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# 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 it is becoming  
2 increasingly difficult to recruit and retain state employees.  
3 Having affordable rental and homeownership opportunities for  
4 state employees will reduce the resignation and outmigration of  
5 state employees and fill critical labor needs throughout state  
6 government.

7           The legislature further finds that with Honolulu's  
8 construction of an elevated rail transit system, the State has  
9 an opportunity to enhance Oahu's urban environment and increase  
10 the quality of life for residents by increasing the affordable  
11 housing inventory and eliminating the need for personal  
12 automobiles, among other public benefits. As the largest  
13 landowner of transit-oriented development sites along the  
14 transit line in Honolulu, as well as being the landowner of  
15 other transit-oriented development sites in each of the other  
16 counties, the State and its various departments and attached  
17 agencies must be proactive in establishing a unified vision and



1 approach toward redevelopment of its transit-oriented  
2 development sites statewide to maximize the benefits of state  
3 lands available for redevelopment.

4 The purpose of this Act is to establish within the Hawaii  
5 housing finance and development corporation:

- 6 (1) A government employee housing revolving fund program  
7 and an affordable ninety-nine year leasehold rent-to-  
8 own program to facilitate the creation of low-cost  
9 rental and leasehold residential condominium units for  
10 rent and sale to government employees on state-owned  
11 land; and
- 12 (2) A government employee housing revolving fund to  
13 provide interim and permanent financing for the  
14 infrastructure, pre-development, development, and  
15 construction costs of projects developed under the  
16 affordable rental housing and affordable ninety-nine  
17 year leasehold rent-to-own programs.

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

21 **"PART . GOVERNMENT EMPLOYEE HOUSING**



1 A. General Provisions

2 **§201H- Definitions.** As used in this part, unless the  
3 context otherwise requires:

4 "Mixed-use project" means a mixed-use development as  
5 defined in section 201H-12(a).

6 "Mixed-use transit-oriented development project" means a  
7 mixed-use project on a transit-oriented development site.

8 "Owner-occupied residential use" means any use currently  
9 permitted in existing residential zones consistent with owner  
10 occupancy. "Owner-occupied residential use" does not include  
11 renting or subleasing by the owner of a residential condominium  
12 unit to any tenant or sublessee.

13 "Project" means a specific work or improvement, including  
14 real and personal properties, or any interest therein, acquired,  
15 owned, constructed, reconstructed, rehabilitated, or improved by  
16 the corporation, including a commercial project, redevelopment  
17 project, residential project, or mixed-use project.

18 "Qualified resident" has the same meaning as in section  
19 201H-32.

20 "Transit-oriented development site" means non-ceded state-  
21 owned lands within a one-mile radius of a planned or existing



1 station connected to a locally preferred alternative for a mass  
2 transit project.

3       **§201H- Annual reports.** The corporation shall submit an  
4 annual report to the legislature no later than twenty days prior  
5 to the convening of each regular session describing the projects  
6 funded, a description of proposals submitted under this part and  
7 action taken on the proposals, and any barriers to developing  
8 housing units under this part. The annual report shall include  
9 the feasibility of expanding the program and the demand for  
10 rental and leasehold projects developed under this part.

11       **§201H- Additional powers.** The powers conferred upon  
12 the corporation by this part shall be in addition and  
13 supplemental to the powers conferred by any other law, and  
14 nothing in this part shall be construed as limiting any powers,  
15 rights, privileges, or immunities so conferred.

16       **§201H- Rules.** The corporation may adopt rules pursuant  
17 to chapter 91 as may be necessary to carry out the purposes of  
18 this part.

19       B. Government Employee Housing Revolving Fund Program

20       **§201H- Government employee housing revolving fund.** (a)

21 There is created a government employee housing revolving fund.



1 The proceeds in the revolving fund shall be used for the  
2 necessary expenses in administering government employee housing  
3 development programs and infrastructure programs on state lands  
4 and for carrying out the purposes of government employee housing  
5 development and infrastructure programs, including but not  
6 limited to:

7 (1) The expansion of community facilities and  
8 infrastructure constructed in conjunction with  
9 government employee housing and mixed-use transit-  
10 oriented development projects on state lands;

11 (2) Interim and permanent primary or secondary financing  
12 and supplementing building costs; and

13 (3) Federal guarantees required for operational losses,  
14 and all things required by any federal agency in the  
15 construction and receipt of federal funds or  
16 low-income housing tax credits for state employee  
17 housing projects.

