the development of the  
10 project. This change will allow them to begin renting available  
11 apartments at market rates and to raise rents for existing  
12 tenants by October 2019.

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



1 of Maui, especially in west Maui, and this shortage will be  
2 exacerbated by the conversion of the Front Street Apartments  
3 project to market-rate housing.

4 The legislature took steps to condemn the ground lease for  
5 the Front Street Apartments project by enacting Act 150, Session  
6 Laws of Hawaii 2018. However, the legislature believes that the  
7 tenants, surrounding community, and the island of Maui would  
8 further benefit if the State were to acquire the leased fee and  
9 fee simple interests in the Front Street Apartments project.

10 The legislature declares that it is in the public interest  
11 and is required for public use to preserve the affordable rental  
12 housing project at the Front Street Apartments by exercising the  
13 power of eminent domain if an agreement to transfer the property  
14 to the State is not reached within a reasonable time. If the  
15 State exercises eminent domain powers, the legislature further  
16 declares that it is necessary to provide public financing for  
17 the acquisition of any property interest in the Front Street  
18 Apartments by condemnation through the expenditure of general  
19 funds, revenue bonds, dwelling unit revolving funds, rental  
20 housing revolving funds, or any other funds at the disposal of  
21 the State.



1           The legislature notes that Act 150 additionally authorized  
2 the Hawaii housing finance and development corporation to  
3 complete construction on another affordable housing project on  
4 Maui. Development activities and expenditures on this project  
5 have commenced but may not be completed by the time available,  
6 and funds are due to expire.

7           The legislature finds that, by enacting Act 288, Session  
8 Laws of Hawaii 2006, the State intervened to preserve affordable  
9 housing at the Kukui gardens affordable rental housing project  
10 on the island of Oahu and this action provides precedent for  
11 this Act and for Act 150, Session Laws of Hawaii 2018.

12           Accordingly, the purpose of this Act is to ensure the  
13 continued availability of affordable rental housing, including  
14 the Front Street Apartments project, on Maui.

15           SECTION 2. (a) The Hawaii housing finance and development  
16 corporation shall immediately initiate negotiations with:

17           (1) 3900 Corp., leasehold fee owner of the parcel  
18           designated as tax map key (2) 4-5-003-013, or its  
19           successor in interest; and



1 (2) Front Street Affordable Housing Partners, fee owner of  
2 the parcel designated as tax map key (2) 4-5-003-014,  
3 or its successor in interest,  
4 to acquire each respective parcel.

5 (b) The Hawaii housing finance and development corporation  
6 may partner with private for-profit or nonprofit developers for  
7 the acquisition of the Front Street Apartments project; provided  
8 that:

9 (1) Seventy rental units shall be retained at affordable  
10 rents for households whose incomes do not exceed fifty  
11 per cent of the median family income for the area as  
12 determined by the United States Department of Housing  
13 and Urban Development; and

14 (2) Seventy-one rental units shall be retained at  
15 affordable rents for households whose incomes do not  
16 exceed sixty per cent of the median family income for  
17 the area as determined by the United States Department  
18 of Housing and Urban Development.

19 SECTION 3. The Hawaii housing finance and development  
20 corporation shall submit a report to the legislature no later  
21 than twenty days prior to the convening of the regular session



1 of 2020 regarding its efforts to acquire the leased fee and fee  
2 simple interests in the Front Street Apartments project.

3 SECTION 4. The Hawaii housing finance and development  
4 corporation shall exercise its power of eminent domain to  
5 acquire any leased fee or fee simple interest in the Front  
6 Street Apartments project for which an agreement to acquire the  
7 leased fee or fee simple interest is not reached within a  
8 reasonable time, as determined by the corporation. For the  
9 purposes of this Act, and notwithstanding any provision of  
10 section 201H-13, Hawaii Revised Statutes, to the contrary,  
11 condemnation of any leased fee or fee simple interest in the  
12 Front Street Apartments project shall not be subject to  
13 legislative disapproval.

14 SECTION 5. There is appropriated out of the general  
15 revenues of the State of Hawaii the sum of \$ or so much  
16 thereof as may be necessary for fiscal year 2019-2020 for the  
17 purposes of this Act.

18 The sum appropriated shall be expended by the Hawaii  
19 housing finance and development corporation for the purposes of  
20 this Act.



1 SECTION 6. Act 150, Session Laws of Hawaii 2018, is  
2 amended by amending section 3 to read as follows:

3 "SECTION 3. There is appropriated out of the rental  
4 housing revolving fund the sum of \$30,000,000 or so much thereof  
5 as may be necessary for fiscal year 2018-2019 to expedite and  
6 complete the construction of the Leialii affordable housing  
7 project in Lahaina, Maui, by [~~2021~~] \_\_\_\_\_.

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

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

14 SECTION 8. If any provision of this Act, or the  
15 application thereof to any person or circumstance, is held  
16 invalid, the invalidity does not affect other provisions or  
17 applications of the Act that can be given effect without the  
18 invalid provision or application, and to this end the provisions  
19 of this Act are severable.



1 SECTION 9. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 10. This Act shall take effect on January 1, 2050.



**Report Title:**

HHFDC; Affordable Housing; Front Street Apartments; Acquisition;  
Report; Appropriation

**Description:**

Directs the Hawaii Housing Finance and Development Corporation (HHFDC) to initiate negotiations or exercise its power of eminent domain to acquire the Front Street Apartments affordable housing project on Maui. Extends the time to complete the Leialii affordable housing project on Maui. (HB543 HD1)

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