
A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. The legislature finds that the cost and
2 availability of housing in the State are significant challenges
3 facing Hawaii residents. Although Hawaii has the tenth highest
4 median wage nationally, living expenses are two-thirds higher
5 than the rest of the nation, with the cost of housing being a
6 major contributing factor. According to the Honolulu Board of
7 REALTORS, by March 2022, the median price for a single-family
8 home on Oahu had risen to \$1,150,000, while the median price for
9 condominiums on Oahu had risen to \$515,000. With a simple
10 mortgage calculator and using conservative assumptions on
11 interest rates and down payment amounts, a household would need
12 to earn over \$200,000 annually to afford to buy a median-priced
13 home on Oahu in 2022, making homeownership out of reach for many
14 of Hawaii's residents, especially first-time buyers.

15 Because of the many barriers hindering the production of
16 new housing, including geographic limitations, lack of major
17 infrastructure, construction costs, and government regulation,



1 the State and housing developers have not been able to produce
2 enough housing for Hawaii residents. According to a 2019 report
3 from the department of business, economic development, and
4 tourism, the projected long-run average estimate of total demand
5 for housing in Hawaii is 72,310 for the 2020 to 2030 period.
6 The legislature has responded through the passage of various
7 legislation. During the regular session of 2020, the
8 legislature passed Act 42, Session Laws of Hawaii 2020, that,
9 among other things, increased the Hula Mae multifamily revenue
10 bond authorization to address Hawaii's affordable rental housing
11 crisis. During the regular session of 2021, the legislature
12 passed Act 227, Session Laws of Hawaii 2021, to establish an
13 affordable homeownership revolving fund to provide loans to
14 nonprofit community development financial institutions and
15 nonprofit housing development organizations for the development
16 of affordable homeownership housing projects. During the
17 regular session of 2022, the legislature passed Act 236, Session
18 Laws of Hawaii 2022, that, in part, provides funds to address
19 Hawaii's affordable rental housing crisis.

20 Despite these efforts, the amount of new construction of
21 housing, especially for low- to middle-income families,



1 continues to be inadequate as the supply of housing remains
2 constrained while demand for housing increases. This lack of
3 supply leads to higher housing prices and rents for households
4 of all income levels, leaving all tenants with less disposable
5 income, increasing the personal stress on buyers and renters,
6 and exacerbating overcrowding and homelessness. Given these
7 consequences, the lack of affordable housing requires the
8 concentrated attention of state government at the highest level.

9 The legislature further finds that with Honolulu's
10 construction of an elevated rail transit system, the State has
11 an opportunity to enhance Oahu's urban environment and increase
12 the quality of life for residents by increasing the affordable
13 housing inventory and eliminating the need for personal
14 automobiles, among other public benefits. As the largest
15 landowner of properties along the transit line, with
16 approximately two thousand acres under the jurisdiction of
17 various departments, the State must be proactive in establishing
18 a unified vision and approach toward redevelopment of its
19 properties to maximize the benefits of state lands available for
20 redevelopment.

21 The purpose of this Act is to:



- 1 (1) Test new methods to help end the housing shortage in
- 2 Hawaii;
- 3 (2) Establish the ninety-nine year leasehold pilot program
- 4 to facilitate the creation of low-cost leasehold homes
- 5 for sale to Hawaii residents on non-ceded state-owned
- 6 land near public transit stations; and
- 7 (3) Authorize the Hawaii community development authority
- 8 to sell the leasehold interest in residential
- 9 condominium units located on state lands for lease
- 10 terms of ninety-nine years.

11 SECTION 2. Chapter 206E, Hawaii Revised Statutes, is

12 amended by adding a new part to be appropriately designated and

13 to read as follows:

14 **"PART . NINETY-NINE YEAR LEASEHOLD PILOT PROGRAM**

15 **§206E-A Definitions.** As used in this part, unless the

16 context otherwise requires:

17 "Commercial project" means an undertaking involving

18 commercial or light industrial development. "Commercial

19 project" includes a mixed-use development in which commercial or

20 light industrial facilities may be built into, adjacent to,

21 under, or above residential units.



