

A Bill for an Act Relating to Residential Leaseholds.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Findings and purpose. The legislature reaffirms its findings and declaration contained in section 1, Act 307, Session Laws of Hawaii 1967, and further finds as follows:

(a) The fee simple ownership of residential lands in the State is still concentrated in the hands of a small number of landowners. The state and federal governments and the largest 72 private landowners own approximately 95 per cent of all land area within the State. On Oahu alone, 22 major private landowners own 72.5 per cent of all land.

(b) The small number of landowners have continued to follow the policy of not selling their lands for residential use but of leasing their lands under long-term residential leases. While fee simple ownership still accounted for 68.9 per cent of all owner-occupied housing on Oahu in 1972, leasehold residential development has dominated the housing market since 1967 as it had during the period 1950 to 1967. Between 1950 and 1966, 40 per cent of all owner-occupied housing units developed on Oahu had been on leasehold. Between 1967 and 1972, 46 per cent of such development has been on leaseholds. In 1973, leaseholds constituted 32 per cent of all owner-occupied housing, more than double the percentage in 1960.

(c) The foregoing developments have compelled thousands of people in the State to resort to leaseholds to satisfy their housing needs, and this trend is likely to continue in view of the limited availability of land for residential purposes.

(d) Residential leaseholds have had and continue to have the following undesirable economic effects:

- (1) The scarcity of fee simple residential lands have pushed the price of fee simple residential units to high levels;
- (2) The high levels of fee simple residential unit prices have artificially raised the level of prices for leasehold units;
- (3) The high prices commanded for leasehold units have encouraged the development of leasehold residential units and discouraged the development of fee simple units;
- (4) The increases in the price for both fee simple and leasehold residential lands have caused lease rentals to increase on renegotiation of

rentals (on the expiration of 25 or 30 years of initial fixed rent periods) ranging from 400 per cent to 1000 per cent, for renegotiated lease rentals are invariably tied to the fee simple value of the land on which the leasehold residences are situated, and these new lease rentals have at times exceeded the amount of the payments that the lessee had been making on the leasehold mortgages;

- (5) Rental renegotiations have strongly favored the lessor, the lessee having little option but to consent to such rental as determined by the lessor or to give up the leasehold and home, although the lease may yet have 25 or more years to run; and
- (6) The inequality of bargaining power has allowed lessors to charge lease rent based not only on the raw land value of the property but also on the value of the offsite and onsite improvements which have already been paid for or will be paid for by the lessee and on the value accruing thereon;
- (7) The high increases in lease rentals have caused leasehold values to drop after the initial fixed rent period (e.g., a house appraised at \$68,000 before renegotiation of lease rental was increased), causing lessees opting to dispose of their leasehold interests to suffer severe economic losses.

(e) Residential leaseholds have also undesirable social effects. Lease rent negotiations are usually scheduled every 10 to 15 years after the initial fixed rent period of 25 to 30 years. Thus, as the lessee advances in age and his income potential declines, his lease rentals increase, causing him to give up the lease and to look for other accommodations. Then, when the entire lease period expires, the lessee who has stayed on the leasehold for the full term of the lease is, by reason of age, income, and the lack of value remaining in the leasehold, left without means to purchase another home. These situations aggravated the already acute need for government-sponsored low and middle income and elderly housing. With the increasing number of elderly in this State, the problem promises to become even more acute in the foreseeable future, and will adversely affect the health and welfare of these people and the general welfare of the people of the State of Hawaii.

The legislature further finds and declares:

- (1) That the land in Hawaii is to be considered as a source of life, dignity, and economic freedom for the men and women who reside on it;
- (2) That it is the policy of the State that each person shall have the right of ownership of the land on which he makes his home;
- (3) That it is also the policy of the State that the lessee of a residential unit, so long as he remains a lessee, shall have the right to have rentals set at reasonable levels and to enjoy his leasehold estate under reasonable leasehold terms;
- (4) That the public health, safety, and welfare of the people of Hawaii demand that Act 307, Session Laws of Hawaii 1967, be fully implemented and that other applicable laws be enacted including legislation to prevent the imposition of confiscatory economic burdens upon the thousands of lessees presently living on leased property.