18 (b) The following may be deposited into the revolving  
19 fund:

20 (1) Appropriations made by the legislature;



- 1           (2) Private contributions, repayment of loans, interest,  
2                    other returns, and moneys from other sources; and  
3           (3) All moneys received or collected by the corporation  
4                    for the purposes of the revolving fund.

5           (c) The revolving fund shall be used to provide interim  
6 and permanent loans or grants for the development, pre-  
7 development, construction, acquisition, preservation, and  
8 substantial rehabilitation of rental housing units and units  
9 developed under the government employee ninety-nine year  
10 leasehold rent-to-own program pursuant to subpart C. Permitted  
11 uses of the fund may include but are not limited to planning,  
12 design, land acquisition, costs of options, agreements of sale,  
13 downpayments, equity financing, or other housing development  
14 services or activities as provided in any rules adopted by the  
15 corporation pursuant to chapter 91. The rules may provide:

- 16           (1) For a means of recapturing loans or grants made from  
17                    the revolving fund if a rental housing project or a  
18                    unit developed under the government employee ninety-  
19                    nine year leasehold rent-to-own program financed under  
20                    the revolving fund is refinanced or sold at a later  
21                    date; and



1           (2) That moneys from the revolving fund shall be leveraged  
2                   with other financial resources to the extent possible.

3           (d) Moneys available in the revolving fund shall be used  
4 for the purpose of providing, in whole or in part, interim and  
5 permanent loans or grants for government employee ninety-nine  
6 year leasehold rent-to-own projects and rental housing projects  
7 and rental units in mixed-use projects for tenants in the  
8 following order of priority:

- 9           (1) Newly hired permanent full-time state employees;  
10          (2) Other permanent full-time state employees;  
11          (3) Permanent full-time county employees;  
12          (4) Permanent part-time state and county employees;  
13          (5) Temporary state and county employees;  
14          (6) Retired state and county employees; and  
15          (7) The general public.

16 Sixty per cent of available units shall be for persons and  
17 families with incomes at or below one hundred forty per cent of  
18 the median family income. For the purposes of this subpart, the  
19 applicable median family income shall be the median family  
20 income for the county or standard metropolitan statistical area  
21 in which the project is located as determined by the United



1 States Department of Housing and Urban Development, as adjusted  
2 from time to time.

3 (e) Should a state or county employee occupying a rental  
4 unit leave employment with the State or a county, the tenant may  
5 continue to occupy the unit for up to twelve months.

6 (f) The corporation may provide loans and grants under  
7 this section; provided that the corporation shall establish  
8 loan-to-value ratios to protect the fund from inordinate risk  
9 and that under no circumstances shall the rules permit the loan-  
10 to-value ratio to exceed one hundred per cent; provided further  
11 that the underwriting guidelines include a debt-coverage ratio  
12 of no less than 1.0 to 1.

13 (g) Applications for grants shall be made to the  
14 corporation and contain the information as required by rules  
15 adopted under this subpart. At a minimum, the applicant shall:

- 16 (1) Be an eligible applicant for funds under this subpart;  
17 (2) Agree to use state funds exclusively for the purposes  
18 of the government employee housing revolving fund  
19 program;





- 1           (3) Indicate capability to properly use the grant for the  
2           purpose of the government employee housing revolving  
3           fund program;
- 4           (4) Comply with all applicable federal and state laws  
5           prohibiting discrimination against any person on the  
6           basis of race, color, national origin, religion,  
7           creed, sex, age, sexual orientation, disability, or  
8           any other characteristic protected under applicable  
9           federal or state law;
- 10          (5) Agree not to use state funds for entertainment or  
11          perquisites;
- 12          (6) Comply with other requirements the corporation may  
13          prescribe;
- 14          (7) Comply with all applicable federal, state, and county  
15          statutes, rules, and ordinances;
- 16          (8) Agree to indemnify and save harmless the State of  
17          Hawaii and its officers, agents, and employees from  
18          and against any and all claims arising out of or  
19          resulting from activities carried out or projects  
20          undertaken with grant funds and procure sufficient



1 insurance to provide this indemnification if requested  
2 by the corporation; and

3 (9) Agree to make available to the corporation all records  
4 the applicant may have relating to the grant, to allow  
5 state agencies to monitor the applicant's compliance  
6 with this subpart.

7 **§201H- Eligible applicants for funds.** Eligible  
8 applicants for funds shall include state departments and  
9 agencies and for-profit organizations, limited liability  
10 companies, partnerships, and government agencies that are  
11 qualified in accordance with rules adopted by the corporation  
12 pursuant to chapter 91.

