
HOUSE RESOLUTION

REQUESTING THE AUDITOR TO EXAMINE UPCOMING CONDOMINIUM LEASEHOLD EXPIRATIONS AND THEIR IMPACT ON THE AVAILABILITY OF REPLACEMENT AND AFFORDABLE HOUSING FOR HAWAII RESIDENTS.

1 WHEREAS, the availability of affordable housing has reached
2 a state of crisis in Hawaii, where the average statewide median
3 price of a single-family and multi-family dwelling is over
4 \$600,000 and \$300,000, respectively; and
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6 WHEREAS, the Hawaii Housing Policy Study (2006) found that
7 about 34 percent of Hawaii households pay 30 percent or more of
8 their household income on housing costs, compared with the
9 national average of 22 percent for housing costs; and
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11 WHEREAS, over the years, leasehold condominium and co-
12 operative units have remained relatively affordable for many
13 Hawaii residents; and
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15 WHEREAS, in 2007, the first long-term leasehold agreements
16 for approximately 18,700 condominium and co-operative housing
17 units statewide began to expire; and
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19 WHEREAS, these 18,700 leasehold units are situated in
20 approximately 540 condominium and co-operative projects
21 throughout the state, impacting over 63,000 units that are
22 owner-occupied, leased, or rentals; and
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24 WHEREAS, within the next 30 years, the expiration of
25 existing leases for over 8,000 leasehold condominium and co-
26 operative units could result in reversion of these units back to
27 the fee owner, leaving thousands of residents without a place to
28 live - many of whom are elderly residents; and
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30 WHEREAS, Act 307, Session Laws of Hawaii 1967, codified as
31 Chapter 516, Hawaii Revised Statutes, and administered by the
32 Hawaii Housing Finance and Development Corporation, allows
33 lessees of long-term leasehold interests in single-family
34 residential development tracts to purchase the fee interest of



1 their residential lots where the State of Hawaii would condemn
2 the fee interest, paying the fee owner fair compensation for the
3 fee interest and selling the acquired fee interest to the
4 leasehold homeowner; and

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6 WHEREAS, after years of contentious litigation, leasehold
7 conversion for single-family residences was upheld by the United
8 State Supreme Court in 1984, when the Court held in *Hawaii*
9 *Housing Authority v. Midkiff*, that Act 307 did not violate the
10 United States Constitution; and

11
12 WHEREAS, shortly thereafter, in *Hawaii Housing Authority v.*
13 *Lyman*, the Supreme Court of Hawaii also found that Act 307 did
14 not violate the Hawaii State Constitution; and

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16 WHEREAS, as a result, over the last 25 years, the number of
17 leasehold single-family residences fell from a high of
18 approximately 28,000 to 4,600, providing affordable housing
19 opportunities for thousands of Hawaii residents; and

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21 WHEREAS, in 1991, the Honolulu City Council adopted
22 ordinance 91-95, which granted multi-family residential
23 leaseholders the right to purchase the fee simple interest in
24 their units in a condemnation procedure similar to that of
25 Chapter 516, Hawaii Revised Statutes; however, in 2002, the City
26 and County of Honolulu repealed Chapter 38, Revised Ordinances
27 of Honolulu, which provided for leasehold conversion of
28 condominium units; and

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30 WHEREAS, the counties of Hawaii, Kauai, and Maui currently
31 do not have leasehold conversion provisions for multi-family
32 units, leaving no county or state mechanism to address the
33 expiration of leasehold condominium and co-operative units; and

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35 WHEREAS, over the next 30 years, about half of over 18,700
36 long-term leasehold condominium units could revert back to fee
37 owners, leaving thousands of Hawaii residents in need of
38 alternative housing; and

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40 WHEREAS, the displacement of hundreds of lessees each year
41 could dramatically impact the affordable housing crisis in
42 Hawaii; and

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1 WHEREAS, the State of Hawaii must anticipate the short- and
2 long-term impact of leasehold conversion of condominium and co-
3 operative units on the availability of affordable housing for
4 Hawaii's residents; now therefore,
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6 BE IT RESOLVED by the House of Representatives of the
7 Twenty-fourth Legislature of the State of Hawaii, Regular
8 Session of 2008, that the Auditor is requested to examine the
9 issue of upcoming condominium lease expirations and its impact
10 on the availability of replacement and affordable housing for
11 Hawaii residents; and
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13 BE IT FURTHER RESOLVED that the Auditor is requested to
14 provide recommendations on how to mitigate the loss of
15 affordable housing stock due to leasehold expirations, including
16 examining the current status of residential leaseholds in
17 condominiums and co-operatives and whether state legislation for
18 fee conversion or lease extension is appropriate; and
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20 BE IT FURTHER RESOLVED that the Auditor is requested to
21 report its findings and recommendations to the Legislature no
22 later than 20 days prior to the convening of the Regular Session
23 of 2009; and
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25 BE IT FURTHER RESOLVED that certified copies of this
26 Resolution be transmitted to the Auditor, the Director of the
27 Hawaii Housing Finance and Development Corporation, and the
28 Governor.
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HR HMS 2008-2188



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