
A BILL FOR AN ACT

RELATING TO THE DWELLING UNIT REVOLVING FUND.

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

1 SECTION 1. Section 201H-47, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) The following restrictions shall apply to the
4 transfer of real property developed and sold under this chapter,
5 whether in fee simple or leasehold:

6 (1) For a period of ten years after the purchase, whether
7 by lease, assignment of lease, deed, or agreement of
8 sale, if the purchaser wishes to transfer title to the
9 real property, the corporation shall have the first
10 option to purchase the real property at a price that
11 shall not exceed the sum of:

12 (A) The original cost to the purchaser, as defined in
13 rules adopted by the corporation;

14 (B) The cost of any improvements added by the
15 purchaser, as defined in rules adopted by the
16 corporation;



1 (C) Simple interest on the original cost and capital
2 improvements to the purchaser at the rate of one
3 per cent per year; and

4 (D) The amount, if any, previously paid by the
5 purchaser to the corporation as the corporation's
6 share of net appreciation in the real property;

7 (2) The corporation may purchase the real property either:

8 (A) By conveyance free and clear of all mortgages and
9 liens; or

10 (B) By conveyance subject to existing mortgages and
11 liens.

12 If the real property is conveyed in the manner
13 provided in subparagraph (A), it shall be conveyed to
14 the corporation only after all mortgages and liens are
15 released. If the real property is conveyed in the
16 manner provided in subparagraph (B), the corporation
17 shall acquire the real property subject to any first
18 mortgage created for the purpose of securing the
19 payment of a loan of funds expended solely for the
20 purchase of the real property by the seller; and any
21 mortgage or lien created for any other purpose;



1 provided that the corporation has previously consented
2 to it in writing.

3 The corporation's interest created by this
4 section shall constitute a statutory lien on the real
5 property and shall be superior to any other mortgage
6 or lien, except for any first mortgage created for the
7 purpose of securing the payment of a loan of funds
8 expended solely for the purchase of the real property
9 by the seller; any mortgage insured or held by a
10 federal housing agency; and any mortgage or lien
11 created for any other purpose; provided that the
12 corporation has previously consented to it in writing.

13 The amount paid by the corporation to the seller shall
14 be the difference, if any, between the purchase price
15 determined by paragraph (1) (A) to (D), and the total
16 of the outstanding principal balances of the mortgages
17 and liens assumed by the corporation;

18 (3) A purchaser may refinance real property developed and
19 sold under this chapter; provided that the purchaser
20 shall not refinance the real property within ten years
21 from the date of purchase for an amount in excess of



1 the purchase price as determined by paragraph (1) (A)
2 to (C); provided further that the purchaser shall
3 obtain the corporation's written consent if any
4 restriction on the transfer of the real property
5 remains applicable;

6 (4) After the end of the tenth year from the date of
7 initial purchase or execution of an agreement of sale,
8 the purchaser may sell the real property and sell or
9 assign the property free from any price restrictions;
10 provided that the purchaser shall be required to pay
11 to the corporation the sum of:

12 (A) The balance of any mortgage note, agreement of
13 sale, or other amount owing to the corporation;

14 (B) Any subsidy or deferred sales price made by the
15 corporation in the acquisition, development,
16 construction, and sale of the real property, and
17 any other amount expended by the corporation not
18 counted as costs under section 201H-45 but
19 charged to the real property by good accounting
20 practice as determined by the corporation whose



1 books shall be prima facie evidence of the
2 correctness of the costs;
3 (C) Interest on the subsidy or deferred sales price,
4 if applicable, and any other amount expended at
5 [the] a rate [of seven per cent per year]
6 established by the corporation computed as to the
7 subsidy or deferred sales price, if applicable,
8 from the date of purchase or execution of the
9 agreement of sale, and as to any amount expended,
10 from the date of expenditure; provided that the
11 computed interest shall not extend beyond thirty
12 years from the date of purchase or execution of
13 the agreement of sale of the real property. If
14 any proposed sale or transfer will not generate
15 an amount sufficient to pay the corporation the
16 sum as computed under this paragraph, the
17 corporation shall have the first option to
18 purchase the real property at a price that shall
19 not exceed the sum as computed under paragraphs
20 (1) and (2); and



- 1 (D) The corporation's share of appreciation in the
2 real property as determined under rules adopted
3 pursuant to chapter 91, when applicable;
- 4 (5) Notwithstanding any provision in this section to the
5 contrary, pursuant to rules adopted by the
6 corporation, the subsidy or deferred sales price
7 described in paragraph (4) (B) and any interest accrued
8 pursuant to paragraph (4) (C) may be paid, in part or
9 in full, at any time; and
- 10 (6) Notwithstanding any provision in this section to the
11 contrary, the corporation's share of appreciation in
12 the real property described in paragraph (4) (D):
- 13 (A) Shall apply when the sales price of the real
14 property that is developed and sold under this
15 chapter is less than the then-current,
16 unencumbered, fair market value of the real
17 property, as determined by a real property
18 appraisal obtained prior to the closing of the
19 sale;
- 20 (B) Shall be a restriction that runs with the land
21 until it is paid in full and released by the



1 corporation, or extinguished pursuant to
2 subsection (f); and

3 (C) May be paid, in part or in full, at any time
4 after recordation of the sale."