1 "Multipurpose project" means a project consisting of any
2 combination of a commercial project, redevelopment project, or
3 residential project.

4 "Owner-occupied residential use" means any use currently
5 permitted in existing residential zones consistent with owner
6 occupancy. "Owner-occupied residential use" does not include
7 renting or subleasing by the owner of a home to any tenant or
8 sublessee of any kind.

9 "Pilot program" means the ninety-nine year leasehold pilot
10 program.

11 "Project" means a specific work or improvement, including
12 real and personal properties, or any interest therein, acquired,
13 owned, constructed, reconstructed, rehabilitated, or improved by
14 the authority, including a commercial project, redevelopment
15 project, or residential project.

16 "Public agency" means any office, department, board,
17 commission, bureau, division, public corporation agency, or
18 instrumentality of the federal, the state, or a county
19 government.

20 "Public facilities" includes streets, utility and service
21 corridors, and utility lines where applicable, sufficient to



1 adequately service developable improvements in an urban
2 redevelopment site, sites for schools, parks, parking garages,
3 sidewalks, pedestrian ways, and other community facilities;
4 public highways, as described in section 264-1, storm drainage
5 systems, water systems, street lighting systems, off-street
6 parking facilities, sanitary sewerage systems, facilities to
7 address climate change and sea level rise, as well as the land
8 required for these facilities; and any facility owned and
9 operated by a public agency and having a useful life of at least
10 five years.

11 "Public transit station" means:

- 12 (1) A station connected to a locally preferred alternative
13 for a mass transit project; or
- 14 (2) For the city and county of Honolulu, a station of the
15 Honolulu rail transit system.

16 "Redevelopment project" means an undertaking for the
17 acquisition, clearance, replanning, reconstruction, and
18 rehabilitation, or a combination of these and other methods, of
19 an area for a residential project, an incidental commercial
20 project, and other facilities incidental or appurtenant thereto,
21 pursuant to and in accordance with this part. As used in this



1 definition, "acquisition, clearance, replanning, reconstruction,
2 and rehabilitation" includes renewal, redevelopment,
3 conservation, restoration, or improvement, or any combination
4 thereof.

5 "Residential project" means a project or that portion of a
6 multipurpose project, including residential dwelling units,
7 designed and intended for the purpose of providing housing and
8 any facilities as may be incidental or appurtenant thereto.

9 "Urban redevelopment site" means non-ceded state-owned
10 lands within a one-mile radius of a public transit station in a
11 county having a population greater than five hundred thousand.

12 **§206E-B Ninety-nine year leasehold pilot program. (a)**

13 There is established the ninety-nine year leasehold pilot
14 program for the purpose of providing low-cost, leasehold homes
15 for sale to Hawaii residents on state-owned lands within an
16 urban redevelopment site.

17 (b) The pilot program shall be limited to one development
18 on non-ceded lands within an urban redevelopment site, which
19 shall be selected by the authority to determine if this pilot
20 program is viable as a housing program in the State.



1 **§206E-C Rules; guidelines.** (a) The authority shall adopt
2 rules pursuant to chapter 91 on health, safety, building,
3 planning, zoning, and land use, which shall supersede all other
4 inconsistent ordinances and rules relating to the use, zoning,
5 planning, and development of land and construction thereon.
6 Rules adopted pursuant to this section shall follow existing
7 laws, rules, ordinances, and regulations as closely as is
8 practicable while remaining consistent with standards meeting
9 minimum requirements of good design, pleasant amenities, health,
10 safety, and coordinated development. The authority may provide
11 restrictions on the use of the lands, including that lands
12 within urban redevelopment sites shall not be developed beyond
13 existing uses or that improvements thereon shall not be
14 demolished or substantially reconstructed.

