RELATING TO RENT TO BUILD EQUITY.

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

SECTION 1. The legislature finds that the State's residents are facing a housing crisis. It is estimated that Hawaii needs sixty-five thousand to eighty-thousand new units to keep up with housing demand. High demand and low supply result in housing prices that are simply too expensive for most local families. As of September 2018, the median home price on Oahu was $810,000.

The legislature also finds that long-term renters are even worse off. As rents hit historic highs, families are forced to dedicate more of their monthly incomes to rent, which prohibits them from making investments in their futures, paying off debt, or saving for home ownership. This is partially a result of Hawaii's development environment, in which renters have become increasingly disadvantaged while mainland and foreign developers siphon rental income or reap the profits of housing developments built with state benefits subsidized by state taxpayers.
The legislature notes that although developers may build affordable rental properties to take advantage of certain exemptions under the law, these developers often subsequently sell their properties at market rates after the initial affordable rental period expires. Families who had relied on affordable housing are then forced to find new housing accommodations, often without substantial savings or investments of their own.

The legislature therefore believes that requiring developers who use state incentives to share a portion of their sale profits with affordable housing tenants will reinvest these profits in Hawaii’s economy and enable local families to invest in their futures by building equity in homes of their own.

Accordingly, the purpose of this Act is to require developers of housing projects that are exempt from certain laws to enter into profit-sharing agreements with the tenants of those properties.

SECTION 2. Chapter 201H, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:
"§201H— Rent-to-build equity requirement. (a) A developer that is:

(1) A qualified person or firm that is exempt from general excise taxes on a newly constructed project under section 201H-36; or

(2) An eligible developer or firm whose newly constructed project is a housing project that received any of the exemptions under section 201H-38,

shall enter into a rent-to-build equity agreement with each tenant of the project pursuant to subsection (b) for all units leased after January 1, 2020.

(b) A rent-to-build equity agreement shall require that if the developer sells the project, the developer shall pay the tenant a prorated share of twenty per cent of the sale price of the project, based on the number of years the tenant lived in the project.

(c) The board may adopt rules pursuant to chapter 91 to implement this section."

SECTION 3. New statutory material is underscored.
SECTION 4. This Act shall take effect on July 1, 2019.

INTRODUCED BY: Kurt Farrell

[Signature]

INTRODUCED BY: [Signature]
Report Title:
Housing Development; Exempt Projects; Rent-to-Equity

Description:
Requires developers of housing projects that are exempt from certain laws to enter into profit-sharing agreements with the tenants of those properties.

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