5 SECTION 2. (a) The Hawaii housing finance and development
6 corporation may establish a five-year dwelling unit revolving
7 fund equity pilot program, which shall be funded by the dwelling
8 unit revolving fund, to address the high, unmet demand of for-
9 sale units by Hawaii residents, specifically residents who:

- 10 (1) Own no other real property;
- 11 (2) Receive no gift funds; and
- 12 (3) Work in a profession that is facing a shortage as
13 defined by the corporation, including health care
14 workers, educators, law enforcement officers,
15 including staff at correctional facilities, or
16 agricultural field workers.

17 (b) The Hawaii housing finance and development corporation
18 may purchase equity in for-sale housing development projects;
19 provided that this equity shall be allocated to specific units
20 within the housing development projects and the price to be paid
21 by each eligible buyer of a unit shall be reduced by the Hawaii



1 housing finance and development corporation's equity amount for
2 that unit.

3 (c) If a buyer sells the buyer's unit within thirty years
4 of the date of the buyer's purchase of the unit, then at the
5 time of the sale, the buyer shall repay to the Hawaii housing
6 finance and development corporation the corporation's
7 appreciated equity value; provided that if the buyer does not
8 sell the unit within thirty years of the date of the buyer's
9 purchase of the unit, then the buyer shall repay to the Hawaii
10 housing finance and development corporation the corporation's
11 appreciated equity value prior to the expiration of the
12 thirty-year period; provided further that this requirement shall
13 run with the deed for each unit until the obligation to repay
14 the appreciated equity value has been satisfied.

15 (d) The Hawaii housing finance and development corporation
16 may establish rules pursuant to chapter 91, Hawaii Revised
17 Statutes, to implement this section, including rules that
18 establish the methods by which appreciated equity values shall
19 be calculated, assessed, and satisfied.

20 (e) The Hawaii housing finance and development corporation
21 may establish criteria for the prioritization of eligible buyers



1 based on state goals and policies and submit a report on this
2 criteria to the legislature no later than twenty days prior to
3 the convening of the regular session of 2024.

4 (f) The Hawaii housing finance and development corporation
5 shall submit interim reports on the dwelling unit revolving fund
6 equity pilot program to the legislature no later than twenty
7 days prior to the convening of the regular sessions of 2024,
8 2025, 2026, and 2027. The Hawaii housing finance and
9 development corporation shall submit a final report on the
10 dwelling unit revolving fund equity pilot program to the
11 legislature no later than twenty days prior to the convening of
12 the regular session of 2028.

13 (g) As used in this section:

14 "Housing development project" means a plan, design, or
15 undertaking by the Hawaii housing finance and development
16 corporation or an eligible developer for the development of
17 units. "Housing development project" includes all real and
18 personal property, buildings and improvements, commercial space,
19 lands for farming and gardening, community facilities acquired
20 or constructed or to be acquired or constructed, and all



1 tangible or intangible assets held or used in connection with
2 the housing development project.

3 "Unit" means:

4 (1) The structure and land upon which the structure is
5 constructed, whether on fee simple or leasehold
6 property, developed for residential purposes pursuant
7 to chapter 201H, Hawaii Revised Statutes; or

8 (2) Improved or unimproved real property that is developed
9 for residential purposes pursuant to chapter 201H,
10 Hawaii Revised Statutes.

11 "Unit" includes dwelling units.

12 SECTION 3. The Hawaii housing finance and development
13 corporation may spend up to \$10,000,000 or so much thereof as
14 may be necessary for fiscal year 2023-2024 from the dwelling
15 unit revolving fund for the equity pilot program established
16 pursuant to this Act.

17 SECTION 4. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 5. This Act shall take effect on July 1, 2023, and
20 shall be repealed on June 30, 2028; provided that:



- 1 (1) Section 201H-47, Hawaii Revised Statutes, shall be
2 reenacted in the form in which it read on the day
3 prior to the effective date of this Act; and
4 (2) The requirements imposed pursuant to section 2(c) of
5 this Act shall remain in effect and run with the deed
6 after June 30, 2028.



Report Title:

HHFDC; Computation of Interest; Real Property; Dwelling Unit
Revolving Fund Equity Pilot Program; Reports

Description:

Changes the computation of interest that a purchaser of certain real property is required to pay to the Hawaii Housing Finance and Development Corporation upon the purchaser's sale or assignment of the real property after a specified period of time. Authorizes the Hawaii Housing Finance and Development Corporation to establish a five year dwelling unit revolving fund equity pilot program and report to the Legislature regarding the pilot program. Authorizes the Hawaii Housing Finance and Development Corporation to use up to \$10,000,000 of existing funds in the dwelling unit revolving fund for the pilot program. Sunsets 6/30/2028. (CD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

