

JAN 17 2020

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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 the State's  
2 residents are facing a housing crisis. It is estimated that  
3 Hawaii needs sixty-five thousand to eighty-thousand new units to  
4 keep up with housing demand. High demand and low supply result  
5 in housing prices that are simply too expensive for most local  
6 families. As of September 2018, the median home price on Oahu  
7 was \$810,000.

8           The legislature also finds that long-term renters are even  
9 worse off. As rents hit historic highs, families are forced to  
10 dedicate more of their monthly incomes to rent, which prohibits  
11 them from making investments in their futures, paying off debt,  
12 or saving for home ownership. This is partially a result of  
13 Hawaii's development environment, in which renters have become  
14 increasingly disadvantaged while mainland and foreign developers  
15 siphon rental income or reap the profits of housing developments  
16 built with state benefits subsidized by state taxpayers.



1           The legislature notes that although developers may build  
2 affordable rental properties to take advantage of certain  
3 exemptions under the law, these developers often subsequently  
4 sell their properties at market rates after the initial  
5 affordable rental period expires. Families who had relied on  
6 affordable housing are then forced to find new housing  
7 accommodations, often without substantial savings or investments  
8 of their own.

9           The legislature therefore believes that requiring  
10 developers who use state incentives to share a portion of their  
11 sale profits with affordable housing tenants will reinvest these  
12 profits in Hawaii's economy and enable local families to invest  
13 in their futures by building equity in homes of their own.

14           Accordingly, the purpose of this Act is to require  
15 developers of housing projects that are exempt from certain laws  
16 to enter into profit-sharing agreements with the tenants of  
17 those properties.

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



1       "§201H-       Rent-to-build equity requirement.   (a) A

2       developer that is:

3       (1) A qualified person or firm that is exempt from general  
4       excise taxes on a newly constructed project under  
5       section 201H-36; or

6       (2) An eligible developer or firm whose newly constructed  
7       project is a housing project that received any of the  
8       exemptions under section 201H-38,

9       shall enter into a rent-to-build equity agreement with each  
10      tenant of the project pursuant to subsection (b) for all units  
11      leased after January 1, 2021.

12      (b) A rent-to-build equity agreement shall require that if  
13      the developer sells the project, the developer shall pay the  
14      tenant a prorated share of twenty per cent of the sale price of  
15      the project, based on the number of years the tenant lived in  
16      the project.

17      (c) The board may adopt rules pursuant to chapter 91 to  
18      implement this section."

19      SECTION 3. New statutory material is underscored.



# S.B. NO. 2403

1 SECTION 4. This Act shall take effect on July 1, 2020.

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INTRODUCED BY: Kurt Ferrelia

*Sen. Mercedes Kim*  
*T. D. Doyle*



# S.B. NO. 2403

**Report Title:**

Housing Development; Exempt Projects; Rent-to-Equity

**Description:**

Requires developers of housing projects that are exempt from certain laws to enter into profit-sharing agreements with the tenants of those properties.

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