13 **§201H- Eligible projects.** (a) Activities eligible for  
14 assistance from the fund shall include but not be limited to:

15 (1) New construction, rehabilitation, or preservation of  
16 low-income rental housing units that meet the criteria  
17 for eligibility described in subsection (c);

18 (2) The leveraging of moneys with the use of fund assets;  
19 and

20 (3) Pre-development activity grants or loans to nonprofit  
21 organizations.



1 (b) Preference shall be given to projects producing units  
2 in at least one of the following categories:

- 3 (1) Multifamily units;
- 4 (2) Attached single-family units;
- 5 (3) Apartments;
- 6 (4) Townhouses;
- 7 (5) Housing units above commercial or industrial space; or
- 8 (6) United States Department of Housing and Urban  
9 Development mixed-finance development of public  
10 housing units.

11 (c) The corporation shall establish an application process  
12 for fund allocation that gives preference to projects meeting  
13 the following criteria that are listed in descending order of  
14 priority:

- 15 (1) Serve the original target group;
- 16 (2) Are committed to serving the target group over a  
17 longer period of time;
- 18 (3) Increase the integration of income levels of the  
19 immediate community area;



1 (4) Meet the geographic needs of the target group of the  
2 proposed government employee housing project, such as  
3 proximity to employment centers and services; and

4 (5) Have favorable past performance in developing, owning,  
5 managing, or maintaining affordable rental and rent-  
6 to-own housing.

7 (d) The corporation may include other criteria as it deems  
8 necessary to carry out the purposes of this subpart.

9 C. Government Employee Ninety-Nine Year Leasehold Rent-to-Own  
10 Program

11 **§201H- Government employee ninety-nine year leasehold**  
12 **rent-to-own program.** (a) There is established the government  
13 employee ninety-nine year leasehold rent-to-own program for the  
14 purpose of providing low-cost, leasehold residential condominium  
15 units for rent and subsequent sale to government employees on  
16 state-owned lands within a transit-oriented development site.  
17 Under the program, dwelling units that are for sale may be  
18 rented to program participants, and the corporation may credit a  
19 portion of the rent received toward the purchase of the unit.

20 (b) The sales price shall be established at the beginning  
21 of the rental term and shall remain fixed for the first ten



1 years after the rental agreement is executed. During this  
2 period, the participant shall have the option of purchasing the  
3 unit at the designated sales price. If the participant does not  
4 elect to purchase the unit within the ten-year period, the  
5 participant shall forfeit the right to continue living in the  
6 unit and the unit shall be made available to another purchaser  
7 or renter.

8 (c) The corporation shall have the right to reestablish  
9 the sales price upon expiration of the option period or upon  
10 resale of the unit.

11 **§201H- Leasehold condominiums on state lands.** (a) The  
12 corporation may sell leasehold units in condominiums organized  
13 pursuant to chapter 514B and developed under this part on state  
14 land to a qualified resident.

15 (b) The term of the lease may be for ninety-nine years,  
16 and the corporation may extend or modify the fixed rental period  
17 of the lease.

18 **§201H- Rules; guidelines.** (a) Government employee  
19 residential condominium units within transit-oriented  
20 development sites shall not be advertised for rent, rented, or  
21 used for any purpose other than owner-occupied residential use.



1 The corporation, by rule, shall establish penalties for  
2 violations of this subsection up to and including forced sale of  
3 a residential condominium unit within a transit-oriented  
4 development site.

5 (b) The design and development contracts for residential  
6 condominium units within a transit-oriented development site  
7 shall not be subject to chapter 103D.

8 (c) Development shall be revenue-neutral to the greatest  
9 extent possible.

10 (d) Transit-oriented development sites shall maximize  
11 walkability.

12 **§201H- Sale of the leasehold interest of residential**  
13 **condominium units; rules; guidelines.** (a) The corporation

14 shall adopt rules pursuant to chapter 91 for the sale of the  
15 leasehold interest of residential condominium units under its  
16 control within transit-oriented development sites; provided that  
17 each lease shall be for a term of ninety-nine years. The rules  
18 shall include the following requirements for an eligible buyer  
19 or owner of a residential condominium unit within a transit-  
20 oriented development site:

21 (1) The person shall be a qualified resident;



