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# A BILL FOR AN ACT

RELATING TO AFFORDABLE HOUSING.

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

1           SECTION 1. The legislature finds that the Front Street  
2 Apartments project on the island of Maui provides affordable  
3 housing to more than two hundred fifty low-income residents.  
4 The project was developed using state financing and state tax  
5 credits in 2001 as an affordable rental housing project with one  
6 hundred forty-two units and was expected to remain affordable to  
7 low-income tenants for fifty years. However, the owners of the  
8 project have exercised an option to remove the project from the  
9 affordability requirements tied to the development of the  
10 project. This change will allow them to begin renting available  
11 apartments at market rates and to raise rents for existing  
12 tenants by October 2019.

13           The legislature further finds that, at the time the owners  
14 of the project exercised the option to remove the affordability  
15 requirements, many tenants of the Front Street Apartments  
16 project were not aware of this threat to their housing and are  
17 now worried that the removal of affordability requirements could



1 leave them homeless. There is a severe shortage of affordable  
2 housing on the island of Maui, especially in west Maui, and this  
3 shortage will be exacerbated by the conversion of the Front  
4 Street Apartments project to market-rate housing.

5 The legislature took steps to condemn the ground lease for  
6 the Front Street Apartments project by enacting Act 150, Session  
7 Laws of Hawaii 2018 (Act 150). However, the legislature  
8 believes that the tenants, surrounding community, and the island  
9 of Maui would further benefit if the State were to acquire the  
10 leased fee and fee simple interests in the Front Street  
11 Apartments project.

12 The legislature declares that it is in the public interest  
13 and is required for public use to preserve the affordable rental  
14 housing project at the Front Street Apartments by exercising the  
15 power of eminent domain if an agreement for the State to acquire  
16 the property is not reached within a reasonable time. If the  
17 State exercises eminent domain powers, the legislature further  
18 declares that it is necessary to provide public financing for  
19 the acquisition of any property interest in the Front Street  
20 Apartments by condemnation through the expenditure of general



1 funds, revenue bonds, dwelling unit revolving funds, or any  
2 other authorized funds at the disposal of the State.

3 The legislature notes that Act 150 additionally authorized  
4 the Hawaii housing finance and development corporation to  
5 complete construction on another affordable housing project in  
6 west Maui. Development activities and expenditures on this  
7 project have commenced but may not be completed by 2021, as  
8 provided in that Act, and the \$30,000,000 or so much thereof  
9 appropriated from the rental housing revolving fund should  
10 therefore be returned to the rental housing revolving fund and a  
11 new appropriation should be authorized from the rental housing  
12 revolving fund with an extended project completion date.

13 The legislature finds that, by enacting Act 288, Session  
14 Laws of Hawaii 2006, the State intervened to preserve affordable  
15 housing at the Kukui Gardens affordable rental housing project  
16 on the island of Oahu and this action provides precedent for  
17 this Act and Act 150.

18 Accordingly, the purpose of this Act is to ensure the  
19 continued availability of affordable rental housing, including  
20 the Front Street Apartments project and Leialii affordable  
21 housing project, on Maui.



1 SECTION 2. The Hawaii housing finance and development  
2 corporation shall immediately initiate negotiations with 3900  
3 Corp., leasehold fee owner of the parcel designated as tax map  
4 key (2) 4-5-003-013, or its successor in interest to acquire the  
5 parcel.

6 SECTION 3. The Hawaii housing finance and development  
7 corporation shall submit a report to the legislature no later  
8 than twenty days prior to the convening of the regular session  
9 of 2020 regarding its efforts to acquire the leased fee interest  
10 in the Front Street Apartments project.

11 SECTION 4. The Hawaii housing finance and development  
12 corporation shall exercise its power of eminent domain to  
13 acquire the leased fee interest in the Front Street Apartments  
14 project if an agreement to acquire the leased fee interest is  
15 not reached within a reasonable time, as determined by the  
16 corporation. For the purposes of this Act, and notwithstanding  
17 any provision of section 201H-13, Hawaii Revised Statutes, to  
18 the contrary, condemnation of the leased fee interest in the  
19 Front Street Apartments project shall not be subject to  
20 legislative disapproval.



1 SECTION 5. Act 150, Session Laws of Hawaii 2018, is  
2 amended to read as follows:

3 "SECTION 1. The Hawaii housing finance and development  
4 corporation shall institute proceedings for the condemnation of  
5 the ground lease for the Front Street Apartments affordable  
6 housing project pursuant to chapter 101, Hawaii Revised  
7 Statutes[-], unless the corporation has renegotiated the ground  
8 lease or issued a new ground lease on terms acceptable to the  
9 corporation by December 31, 2019.

10 SECTION 2. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$250,000 or so much  
12 thereof as may be necessary for fiscal year 2018-2019 for an  
13 appraisal and other preparations for instituting the  
14 condemnation proceedings under section 1; provided that no funds  
15 authorized pursuant to this section shall be made available  
16 unless the county of Maui provides dollar-for-dollar matching  
17 funds.

18 The sum appropriated shall be expended by the Hawaii  
19 housing finance and development corporation for the purposes of  
20 this section.



1           ~~[SECTION 3. There is appropriated out of the rental~~  
2 ~~housing revolving fund the sum of \$30,000,000 or so much thereof~~  
3 ~~as may be necessary for fiscal year 2018-2019 to expedite and~~  
4 ~~complete the construction of the Leialii affordable housing~~  
5 ~~project in Lahaina, Maui, by 2021.~~

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

9           ~~SECTION 4.]~~ SECTION 3. This Act shall take effect on July  
10 1, 2018."

11           SECTION 6. There is appropriated out of the rental housing  
12 revolving fund the sum of \$37,000,000 or so much thereof as may  
13 be necessary for fiscal year 2019-2020 to expedite and complete  
14 the construction of the Lealii affordable housing project in  
15 Lahaina, Maui, by 2022; provided that if the project does not  
16 obtain necessary land use entitlements by April 30, 2020, the  
17 appropriated funds shall be returned to the rental housing  
18 revolving fund.

19           The sum appropriated shall be expended by the Hawaii  
20 housing finance and development corporation for the purposes of  
21 this Act.



1 SECTION 7. This Act does not affect rights and duties that  
2 matured, penalties that were incurred, and proceedings that were  
3 begun before its effective date.

4 SECTION 8. If any provision of this Act, or the  
5 application thereof to any person or circumstance, is held  
6 invalid, the invalidity does not affect other provisions or  
7 applications of the Act that can be given effect without the  
8 invalid provision or application, and to this end the provisions  
9 of this Act are severable.

10 SECTION 9. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 10. This Act shall take effect on July 1, 2019.



**Report Title:**

HHFDC; Affordable Housing; Front Street Apartments; Acquisition; Report; Lealii Affordable Housing Project; Appropriation

**Description:**

Directs the Hawaii Housing Finance and Development Corporation to initiate negotiations and exercise its power of eminent domain to acquire the Front Street Apartments affordable housing project on Maui unless the ground lease is renegotiated, or a new lease is issued by 12/31/19. Extends the deadline to complete the Lealii affordable housing project on Maui. Appropriates funds from the rental housing revolving fund.  
(HB543 CD1)

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