SECTION 2. Chapter 516, Hawaii Revised Statutes, is amended as follows:

1. Section 516-1 is amended to read:

“Sec. 516-1 Definitions. Unless otherwise clear from the context, as used in this chapter:

- (1) “Authority” means the Hawaii housing authority created by chapter 356.
- (2) “Development tract” means a single contiguous area of real property not less than five acres in size which has been developed and subdivided into residential lots. Two or more pieces of real property shall be considered as a single contiguous area if they would be contiguous except for the interposition or existence of a road, street, stream, fee lot, or other like interference.
- (3) “Fair market value” means that amount of money that a purchaser willing, but not obliged, to buy an interest in land would pay an owner willing, but not obliged, to sell it, taking into consideration all uses to which the land is adapted or might in reason be applied.
- (4) “Fee simple owner” and “fee owner” mean the person who owns the fee simple title to the land which is leased, including a life tenant with a remainder over, vested or contingent, and a holder of a defeasible estate, and his heirs, successors, legal representatives, and assigns.
- (5) “Lease” means a conveyance of land or an interest in land, by a fee simple owner as lessor, or by a lessee or sublessee as sublessor, to any person, in consideration of a return of rent or other recompense, for a term, measured from the initial date of the conveyance, (A) exceeding thirty-five years (including any periods for which the lease may be extended or renewed at the option of the lessee) as to existing leases and in force on June 24, 1967, or (B) exceeding twenty years (including any periods for which the lease may be extended or renewed at the option of the lessee) as to leases executed after June 24, 1967.
- (6) “Leased fee” and “leased fee interest” mean all of the interests of the fee owner, lessor, and all legal and equitable owners of the land which is leased, other than the lessee’s interest as defined by this chapter.
- (7) “Legal and equitable owners” means the fee simple owner and all persons having legal or equitable interests in the fee or in the lessor’s leasehold estate, including mortgagees, developers, lienors, and sublessors, and their respective heirs, successors, legal representatives, and assigns.
- (8) “Lessee” means any person to whom land is leased or subleased, and his heirs, successors, legal representatives, and assigns.
- (9) “Lessor” means any person who leases or subleases land to another, and his heirs, successors, legal representatives, and assigns.
- (10) The terms “lessor,” “lessee,” “fee simple owner,” “fee owner,” and “legal and equitable owners” include individuals, both masculine and feminine, and, except as to the term “lessee,” the terms also include

corporations, firms, associations, trusts, estates, and the State or its political subdivisions. When more than one person are the lessors, lessees, fee simple owners, fee owners, or legal and equitable owners of a lot, the terms apply to each of them, jointly and severally.

- (11) "Lot," "house lot," "residential lot," and "residential house lot" mean a parcel of land, two acres or less in size, which is used or occupied or is developed, devoted, intended, or permitted to be used or occupied as a principal place of residence for a single family.
- (12) "Offsite improvements" means all physical improvements such as, but not limited to roads, sewer lines, sewage treatment plants, gutters, curbs, sidewalks, fire hydrants, street lights, land dedicated for public purposes and underground electric cables, constructed or placed in a subdivision off the lots intended for occupancy, which improvements are to be used in common by occupants of all lots adjoining such improvements or by the occupants of all lots whose benefit the improvements have been constructed or placed.
- (13) "Onsite improvements" means all physical improvements placed on a residential lot intended for occupancy which improvements are for the benefit of occupants of that lot, including, but not limited to, dwelling units, garages, service buildings, stairs, walkways, driveways, walls, trees, shrubs, landscaping, and pools.
- (14) "Owner's basis" means the current fair market value of the lot excluding onsite improvements, valued as if the fee title were unencumbered, less the lessee's share, if any, of the current replacement cost of providing existing offsite improvements attributable to the lot, which replacement cost shall include an overhead and profit not exceeding twenty per cent of the current replacement cost of the existing offsite improvements, or the original lot development credit to the lessee, whichever is greater, plus the unpaid balance, if any, owing to the lessor by the lessee as reimbursement other than as a part of the lease rent for the actual offsite improvement costs paid by the lessor."

