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# A BILL FOR AN ACT

RELATING TO RENT TO BUILD EQUITY.

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

1           SECTION 1. The legislature finds that Hawaii's housing  
2 market is in a state of crisis for residents. It is estimated  
3 that Hawaii needs 65,000 to 80,000 new units to keep up with  
4 demand. As of September 2018, the median home price on Oahu was  
5 \$810,000. High demand and low supply result in housing prices  
6 that are simply too expensive for most local families.

7           Although housing prices are too high for the average family  
8 to purchase, long-term renters are even worse off. As rents hit  
9 historic highs, families are forced to dedicate more of their  
10 monthly incomes to rent, which prohibits them from making  
11 investments in their futures, paying off debt, or saving for  
12 home ownership. This is partially a result of Hawaii's  
13 development environment. Housing built partially or fully by  
14 foreign- or mainland-based companies siphons rental income and  
15 profits away from Hawaii's residents. Hawaii's families become  
16 increasingly disadvantaged while foreign developers reap the



1 profits of housing developments built with state benefits funded  
2 by Hawaii's taxpayers.

3       One way of approaching this issue is to require a rent-to-  
4 build-equity agreement between renters and developers.  
5 Traditionally, original developers sell their properties at  
6 market rates after the initial affordable rental period expires.  
7 Families relying on affordable housing are then forced to find  
8 new housing accommodations, often without substantial savings or  
9 investments of their own. Requiring developers who utilize  
10 state incentives to share a portion of their sale profit with  
11 affordable housing tenants will reinvest profits in Hawaii's  
12 economy and enable local families to invest in their futures by  
13 building equity in homes of their own.

14       The purpose of this Act is to create a rent-to-build-equity  
15 agreement between renters and original developers, requiring all  
16 affordable housing developments constructed with general excise  
17 tax exemptions or other state incentives to enter into a profit  
18 sharing agreement with rental tenants.

19       SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
20 amended by adding a new section to be appropriately designated  
21 and to read as follows:



1       "§201H- Rent to build equity requirement (a) All housing  
2 projects developed in accordance with §201H-36 or §201H-38 shall  
3 include a rent to build equity agreement between tenant and  
4 qualified person or firm involved with a newly constructed  
5 project.

6       (b) The rent to build equity agreement shall require the  
7 following of the qualified person or firm upon sale of a newly  
8 constructed project after expiry of a regulatory agreement as  
9 required in §201H-36 (b) (3):

10       (1) The qualified person or firm shall pay tenants no less  
11 than twenty percent of the resulting profit divided  
12 among all tenants and prorated by number of years the  
13 tenant has resided in the development; and

14       (2) The qualified person or firm shall pay tenants no less  
15 than one-half the total amount of general excise taxes  
16 waived over the tenant's rental period, divided among  
17 all tenants and prorated by number of years the tenant  
18 has resided in the development.

19       (c) This section shall apply to developments whose rental  
20 periods begin on or after January 1, 2020."

21       SECTION 3. New statutory material is underscored.



# H.B. NO. 606

1 SECTION 4. This Act shall take effect on July 1, 2019.

INTRODUCED BY:

*[Signature]*

*[Signature]*

*[Signature]*

*[Signature]*

JAN 18 2019



# H.B. NO. 606

**Report Title:**

Rent to Build Equity Requirement

**Description:**

Requires all housing projects that receive general excise tax exemptions or other State incentives pursuant to 201H HRS to share profits with rental tenants upon sale of the property.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