15 (b) The following shall be the principles generally
16 governing the authority's actions relating to urban
17 redevelopment sites:

18 (1) Each development may include facilities to replace any
19 facilities required to be removed for the
20 development's construction;



- 1 (2) Developments shall endeavor to be revenue-neutral to
- 2 the State and counties, and all revenues generated
- 3 shall be used for the purposes of this part;
- 4 (3) The authority shall consider the infrastructural
- 5 burden of each development and the impact of the
- 6 development on the education system, and any
- 7 mitigating actions to address these burdens and
- 8 impacts, prior to construction;
- 9 (4) The authority may build infrastructure beyond that
- 10 which exists in any development under this part;
- 11 (5) The authority may build common area facilities for any
- 12 development undertaken pursuant to this part, which
- 13 shall be paid through the sales of homes within an
- 14 urban redevelopment site;
- 15 (6) Developments shall result in communities that permit
- 16 an appropriate land mixture of residential,
- 17 commercial, and other uses. In view of the innovative
- 18 nature of the mixed-use approach, urban design
- 19 policies shall be established for the public and
- 20 private sectors in the proper development of urban
- 21 redevelopment sites; provided that any of the



1 authority's proposed actions in urban redevelopment
2 sites that are subject to chapter 343 shall comply
3 with chapter 343 and any federal environmental
4 requirements; provided further that the authority may
5 engage in any studies or coordinative activities
6 permitted in this part that affect areas lying outside
7 of urban redevelopment sites where the authority, in
8 its discretion, decides that those activities are
9 necessary to implement the intent of this part. The
10 studies or coordinative activities shall be limited to
11 facility systems, resident and industrial relocation,
12 and other activities engaged in with the counties and
13 appropriate state agencies. The authority may engage
14 in construction activities outside of urban
15 redevelopment sites; provided that the construction
16 shall relate to infrastructure development or
17 residential or business relocation activities;
18 provided further that the construction shall comply
19 with the general plan, development plan, ordinances,
20 and rules of the county in which the urban
21 redevelopment site is located;



- 1 (7) Activities shall be located so as to provide primary
2 reliance on public transportation and pedestrian and
3 bicycle facilities for internal circulation within
4 urban redevelopment sites or designated subareas;
- 5 (8) Where compatible, land use activities within urban
6 redevelopment sites, to the greatest possible extent,
7 shall be mixed horizontally within blocks or other
8 land areas and vertically as integral units of
9 multi-purpose structures;
- 10 (9) Development shall prioritize maximizing density;
11 provided that development may require a mixture of
12 densities, building types, and configurations in
13 accordance with appropriate urban design guidelines
14 and vertical and horizontal integration of residents
15 of varying incomes, ages, and family groups that
16 reflect the diversity of Hawaii;
- 17 (10) Development shall provide necessary community
18 facilities, including parks, community meeting places,
19 child care centers, schools, educational facilities,
20 libraries, and other services, within and adjacent to
21 residential development; provided that any school that



1 is provided by the authority as a necessary community
2 facility shall be exempt from school size
3 requirements, as calculated by recent school site area
4 averages pursuant to section 302A-1602;

5 (11) Public facilities within urban redevelopment sites
6 shall be planned, located, and developed so as to
7 support the redevelopment policies for the sites
8 established by this part and plans and rules adopted
9 pursuant to it;

10 (12) Development shall be designed, to the extent possible,
11 to minimize traffic, parking, the use of private
12 automobiles, and noise;

13 (13) Development shall be subject to chapter 104;

14 (14) On-site and off-site infrastructure funded by the
15 State or county, as applicable, shall be brought to
16 the development site; provided that the State and
17 respective county may be reimbursed for its
18 infrastructure contributions with proceeds from the
19 sale of homes within an urban development site; and



1 (15) Development shall include the establishment of a
2 building operating and maintenance program, together
3 with the funding to cover its cost.

4 (c) Homes within urban redevelopment sites shall not be
5 advertised for rent, rented, or used for any purpose other than
6 owner-occupied residential use. The authority, by rule, shall
7 establish penalties for violations of this subsection up to and
8 including forced sale of a home within an urban redevelopment
9 site.

10 (d) The design and development contracts for homes within
11 an urban redevelopment site shall be subject to chapter 103D.

12 (e) The authority shall, in the interest of
13 revenue-neutrality, recoup expenses through the sales of the
14 leasehold interest of homes within an urban redevelopment site
15 and other revenue sources, including the leasing of commercial
16 space.