2. Section 516-2 is amended to read:

"Sec. 516-2 Applicability. This chapter applies to all lands leased as residential lots which are owned or held privately or owned by the State or its political subdivisions except Hawaiian home lands which are subject to Article XI of the Constitution of the State and lands owned or held by the federal government. This chapter is not meant to supersede or preclude any other remedy at law available to residential leasehold lessees or the State, including those available under chapter 480."

3. Section 516-4 is amended to read:

"Sec. 516-4 Trusts and estates. The rights granted to lessees by this chapter shall be effective, notwithstanding any condition or provision to the contrary in any instrument creating any life tenancy, defeasible fee, estate, or trust, regardless of whether such tenancy, fee, estate or trust was in effect prior to June 24, 1967 or is created hereafter; and the life tenant, holder, officer, or trustee of any such tenancy, defeasible fee, estate, or trust may convey resi-

dential leases for terms exceeding twenty years and shall perform any acts required of him by this chapter. Every such instrument now in existence or hereafter executed shall be construed in conformity with the intent and purpose of this chapter. No trustee, officer, or agent of a lessor or other legal or equitable owner shall, while acting pursuant to this chapter, be deemed to be acting in bad faith or to have committed a breach of trust."

4. Section 516-7 is amended to read:

"Sec. 516-7 Authority's duties, generally. In addition to any other duty prescribed by law and in this chapter, the Hawaii housing authority shall:

- (1) Within six months after June 24, 1967, adopt and promulgate, in accordance with chapter 91, all rules and regulations necessary to effectuate the purposes of this chapter;
- (2) Enforce this chapter and the rules and regulations adopted pursuant thereto;
- (3) Subject to chapters 76 and 77, appoint and remove such administrative, technical, and clerical staff as it may require and prescribe their powers and duties; except that the authority may appoint, without regard to chapters 76 and 77, one or more appraisers on a part-time, contractual basis for the purposes set forth in this chapter;
- (4) Establish such reasonable fees to be assessed and collected from lessees for the services of any appraiser;
- (5) Disseminate information and render assistance to lessees of residential lots in order that this chapter may be understood and effectively implemented;
- (6) Conduct an investigation upon any written complaint or whenever it appears to the authority that this chapter has been or is being violated. In such investigation, the authority may examine the books, accounts, records, and files of any person connected with the matter under investigation and conduct hearings. If the authority finds from satisfactory evidence that any person has violated or is violating this chapter, it may order such person to cease and desist from continuing the violation or engaging therein or doing any act or acts in furtherance thereof and, where necessary, it may bring an action in the name of the State in any court of competent jurisdiction for enforcement of its orders;
- (7) Acquire by eminent domain proceedings, all necessary property interests as provided in this chapter;
- (8) Make and execute contracts, mortgages, and other instruments necessary or convenient to the exercise of the powers of the authority;
- (9) From time to time, require from the lessors of leases of residential lots and from all fee owners and legal and equitable owners of lots subject to such leases, such information as it may reasonably require in connection with the administration of this chapter;
- (10) Do all things necessary and convenient to carry out the powers expressly conferred upon it by this chapter."

5. Section 516-21 is amended to read:

"Sec. 516-21 Applicability. This part applies to development tracts

which are, at the time of acquisition of leased fee interests in residential lots within such tracts by the Hawaii housing authority as herein:

- (1) Developed and subdivided into residential houselots occupied by lessees under leases executed before June 24, 1967;
- (2) Developed and subdivided or partially developed into residential houselots occupied or to be occupied by lessees under leases executed after June 24, 1967, provided that ten or more years remain before the final termination of the lease term, and provided further that ninety per cent of the leases to the lots have been executed."