- 1           (2) The person shall not use a government employee  
2                   residential condominium unit within a transit-oriented  
3                   development site for any purpose other than owner-  
4                   occupied residential use; and
- 5           (3) The person, the person's spouse, or any other person  
6                   intending to live with the eligible buyer or owner,  
7                   shall not own any other real property, including any  
8                   residential or non-residential property, beneficial  
9                   ownership of trusts, and co-ownership or fractional  
10                  ownership, while owning a residential condominium unit  
11                  within a transit-oriented development site; provided  
12                  that an eligible buyer may own real property up to six  
13                  months after closing on the purchase of a residential  
14                  condominium unit within a transit-oriented development  
15                  site; provided further that an owner of a residential  
16                  condominium unit within a transit-oriented development  
17                  site in the process of selling the residential  
18                  condominium unit may own other real property up to six  
19                  months before closing on the sale of the residential  
20                  condominium unit to an eligible buyer;



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

12 (b) The median price of residential condominium units  
13 within a transit-oriented development site shall be priced at  
14 the minimum levels necessary to ensure that the development is  
15 revenue-neutral for the State.

16 (c) An owner of a residential condominium unit within a  
17 transit-oriented development site may sell the owner's  
18 residential condominium unit; provided that the corporation  
19 shall have the right of first refusal to purchase the  
20 residential condominium unit for certain period of time and for  
21 a buyback price to be determined by the corporation. If the





1 corporation does not exercise its right to purchase the  
2 residential condominium unit, the residential condominium unit  
3 may be sold by the owner to an eligible buyer. Upon the death  
4 of the owner of a residential condominium unit within a transit-  
5 oriented development site, the residential condominium unit may  
6 be transferred to the deceased's heir by devise or as any other  
7 real property under existing law; provided that the deceased's  
8 heir shall meet the requirements listed in subsection (a);  
9 provided further that if the deceased's heir does not meet  
10 requirements to accept transfer of the residential condominium  
11 unit, the deceased's heir shall sell the residential condominium  
12 unit to an eligible buyer.

13 (d) The corporation may adopt rules pursuant to chapter 91  
14 that authorize the executive director to waive the requirements  
15 set forth in subsection (a), where the inability of an owner to  
16 reside in the residential condominium unit is due to unforeseen  
17 circumstances, military transfer, serious illness, or other  
18 hardship circumstances as determined by the executive director.

19 **§201H- Use of public lands; acquisition of state lands.**

20 (a) If state lands under the control and management of other  
21 public agencies are required by the corporation for the purposes



1 of this part, the agency having the control and management of  
2 those required lands, upon request by the corporation and with  
3 the approval of the governor, may convey or lease those lands to  
4 the corporation upon terms and conditions as may be agreed to by  
5 the parties.

6 (b) Notwithstanding subsection (a), no public lands shall  
7 be conveyed or leased to the corporation pursuant to this  
8 section if the conveyance or lease would impair any covenant  
9 between the State or any county or any department or board  
10 thereof and the holders of bonds issued by the State or that  
11 county, department, or board.

12 **§201H- Acquisition of real property from a county.**

13 Notwithstanding the provision of any law or charter, any county,  
14 by resolution of its county council, without public auction,  
15 sealed bids, or public notice, may sell, lease, grant, or convey  
16 to the authority any real property owned by the county that the  
17 corporation certifies to be necessary for the purposes of this  
18 part. The sale, lease, grant, or conveyance shall be made with  
19 or without consideration and upon terms and conditions as may be  
20 agreed upon by the county and the corporation. Certification  
21 shall be evidenced by a formal request from the corporation.



1 Before the sale, lease, grant, or conveyance may be made to the  
2 corporation, a public hearing shall be held by the county  
3 council to consider the same. Notice of the hearing shall be  
4 published at least six days before the date set for the hearing  
5 in the publication and in the manner as may be designated by the  
6 county council.

7       **§201H- Condemnation of real property.** The corporation,  
8 upon making a finding that it is necessary to acquire any real  
9 property for its immediate or future use for the purposes of  
10 this part, may acquire the property, including property already  
11 devoted to a public use, by condemnation pursuant to chapter  
12 101. The property shall not thereafter be taken for any other  
13 public use without the consent of the corporation. No award of  
14 compensation shall be increased by reason of any increase in the  
15 value of real property caused by the designation of the urban  
16 redevelopment site or plan adopted pursuant to a designation, or  
17 the actual or proposed acquisition, use, or disposition of any  
18 other real property by the corporation.

19       **§201H- Construction contracts.** Construction contracts  
20 for residential condominium units within a transient-oriented  
21 development site shall not be subject to chapter 103D.