17 **§206E-D Sale of the leasehold interest of homes; rules;**
18 **guidelines.** (a) The authority shall adopt rules pursuant to
19 chapter 91 for the sale of the leasehold interest of homes under
20 its control within urban redevelopment sites; provided that each
21 lease shall be for a term of ninety-nine years. The rules shall



1 include the following requirements for an eligible buyer or
2 owner of a home within an urban redevelopment site:

3 (1) The person shall be a qualified resident of the State,
4 as defined in section 201H-32;

5 (2) The person shall not use a home within an urban
6 development site for any purpose other than owner-
7 occupied residential use; and

8 (3) The person, the person's spouse, or any other person
9 intending to live with the eligible buyer or owner,
10 shall not own any other real property, including any
11 residential and non-residential property, beneficial
12 ownership of trusts, and co-ownership or fractional
13 ownership, while owning a home within an urban
14 development site; provided that an eligible buyer may
15 own real property up to six months after closing on
16 the purchase of a home within an urban redevelopment
17 site; provided further that an owner of a home within
18 an urban redevelopment site in the process of selling
19 the home may own other real property up to six months
20 prior to closing on the sale of the home to an
21 eligible buyer;



1 provided that the rules adopted pursuant to this subsection
2 shall require at least fifty per cent of the homes be sold to an
3 individual or household with an income of up to one hundred
4 forty per cent of the area median income. The rules shall
5 include strict enforcement of owner-occupancy, including a
6 prohibition on renting or subleasing a home within an urban
7 redevelopment site to any tenant or sublessee. The authority
8 may also establish rules for a minimum number of days residents
9 shall be physically present on the premises and a maximum number
10 of days non-residents may have access to the premises.

11 (b) The median price of homes within an urban
12 redevelopment site shall be priced at the minimum levels
13 necessary to ensure that the development is revenue-neutral for
14 the State and counties. The median home price shall be adjusted
15 annually for inflation, as reported in the Consumer Price Index
16 for urban Hawaii published by the Bureau of Labor Statistics.

17 (c) The authority shall establish a waitlist for eligible
18 buyers to determine the order in which homes within an urban
19 redevelopment site shall be sold. Waitlist priorities may
20 include school, college, or university affiliation if the
21 residential property is a redeveloped school, college, or



1 university; proximity of an eligible buyer's existing residence
2 to a home within an urban redevelopment site; and other criteria
3 based on the impact that the development has on the eligible
4 buyer.

5 (d) Homes within an urban redevelopment site shall be sold
6 only to other eligible buyers.

7 (e) An owner of a home within an urban redevelopment site
8 may sell the owner's home; provided that the authority shall
9 have the right of first refusal to purchase the home at a price
10 that is determined by the authority using the price at which the
11 owner purchased the home as the cost basis, adjusted for
12 inflation, as determined by the department of business, economic
13 development, and tourism using the Consumer Price Index for All
14 Urban Consumers for Honolulu, and may include a percentage of
15 the appreciation, if any, in value of the unit based on an
16 appraisal obtained by the authority. If the authority does not
17 exercise its right to purchase the home, the home may be sold by
18 the owner to an eligible buyer. Upon the death of the owner of
19 a home within an urban redevelopment site, the home may be
20 transferred to the deceased's heir by devise or as any other
21 real property under existing law; provided that the deceased's



1 heir shall meet the requirements listed in subsection (a);
2 provided further that if the deceased's heir does not meet
3 requirements to accept transfer of the home, the deceased's heir
4 shall sell the home to an eligible buyer.

5 **§206E-E Use of public lands; acquisition of state lands.**

6 (a) If state lands under the control and management of other
7 public agencies are required by the authority for the purposes
8 of this part, the agency having the control and management of
9 those required lands, upon request by the authority and with the
10 approval of the governor, may convey or lease those lands to the
11 authority upon terms and conditions as may be agreed to by the
12 parties.