6. Section 516-22 is amended to read:

"Sec. 516-22 Designation of leased fee interest in all or part of development tract for acquisition. The Hawaii housing authority may designate all or a portion of a development tract for acquisition and acquire leased fee interests in residential houselots in such development tract, through the exercise of the power of eminent domain or by purchase under the threat of eminent domain if, after due notice and public hearing, the time and place of which have been duly advertised in a newspaper of general circulation in the county in which the development tract is situated on at least three different days, the last publication being not less than five days before the date of hearing, the authority finds that the acquisition of the leased fee interest in residential houselots in all or part of the tract through exercise of the power of eminent domain or by purchase under threat of eminent domain and the disposition thereof, as provided in this part will effectuate the public purposes of this chapter and shall also find either:

- (1) That a shortage of fee simple residential property exists in the county and that the acquisition and disposition of the leased fee interests in residential houselots in all or part of the development tract by the authority as provided in this part will assist in alleviating this shortage pursuant to the purposes of this chapter, or
- (2) That twenty-five or more lessees or the lessees of more than fifty per cent of the residential lease lots within the development tract, whichever number is the lesser, have applied to the authority to purchase the leased fee interest in their residential leasehold lots pursuant to section 516-33.

The findings of the authority shall be conclusive in any suit, action, or proceeding."

7. Section 516-23 is amended to read:

"Sec. 516-23 Exercise of power of eminent domain. Within twelve months after the designation of all or part of the development tract for acquisition, the Hawaii housing authority shall acquire through voluntary action of the parties, or institute eminent domain proceedings to acquire the leased fee interest in the tract or portion so designated; provided that negotiations for acquisition by voluntary transaction shall not be required before the institution of eminent domain proceedings. Except as otherwise provided in this part, the authority shall exercise its power of eminent domain in the same manner as provided in chapter 101. If the development tract or applicable portion thereof, as the case may be, is not acquired or eminent domain pro-

ceedings are not instituted within the twelve-month period, the authority shall reimburse the fee owner, the lessor and the legal and equitable owners of the land so designated for actual out-of-pocket expenses of appraisal, survey, and attorney fees as the owner, lessor, and the legal and equitable owners may have incurred as a result of the designation.”

8. Section 516-24 is amended to read:

“**Sec. 516-24 Compensation.** The compensation to be paid for the leased fee interest in a residential houselot within a development tract shall be the owner’s basis as defined in section 516-1(14). The compensation shall be determined as of the date of the designation of the applicable portion of the development tract for acquisition.”

9. Section 516-25 is amended by amending subsection (a) to read:

“(a) Upon acquisition of the leased fee interest in residential houselots within all or a portion of a development tract as provided in this part, the property interest acquired by the Hawaii housing authority is all of the right, title, and interest of the fee owner, and of the lessor and all legal and equitable owners, if any, in and to the residential houselots acquired; subject to existing leases of residential houselots within the development tract, and to all covenants, conditions, easements, reservations, and restrictions of record running with the land or contained in the agreement of sale, deed, or other conveyance held by the fee owner, lessor, and legal and equitable owners or permitted or suffered by lessees of existing residential houselot leases, which are not inconsistent with the intent of this part. The acquisition terminates all the right, title, and interest of the fee owner, lessor, and all legal and equitable owners, whether the interest be a remainder, vested or contingent, a reversion, or other beneficial interest in the property, present or prospective.”

10. Section 516-26 is amended to read:

“**Sec. 516-26 Interest in compensation paid by the authority.** The fee owner, lessor, and all legal and equitable owners shall share in the compensation paid by the Hawaii housing authority as their respective interests appear. Notwithstanding any contrary provision in any contract or lease, a developer or other person entitled to share in the lease rentals shall share in such compensation paid by the authority to the extent of his interest as may be determined by agreement of those entitled to share in the compensation paid by the authority, or in the absence of such agreement, pursuant to chapter 658.”

11. Section 516-28 is amended to read:

“**Sec. 516-28 Disposition, generally.** It shall be the policy of the Hawaii housing authority to encourage the widespread fee simple ownership of residential lots situated within a development tract. Where necessary or desirable, the authority may lease the residential lots. Not more than one lot shall be sold in fee simple or leased to a purchaser or lessee. A husband and his wife together, unless separated and living apart under a decree of separation issued by a court of competent jurisdiction, shall be entitled to only one lot.

