



GOV. MSG. NO. 1229

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 29, 2016

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 29, 2016, the following bill was signed into law:

SB2561 SD2 HD1 CD1

RELATING TO RENTAL HOUSING
ACT 127 (16)

Sincerely,

A handwritten signature in black ink that reads "David Y. Ige".

DAVID Y. IGE
Governor, State of Hawai'i

Approved by the Governor

on JUN 29 2016

THE SENATE
TWENTY-EIGHTH LEGISLATURE, 2016
STATE OF HAWAII

ACT 127
S.B. NO.

2561
S.D. 2
H.D. 1
C.D. 1

A BILL FOR AN ACT

RELATING TO RENTAL HOUSING.

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

1 SECTION 1. The purpose of this Act is to address rental
2 housing.

3 More specifically, this Act:

- 4 (1) Establishes an affordable rental housing goal; and
5 (2) Establishes a special action team on affordable rental
6 housing, led by the director of the office of
7 planning, to make recommendations on actions to
8 promote rental housing.

9 SECTION 2. For the period from 2015 to 2025, Hawaii will
10 require an additional 64,700 housing units to meet projected
11 long-term housing demands. Of this amount, 22,247 households of
12 all income levels will require rental units.

13 The need for affordable rental units is particularly acute
14 for households with low incomes. Approximately ninety-three to
15 ninety-five per cent of rental unit tenants have a household
16 income of less than one hundred forty per cent of the median
17 Hawaii income. According to the Affordable Rental Housing Study



1 Update, 2014, prepared for the department of community services,
2 city and county of Honolulu:

3 The rule of thumb is that renter families generally
4 come from the lower income part of our community, and
5 economists and housing analysts think of this in terms
6 of them making 80% of the area's median income, or
7 AMI, or lower. It bears repeating that those making
8 at or under than [sic] 60% and those at or under 30%
9 of AMI are facing no rental unit availability, meaning
10 crowding up or homelessness.

11 Relative to what has been supplied, the number of
12 rental units affordable to those making 80% (and 60%,
13 and 50%, and 30% of AMI), the supply/demand imbalance
14 is tremendous, in quantitative terms. During the 10-
15 year period from 2004-2013, just over 4,500 affordable
16 rental units were delivered statewide with government
17 assistance. (Source: HHFDC) To wit, there simply is
18 an insufficient number of them being supplied, either
19 in the affordable, the subsidized or the market-rate
20 rental markets.



1 The lack of supply leads to higher rents for households of
2 all income levels, leaving all tenants with less disposable
3 income, increasing the personal stress of tenants, reducing
4 tenant quality of life, and exacerbating the population
5 overcrowding and homelessness problems. Without sufficient
6 affordable rental housing, the future social, community, and
7 economic consequences for Hawaii may be dire.

8 Although many reasons contribute to the lack of affordable
9 rental units for low- and moderate-income households, the
10 primary reason is a poor rate of return for investments in
11 affordable rental housing projects. As the Affordable Rental
12 Housing Study Update, 2014, succinctly states, "Simply put,
13 affordable rental housing is unprofitable, so the market won't
14 address the need by itself." Government regulations that
15 restrict affordable housing development and lengthen the time
16 tenants qualify for affordable rental housing also contribute to
17 the lack of affordable rental housing.

18 Given these barriers, the legislature finds that the lack
19 of affordable rental housing requires the concentrated attention
20 of state government at the highest level. Thus, the legislature
21 believes that the establishment of an affordable rental housing

1 goal and special action team to make recommendations to achieve
2 the goal are imperative.

3 SECTION 3. Goal for affordable rental housing units. (a)
4 The legislature establishes the goal for state government, by
5 itself or jointly with other parties, to develop or vest the
6 development of at least 22,500 affordable rental housing units,
7 ready for occupancy between January 1, 2017, and December 31,
8 2026.

9 (b) For the purpose of measuring progress toward achieving
10 the goal:

11 (1) Fee simple residential units, rental housing units
12 that are not affordable, and units in resort,
13 commercial, industrial, or other uses on or before
14 December 31, 2016, that are subsequently converted to
15 affordable rental units, shall be counted as having
16 been developed between January 1, 2017, and
17 December 31, 2026; and

18 (2) Affordable rental housing units that have all
19 entitlements for construction on or before
20 December 31, 2016, but are completed and ready for
21 occupancy after that date, shall not be counted as



1 having been developed between January 1, 2017, and
2 December 31, 2026.