13 (b) Notwithstanding the foregoing, no public lands shall
14 be conveyed or leased to the authority pursuant to this section
15 if the conveyance or lease would impair any covenant between the
16 State or any county or any department or board thereof and the
17 holders of bonds issued by the State or that county, department,
18 or board.

19 **§206E-F Acquisition of real property from a county.**

20 Notwithstanding the provision of any law or charter, any county,
21 by resolution of its county council, without public auction,



1 sealed bids, or public notice, may sell, lease, grant, or convey
2 to the authority any real property owned by it that the
3 authority certifies to be necessary for the purposes of this
4 part. The sale, lease, grant, or conveyance shall be made with
5 or without consideration and upon terms and conditions as may be
6 agreed upon by the county and the authority. Certification
7 shall be evidenced by a formal request from the authority.
8 Before the sale, lease, grant, or conveyance may be made to the
9 authority, a public hearing shall be held by the county council
10 to consider the same. Notice of the hearing shall be published
11 at least six days before the date set for the hearing in the
12 publication and in the manner as may be designated by the county
13 council.

14 **§206E-G Condemnation of real property.** The authority,
15 upon making a finding that it is necessary to acquire any real
16 property for its immediate or future use for the purposes of
17 this part, may acquire the property, including property already
18 devoted to a public use, by condemnation pursuant to
19 chapter 101. The property shall not thereafter be taken for any
20 other public use without the consent of the authority. No award
21 of compensation shall be increased by reason of any increase in



1 the value of real property caused by the designation of the
2 urban redevelopment site or plan adopted pursuant to a
3 designation, or the actual or proposed acquisition, use, or
4 disposition of any other real property by the authority.

5 **§206E-H Construction contracts.** Construction contracts
6 for homes within an urban redevelopment site shall be subject to
7 chapter 103D.

8 **§206E-I Lease of projects.** Notwithstanding any law to the
9 contrary, the authority, without recourse to public auction or
10 public notice for sealed bids, may lease for a term not
11 exceeding sixty-five years all or any portion of the real or
12 personal property constituting a commercial project to any
13 person, upon terms and conditions as may be approved by the
14 authority; provided that all revenues generated from the lease
15 shall be used to support the purpose of the pilot program.

16 **§206E-J Dedication for public facilities as a condition to**
17 **development.** The authority shall adopt rules pursuant to
18 chapter 91 requiring dedication for public facilities of land or
19 facilities by developers as a condition of developing real
20 property within urban redevelopment sites. If any state and



1 county public facilities dedication laws, ordinances, or rules
2 differ, the provision for greater dedication shall prevail.

3 **§206E-K Ninety-nine year leasehold pilot program revolving**
4 **fund.** There is established the ninety-nine year leasehold pilot
5 program revolving fund to be administered by the authority and
6 into which shall be deposited moneys appropriated by the
7 legislature and all receipts and revenues of the authority
8 collected pursuant to this part. Proceeds from the fund shall
9 be used for the purposes of this part.

10 **§206E-L Assistance by state and county agencies.** Any
11 state or county agency, upon request of the authority, may
12 render services for the purposes of this part.

13 **§206E-M Lands no longer needed.** Lands acquired by the
14 authority from another government agency that are no longer
15 needed by the authority for the pilot program shall be returned
16 to the previous owner of those lands. Lands acquired by the
17 authority from a private party that are owned by the authority
18 and designated for the pilot program but are subsequently no
19 longer needed for the pilot program shall be retained by the
20 authority.



1 **§206E-N Rules.** The authority may adopt rules pursuant to
2 chapter 91 that are necessary for the purposes of this part.

3 **§206E-O Leasehold condominiums on state lands.** (a) The
4 authority may sell leasehold units in condominiums organized
5 pursuant to chapter 514B and developed under this part on state
6 land to a qualified resident as defined in section 201H-32.

7 (b) The term of the lease may be for ninety-nine years,
8 and the authority may extend or modify the fixed rental period
9 of the lease or extend the term of the lease.

10 (c) The powers conferred upon the authority by this
11 section shall be in addition and supplemental to the powers
12 conferred by any other law, and nothing in this section shall be
13 construed as limiting any powers, rights, privileges, or
14 immunities so conferred.