12. Section 516-30 is amended to read:

“**Sec. 516-30 Purchase of leased fee interest.** The lessee of a residential lot within a development tract, whether he was a lessee at the time of the acquisition or became a lessee after the acquisition of the development tract,

who has applied to the authority and has qualified for purchase of the leased fee interest shall purchase from the Hawaii housing authority by contract within sixty days of acquisition of the interest by the authority, the leased fee interest to the lot, subject to the terms, covenants, and conditions of the contract executed with the authority; provided that the lessee is not then in default in the performance of his obligations under the lease; and further provided that should any of said lessees fail or refuse to enter into such a contract, then in such event, each such lessee shall pay to the authority his pro-rata share of all costs incurred by the authority in the acquisition of the houselots within the development tract including but not limited to appraisal costs, costs of publication, and survey, and the authority is hereby authorized to take whatever action it deems necessary to collect such costs; and provided further that in case of a wilful breach of the purchase agreement the authority shall be entitled to any available remedy, including the sale of its interest in the houselot; and further provided that the sales price shall be at the lowest possible price consistent with section 516-32 and the purpose of this chapter."

13. Section 516-33 is amended to read:

"**Sec. 516-33 Qualification for purchase.** Except as otherwise provided under section 516-28, no sale of any residential houselot within a development tract shall be made to any person unless he meets the following requirements:

- (1) Is at least eighteen years of age;
- (2) Is a bona fide resident of the State and has a bona fide intent to reside in the development tract if successful in purchasing the lot;
- (3) Is a bona fide owner of a residential structure situated on the leased lot applied for;
- (4) Has a letter of credit, certificate of deposit, proof of funds, or approved application from any lending institution demonstrating that he will be able to promptly pay the authority for the leased fee interest in the lot;
- (5) Submits an application in good faith accompanied by a deposit to be established by the authority, not to exceed \$500, as earnest money to be applied to the purchase price;
- (6) Executes a contract for purchase of the fee interest in such form as is acceptable to the authority; and
- (7) Does not own in fee simple lands suitable for residential purposes within the county and in or reasonably near the place of business of such person or has or have pending before the Hawaii housing authority an unrefused application to lease or purchase a lot in a development tract. A person is deemed to own lands herein if he, his spouse, or both he and his spouse (unless separated and living apart under a decree of a court of competent jurisdiction) owns lands.

In the event of a wilful breach of contract of a lessee to purchase the leased fee interest, the authority may sell or assign its interest without respect to the requirements of this section.

The authority may require additional testimony or evidence under oath in connection with any application. The determination by the authority of any applicant's eligibility under this part shall be conclusive as to all persons there-

after dealing with the property; provided that the making of any false statement knowingly by applicants or other person in connection with any application shall constitute perjury and be punishable as such. The authority shall adopt rules and regulations pursuant to chapter 91 to effectuate the purposes of this section.”

14. Section 516-34 is amended to read:

“Sec. 516-34 Mortgages, agreements of sale, other instruments. (a) If an applicant who wishes to purchase the leased fee interest in his residential leasehold lot is unable to obtain sufficient funds at reasonable rates from private lenders, the Hawaii housing authority may, by way of mortgage, agreement of sale or other instruments to secure the indebtedness, loan to the purchaser up to ninety per cent of the purchase price; provided that such agreement of sale shall be for a term not to exceed three years; provided further that the authority, upon its discretion, may extend such agreement of sale for not more than two years if the lessee requests such extension. In case of any dispute of the extension of the agreement of sale, the lessee shall bear the burden of proof to show good cause for such extension.

(b) The purchaser of the leased fee interest shall pay not less than ten per cent of the price and execute with the authority an agreement of sale, or mortgage, or other instrument to secure the indebtedness under the terms of which the unpaid balance and interest thereon, at a reasonable rate determined by the authority, shall be paid in monthly installments over such periods as the authority may determine. Every mortgage, agreement of sale, other instruments to secure the indebtedness, or instrument of indebtedness shall be freely assignable by the authority and may contain such other provisions as are usually found in such instruments and shall provide that the purchaser may prepay the whole or any part of the unpaid balance of the purchase price plus accrued interest at any time without prepayment penalty.