3 SECTION 4. Definitions. For the purpose of this Act:

4 "Affordable rental housing unit" means a privately-owned
5 residential unit that the owner:

6 (1) Has completed the construction, reconstruction,
7 renovation, repair, or acquisition of after
8 December 31, 2016; and

9 (2) Pledges to comply and require each manager or
10 successor owner of the unit to comply with the
11 following for a period of at least thirty years:

12 (A) Rent the unit to a family with an annual income
13 of not more than one hundred forty per cent of
14 the area median income for a family of the same
15 size; and

16 (B) Charge a monthly rent, excluding utility
17 expenses, for the unit that does not exceed
18 thirty per cent of the family's monthly income.

19 The thirty-year period shall be measured from the date of
20 issuance of the certificate of occupancy for the unit or, if no
21 certificate of occupancy was necessary for the unit after



1 December 31, 2016, the date the unit was first rented to a
2 family in accordance with paragraph (2).

3 "Affordable rental housing unit" includes a residential
4 unit owned by a federal, state, or county agency for the purpose
5 of rental to a low- or moderate-income family, as may be defined
6 by the agency or law, as applicable.

7 "Area median income" means the most current median family
8 income for an area as estimated and adjusted for family size by
9 the United States Department of Housing and Urban Development.

10 "Family" includes a family of one individual.

11 SECTION 5. Special action team on affordable rental
12 housing; establishment, purpose, termination. (a) There is
13 established for administrative purposes within the office of
14 planning a temporary special action team on affordable rental
15 housing.

16 (b) The special action team is established for the special
17 purpose of recommending actions to increase the supply of rental
18 housing, particularly rental housing affordable to low- and
19 moderate-income families.

20 (c) The special action team shall terminate on
21 December 31, 2019; provided that the chair and members of the



1 special action team may represent themselves as the chair or a
2 member after December 31, 2019, when testifying or commenting on
3 actions or recommendations of the team.

4 SECTION 6. Membership. (a) The special action team shall
5 be composed of the following members:

- 6 (1) The director of the office of planning, who shall
7 serve as chair;
- 8 (2) The executive director of the Hawaii housing finance
9 and development corporation;
- 10 (3) A member of the house of representatives, to be
11 appointed by the speaker of the house of
12 representatives;
- 13 (4) A member of the senate, to be appointed by the
14 president of the senate;
- 15 (5) A representative from each county, to be appointed by
16 the mayor of the respective county;
- 17 (6) A member of the public to represent affordable housing
18 advocacy groups, to be appointed by the governor;
- 19 (7) A member of the public to represent non-profit
20 developers with expertise in housing development, to
21 be appointed by the governor; and



1 (8) A member of the public to represent for-profit
2 developers with expertise in housing development, to
3 be appointed by the governor.

4 (b) A special action team member may designate another
5 officer or employee of the member's department or agency or
6 member's representative group to attend one or more meetings in
7 place of the member. The special action team member shall make
8 the designation in writing and submit it to the special action
9 team chair before the meeting that the designee is to attend.
10 The designation may apply to more than one meeting or the entire
11 term of the special action team. The designation may be
12 withdrawn at any time by written notice to the special action
13 team chair.

14 A designee of a special action team member shall have all
15 rights and privileges of the member while serving as a designee.

16 (c) The special action team shall regularly hold public
17 meetings without regard to chapter 92, Hawaii Revised Statutes.

18 (d) Members of the special action team shall receive no
19 additional compensation for service on the team beyond their
20 normal compensation.



1 Members shall be reimbursed for expenses necessarily
2 incurred for service on the team.

3 (e) The special action team may elect officers from among
4 its members.

5 SECTION 7. Duties. (a) The special action team shall
6 recommend to the governor, legislature, and other parties,
7 actions to be taken to achieve the affordable rental housing
8 goal set forth in section 3.