15 **§206E-P Annual reports.** The authority shall submit a
16 report to the legislature on the progress of the pilot program
17 projects no later than twenty days prior to the convening of
18 each regular session. The annual report shall include the
19 feasibility of expanding the pilot program and the demand of
20 leasehold projects developed under this part and whether the



1 pilot program should be expanded to ceded lands and an
2 appropriate leasehold duration."

3 SECTION 3. Chapter 237, Hawaii Revised Statutes, is
4 amended by adding a new section to be appropriately designated
5 and to read as follows:

6 "§237- Exemption of sale of leasehold interest for
7 homes within an urban redevelopment site. In addition to the
8 amounts exempt under section 237-24, this chapter shall not
9 apply to amounts received from the sale of a leasehold interest
10 in a home within an urban redevelopment site under part of
11 chapter 206E."

12 SECTION 4. Section 302A-1603, Hawaii Revised Statutes, is
13 amended by amending subsection (b) to read as follows:

- 14 "(b) The following shall be exempt from this section:
- 15 (1) Any form of housing permanently excluding school-aged
16 children, with the necessary covenants or declarations
17 of restrictions recorded on the property;
 - 18 (2) Any form of housing that is or will be paying the
19 transient accommodations tax under chapter 237D;
 - 20 (3) All nonresidential development;



1 (4) Any development with an executed education
2 contribution agreement or other like document with the
3 authority or the department for the contribution of
4 school sites or payment of fees for school land or
5 school construction; [~~and~~]

6 (5) Any form of housing developed by the department of
7 Hawaiian home lands for use by beneficiaries of the
8 Hawaiian Homes Commission Act, 1920, as amended[~~-~~];
9 and

10 (6) Any form of development by the Hawaii community
11 development authority pursuant to part of chapter
12 206E."

13 SECTION 5. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$ or so
15 much thereof as may be necessary for fiscal year 2023-2024 and
16 the same sum or so much thereof as may be necessary for fiscal
17 year 2024-2025 to be deposited into the ninety-nine year
18 leasehold pilot program revolving fund established pursuant to
19 section 206E-K, Hawaii Revised Statutes.

20 SECTION 6. There is appropriated out of the ninety-nine
21 year leasehold pilot program revolving fund the sum of



1 § or so much thereof as may be necessary for fiscal
2 year 2023-2024 and the same sum or so much thereof as may be
3 necessary for fiscal year 2024-2025 for the purposes for which
4 the revolving fund is established.

5 The sums appropriated shall be expended by the Hawaii
6 community development authority for the purposes of this Act.

7 SECTION 7. In codifying the new sections added by
8 section 2 of this Act, the revisor of statutes shall substitute
9 appropriate section numbers for the letters used in designating
10 the new sections in this Act.

11 SECTION 8. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 9. This Act shall take effect on June 30, 3000;
14 provided that:

15 (1) On June 30, 2030:

16 (A) This Act shall be repealed and section 302A-1603,
17 Hawaii Revised Statutes, shall be reenacted in
18 the form in which it read on the day before the
19 effective date of this Act; and

20 (B) All unexpended moneys on balance in the ninety-
21 nine year leasehold pilot program revolving fund



1 established pursuant to section 206E-K, Hawaii
2 Revised Statutes, that remain unencumbered as of
3 that date, shall lapse to the credit of the
4 general fund; and

5 (2) The amendments made to section 302A-1603(b), Hawaii
6 Revised Statutes, by this Act shall not be repealed
7 when that section is reenacted on July 1, 2024.



Report Title:

HCDA; Affordable Housing; Ninety-nine Year Leasehold Pilot Program; Revolving Fund; Appropriation

Description:

Establishes the ninety-nine year leasehold pilot program to develop low-cost homes on state-owned and county-owned land in urban redevelopment sites to be sold in leasehold by the Hawaii Community Development Authority to qualified residents. Provides for the disposition of lands that are acquired by the Hawaii Community Development Authority but no longer needed for the pilot program. Appropriates funds. Repeals on 6/30/2030. Effective 6/30/3000. (HD1)

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