(c) If the purchaser defaults on the payment of any loan, the authority shall take all necessary action to collect the delinquent principal and interest on the loan and may take all actions allowed to holders of obligations, including the power to repossess, purchase, lease, rent, repair, renovate, modernize, and sell the property foreclosed.”

15. Section 516-35 is amended to read:

“Sec. 516-35 Restrictions on sale and use of residential lots. (a) For a period of ten years after the purchase from the authority of the leased fee interest in a residential lot, the purchaser shall not transfer any interest in the property unless he has first notified the authority in writing of his intention to do so.

The notice shall specify the purchaser’s address and shall expressly offer the authority the right of first refusal, at a price which shall not exceed the amount of the original cost to the purchaser together with the cost of any improvements added by the purchaser together with simple interest on all of the purchaser’s equity in the property at the rate of seven per cent a year; provided that title to a dwelling unit and the property or lease may pass to a family member by devise or through the laws of descent, who would otherwise qualify under the rules and regulations established by the authority.

(b) Within thirty days after the receipt of the notice the authority shall in writing notify the purchaser at the address so specified whether it elects to exercise its option. If the authority refuses, or fails within the thirty-day period to reply to the offer, the lessee or purchaser may transfer any interest in the property to any person, free from any price restrictions.

(c) The authority may lease, rent, or resell any lot and improvements purchased by it under this part.

(d) Any original lease, deed, agreement of sale, mortgage, and other instruments of conveyance issued by the authority under this part shall expressly contain the restriction on sale and use of the residential lot as prescribed in this section."

16. Sections 516-36 through 516-39 are repealed.

17. Section 516-45 is amended to read:

"Sec. 516-45 General obligation bonds. The director of finance may, from time to time, issue general obligation bonds in such amounts as may be authorized by the legislature, for the purpose of acquisition by the Hawaii housing authority of residential houselots within development tracts pursuant to chapter 516, part II or for the acquisition of suitable properties to exchange pursuant to section 516- or for the acquisition by the department of land and natural resources under section 171- of suitable properties for exchange pursuant to section 171- to effectuate the purpose of this chapter. The principal and interest of general obligation bonds issued pursuant to this section shall be reimbursed to the general fund from the fee simple residential revolving fund as provided in section 516-44. Pending the receipt of funds from the issuance and sale of general obligation bonds, amounts required within the limits of legislative authorization may be advanced to the Hawaii housing authority from the general fund of the State. Upon the receipt of the bond funds, the general fund shall be reimbursed the amount advanced."

18. Section 516-66 is amended to read:

"Sec. 516-66 Lease rental. In every case of an extension under section 516-65 the annual lease rental during the first thirty years shall not exceed an amount determined as follows:

- (1) Compute to nearest whole year, one hundred per cent of the unexpired period of fixed rent at the commencement of the extended term;
- (2) Multiply the number of years computed in (1) by the fixed annual rent in effect immediately prior to the extension;
- (3) Deduct from thirty years the number of years computed in (1) and multiply that difference by the annual rent determined by mutual agreement of lessor and lessee within thirty days after such extension or by arbitration in accord with chapter 658; and
- (4) Add the amounts computed in (2) and (3) and divide that sum by thirty. This sum rounded to the nearest dollar shall be the annual rent for the first thirty years of the extended term; provided that such rent shall not without the consent of the lessor be less than the annual rent in effect immediately prior to such extension.

The annual rent payable hereunder for and during the remaining period of the extended term shall be determined by mutual agreement of the lessor

and the lessee, or if they fail to read such agreement at least ninety days before the commencement of the period, by arbitration in accordance with chapter 658.”

19. Section 516-70 is amended to read:

“**Sec. 516-70 Reversion of improvements.** (a) This section applies to all leases of residential lands as defined by section 516-1(5).