9 (b) To comply with subsection (a), the special action team
10 shall recommend short- and long-term actions to:

- 11 (1) Increase the supply of rental housing affordable for
12 low- and moderate-income families;
- 13 (2) Increase the supply of rental housing for the
14 remainder of the resident population;
- 15 (3) Target rental housing development in transit-oriented
16 development areas as a top priority;
- 17 (4) Preserve the existing rental housing stock;
- 18 (5) Enhance the attractiveness of and market for rental
19 housing relative to fee simple housing; and
- 20 (6) Mitigate community concerns over the development of
21 nearby rental housing projects, particularly



1 affordable public or private rental housing projects
2 for low-income families and individuals.

3 (c) The special action team also shall establish
4 performance measures and timelines for the development of
5 affordable rental housing units for the following:

- 6 (1) Families with not more than thirty per cent of the
7 area median income;
- 8 (2) Families with more than thirty per cent, but not more
9 than fifty per cent, of the area median income;
- 10 (3) Families with more than fifty percent, but not more
11 than sixty per cent, of the area median income;
- 12 (4) Families with more than sixty per cent, but not more
13 than eighty per cent, of the area median income;
- 14 (5) Families with more than eighty per cent, but not more
15 than one hundred per cent, of the area median income;
- 16 (6) Families with more than one hundred per cent, but not
17 more than one hundred twenty per cent, of the area
18 median income; and
- 19 (7) Families with more than one hundred twenty per cent,
20 but not more than one hundred forty per cent, of the
21 area median income.



1 The special action team shall also recommend the agency
2 that should monitor and periodically report on the achievement
3 of the performance measures and compliance with the timelines.

4 (d) The special action team shall also address and make
5 recommendations to reconcile the public interests that may
6 compete against and restrict the development of rental housing.

7 The competing public interests shall include the following:

- 8 (1) Regulatory burden associated with developing,
9 managing, and operating subsidized affordable housing
10 projects;
- 11 (2) Preservation of the environment;
- 12 (3) Protection of the quality of life of the surrounding
13 communities;
- 14 (4) Devotion of scarce public resources for mixed-use
15 projects that include fee simple, market-priced
16 housing;
- 17 (5) Reluctance to use more public lands for affordable
18 rental housing development; and
- 19 (6) Preference of most persons for low-density dwelling
20 units.



1 (e) The special action team shall also develop a ten-year
2 plan that identifies state, county, and private parcels of land
3 that are suitable for affordable housing units. The ten-year
4 plan shall be incorporated into the state housing plan. In
5 identifying parcels of land, the special action team shall
6 consider:

7 (1) The estimated number of affordable housing units the
8 parcel of land can sustain;

9 (2) What infrastructure challenges there are in developing
10 affordable housing units on the parcel of land; and

11 (3) The estimated cost to develop affordable housing units
12 and address the infrastructure challenges on the
13 parcel of land.

14 (f) In the performance of its duties, the special action
15 team shall periodically consult with the Hawaii interagency
16 council on homelessness.

17 SECTION 8. Annual reports. The special action team shall
18 submit reports to the legislature of its findings,
19 recommendations, and progress with the ten-year plan no later
20 than twenty days prior to the convening of the regular sessions
21 of 2017, 2018, and 2019.



1 SECTION 9. Update to the Hawaii state planning act. The
2 special action team shall submit legislation proposing an update
3 to the Hawaii State Planning Act to include the state housing
4 plan no later than twenty days prior to the convening of the
5 regular session of 2017, in accordance with this Act.

6 SECTION 10. Appropriation. (a) There is appropriated out
7 of the general revenues of the State of Hawaii the sum of
8 \$100,000 or so much thereof as may be necessary for fiscal year
9 2016-2017 for the administration and operation of the special
10 action team on rental housing, including the establishment and
11 filling of one full-time equivalent (1.0 FTE) temporary planner
12 position, which shall be exempt from chapter 76, Hawaii Revised
13 Statutes, and to propose an update to the Hawaii State Planning
14 Act to include the state housing plan, in accordance with this
15 Act.

16 The sum appropriated shall be expended by the office of
17 planning for the purposes of this Act.

18 (b) In addition to the appropriation under subsection (a),
19 the office of planning may use other moneys appropriated to the
20 office of planning for the special action team.



1 SECTION 11. This Act shall take effect upon its approval;
2 provided that section 10 shall take effect on July 1, 2016.

APPROVED this 29 day of JUN, 2016



GOVERNOR OF THE STATE OF HAWAII