1           **§201H- Lease of projects.** Notwithstanding any law to  
2 the contrary, the corporation, without recourse to chapter 103D,  
3 may lease for a term not exceeding sixty-five years all or any  
4 portion of the real or personal property constituting a  
5 commercial project to any person, upon terms and conditions as  
6 may be approved by the corporation; provided that all revenues  
7 generated from the lease shall be used to support the purpose of  
8 this part.

9           **§201H- Assistance by state and county agencies.** Any  
10 state or county agency, upon request of the corporation, may  
11 render services for the purposes of this part.

12           **§201H- Lands no longer needed.** Lands acquired by the  
13 corporation from another government agency that are no longer  
14 needed by the corporation for the program shall be returned to  
15 the previous owner of those lands. Lands acquired by the  
16 corporation from a private party that are owned by the  
17 corporation and designated for the program but are subsequently  
18 no longer needed for the program shall be retained by the  
19 corporation."

20           SECTION 3. Section 201H-211, Hawaii Revised Statutes, is  
21 amended to read as follows:



1           "§201H-211 Expenditures of revolving funds under the  
2 corporation exempt from appropriation and allotment. Except as  
3 to administrative expenditures, and except as otherwise provided  
4 by law, expenditures from the revolving funds administered by  
5 the corporation under subparts I and J of part III, relating to  
6 financing programs, subpart B of part \_\_\_\_\_, relating to  
7 government employee housing, or section 201H-80 or 201H-123 may  
8 be made by the corporation without appropriation or allotment by  
9 the legislature; provided that no expenditure shall be made from  
10 and no obligation shall be incurred against any revolving fund  
11 in excess of the amount standing to the credit of the fund or  
12 for any purpose for which the fund may not lawfully be expended.  
13 Nothing in sections 37-31 to 37-41 shall require the proceeds of  
14 the revolving funds identified in subparts I and J of part III,  
15 subpart B of part \_\_\_\_\_, or section 201H-80 or 201H-123 to be  
16 reappropriated annually."

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

19           "(b) The following shall be exempt from this section:



- 1 (1) Any form of housing permanently excluding school-aged
- 2 children, with the necessary covenants or declarations
- 3 of restrictions recorded on the property;
- 4 (2) Any form of housing that is or will be paying the
- 5 transient accommodations tax under chapter 237D;
- 6 (3) All nonresidential development;
- 7 (4) Any development with an executed education
- 8 contribution agreement or other like document with the
- 9 agency for the contribution of school sites or payment
- 10 of fees for school land or school construction; [~~and~~
- 11 ~~+] (5) ~~+~~] Any form of development by the Hawaii community~~
- 12 development authority pursuant to part XII of chapter
- 13 206E~~[-]~~; and
- 14 (6) Any form of development by the Hawaii housing finance
- 15 and development corporation pursuant to part \_\_\_\_\_ of
- 16 chapter 201H."

17 SECTION 5. There is appropriated out of the dwelling unit  
 18 revolving fund the sum of \$ \_\_\_\_\_ or so much thereof as may  
 19 be necessary for fiscal year 2025-2026 and the same sum or so  
 20 much thereof as may be necessary for fiscal year 2026-2027 for  
 21 the Hawaii housing finance and development corporation to:

- 1 (1) Adopt rules;
- 2 (2) Engage the community; and
- 3 (3) Conduct site and pre-development planning for at least
- 4 one government employee rental or ninety-nine year
- 5 leasehold rent-to-own project in each county.

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

9 SECTION 6. There is appropriated out of the dwelling unit  
10 revolving fund the sum of \$                    or so much thereof as may  
11 be necessary for fiscal year 2025-2026 and the same sum or so  
12 much thereof as may be necessary for fiscal year 2026-2027 for  
13 the establishment of two full-time equivalent (2.0 FTE)  
14 positions within the Hawaii housing finance and development  
15 corporation.

16 The sums appropriated shall be expended by the Hawaii  
17 housing finance and development corporation for the purposes of  
18 this Act.

19 SECTION 7. Statutory material to be repealed is bracketed  
20 and stricken. New statutory material is underscored.



**1** SECTION 8. This Act shall take effect on July 1, 3000.





# H.B. NO. 1298 H.D. 2

**Report Title:**

Government Employee Housing; Hawaii Housing Finance and Development Corporation; Affordable Rental Housing; Leasehold; Rent-to-Own; Revolving Fund; Appropriation

**Description:**

Requires the Hawaii Housing Finance and Development Corporation to establish a Government Employee Housing Revolving Fund Program and Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program. Establishes the Government Employee Housing Revolving Fund. Appropriates funds. Effective 7/1/3000. (HD2)

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