(b) At the termination of any lease, or at the expiration of the lease term, the lessee may, if not then in default under the terms of his lease, remove all onsite improvements on the lot which were constructed at the cost of, or otherwise paid for by the lessee, without compensating the lessor therefor. If the lessee notifies the lessor in writing within sixty days before the termination or expiration that he declines to remove such onsite improvements and if the lessee is not then in default under the terms of his lease, and if the lessor refuses to extend the term of the existing lease or to issue a new lease for a term of at least thirty years at a rental that is mutually agreeable to the parties or failing such agreement that is determined by arbitration pursuant to chapter 658, the lessor shall be required to compensate the lessee for the current fair market value of all such onsite improvements. Such improvements shall be appraised at the expense of the lessee. The appraiser selected shall be by mutual agreement of the lessee and the lessor or in conformance to chapter 658. The compensation shall be determined by mutual agreement or in conformity with chapter 658, and the compensation shall be paid within thirty days of determination. Such expense of arbitration shall be equally shared by both parties.”

20. Section 516-81 is repealed.

21. Chapter 516 is amended by adding the following new sections, to be appropriately designated and to read:

“**Sec. 516- Exchanges.** (a) The authority may exchange public lands for private lands to be condemned or involuntarily sold pursuant to this chapter; provided that any such exchange shall be subject to legislative disapproval; provided further that lands exchanged need not be of like-kind or comparable use; and provided further that no lands classified as conservation shall be exchanged for private lands.

(b) The authority may acquire private lands by negotiated sale for purposes of exchanging such land with private lands pursuant to subsection (a). The legislature declares that such acquisition is for the public purpose of encouraging home ownership on as widespread a basis as possible.

Sec. 516- Severability. If any part, section, sentence, clause, or phrase of this chapter, or its application to any person or transaction or other circumstances, is for any reason held to be unconstitutional or invalid, the remaining parts, sections, sentences, clauses, and phrases of this chapter, or the application of this chapter to other persons or transactions or circumstances, shall not be affected. The legislature hereby declares that it would have passed this chapter and each part, section, clause, or phrase thereof, irrespective of the fact that any one or more parts, sections, sentences, clauses, or phrases of this chapter, or its application to any person or transaction or other circumstance, be declared unconstitutional or invalid.”

SECTION 3. Chapter 171, Hawaii Revised Statutes, is amended by adding the following two new sections, to be appropriately designated and to read:

"Sec. 171- Acquisition of lands for exchange under chapter 516. The board may acquire private lands by negotiated purchase to be exchanged to effect the conversion of leasehold lands to fee simple ownership under section 171- . The legislature declares that such acquisition is for the public purpose of encouraging home ownership on as widespread a basis as possible.

Sec. 171- Exchanges for conversion of leasehold lands to fee simple ownership. The board may exchange public lands for private lands to be condemned or involuntarily sold pursuant to chapter 516. Such exchange shall be requested by the executive director of the Hawaii housing authority, and shall be effected in conformity in section 171-50; provided that such exchange shall be subject to legislative disapproval; provided further that the private lands conveyed to the State shall be disposed of pursuant to chapter 516; and provided further that lands exchanged need not be of like-kind or comparable use; provided further that no lands classified as conservation shall be exchanged for private lands."

SECTION 4. Section 2 of Act 215, Session Laws of Hawaii 1971, is amended to read as follows:

"SECTION 2. The director of finance is authorized to issue general obligation bonds of the State in the amount of \$5,000,000, for the purpose of acquisition by the Hawaii housing authority of development tracts, or exchange of lands therefor, pursuant to chapter 516, part II, Hawaii Revised Statutes. Pending the receipt of funds from the issuance and sale of general obligation bonds, amounts required within the limits of authorization may be advanced to the Hawaii housing authority from the general fund of the State. Upon the receipt of the bond funds, the general fund shall be reimbursed the amount advanced."

SECTION 5. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.*

SECTION 6. This Act shall take effect upon its approval.

(Approved June 2, 1975.)

*Edited accordingly.