

STAND. COM. REP. NO.

1178

Honolulu, Hawaii

MAR 20 2025

RE: H.B. No. 432  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B.  
No. 432, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE RENTAL HOUSING REVOLVING  
FUND,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish the Mixed-Income Subaccount within the Rental Housing Revolving Fund (RHRF) that targets workforce rental housing projects for persons and families with incomes at or below one hundred forty percent of the area median income;
- (2) Authorize the Director of Finance to transfer funds from RHRF into the Mixed-Income Subaccount; and
- (3) Appropriate funds into and out of the Mixed-Income Subaccount of RHRF.

Your Committee received testimony in support of this measure from the Hawaii Housing Finance and Development Corporation; Office of Housing of the City and County of Honolulu; Hawai'i YIMBY; Hawai'i Children's Action Network Speaks!; Hawaii Appleseed Center for Law and Economic Justice; Hawai'i Community Foundation;



Holomua Collaborative; Title Guaranty Hawaii; HPM Building Supply; Hawai'i Gas; Mana Up; Tori Richard, Ltd.; Save Medicaid Hawaii; Maui Chamber of Commerce; and two individuals.

Your Committee received comments on this measure from the Department of Budget and Finance.

Your Committee finds that RHRF provides a critical source of "equity gap" financing to qualified owners and developers for the development, construction, acquisition, preservation, and substantial rehabilitation of affordable housing and rental housing units. Currently, RHRF has two priority project groups: Tier I, or households at or below sixty percent of the area median income, and Tier II, households above sixty percent of the area median income. However, due to limited funding, funds are generally only available for Tier I projects, namely those developed utilizing Low-Income Housing Tax Credits (LIHTC). This has resulted in a significant shortage of available housing for working residents earning too much to qualify for a LIHTC unit, but earning too little to be able to afford to buy their own home. This measure prioritizes the development of Tier II projects to provide greater certainty for funding and enable the Hawaii Housing Finance and Development Corporation (HHFDC) to more expeditiously develop housing units necessary to address the State's ongoing housing shortage.

Your Committee further finds that, as the State seeks impactful solutions to address the chronic housing shortage, providing more incentives to develop Tier II housing projects will enable more individuals and families to achieve homeownership and long-term housing security. However, as housing developments that utilize state funds are an investment by the State, it is prudent that the State ensures it can receive a favorable return on its investment and maximize the affordable housing developed with taxpayer funds. Amendments to this measure are therefore necessary to ensure the State can fully capture the potential of its investment.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying that RHRF funds shall be used for financing including but not limited to loans, equity investments, credit enhancement, and collateral;



- (2) Clarifying that, for Tier 1 projects that are allocated low-income housing credits, priority shall be given to projects with a perpetual affordability commitment;
- (3) Deleting language that would have required the Mixed-Income Subaccount to be used to make loans to mixed-income rental projects or units in a mixed-income rental project for individuals and families with incomes at or below one hundred forty percent of the area median income;
- (4) Inserting language to require the Mixed-Income Subaccount to be used for financing mixed-income rental or for-sale projects, or units in a mixed-income rental or for-sale project, exclusively for qualified residents as defined in section 201H-32, Hawaii Revised Statutes; provided that financing from the subaccount may include loans, equity investments, credit enhancements, and collateral;
- (5) Deleting language that would have required the Director of Finance to transfer an unspecified amount of funds between RHRF and the Mixed-Income Subaccount for the fiscal biennium and inserting language that authorizes HHFDC to transfer moneys between the Mixed-Income Subaccount and RHRF without legislative approval;
- (6) Deleting language that would have required HHFDC to prioritize criteria for fund allocation from the Mixed-Income Subaccount in descending order of priority;
- (7) Inserting language that requires projects for renters or buyers who meet income requirements, members of the workforce, government employees, or other populations as the corporation may deem in the public interest to be granted preference; provided that units may be offered to all qualified residents as defined in section 201H-32, Hawaii Revised Statutes, if insufficient renters or buyers from prioritized groups are found after a marketing period to be determined by HHFDC;



- (8) Deleting language that would have required HHFDC to give preference to projects for which a loan from the Mixed-Income Subaccount is reasonably projected to be fully repaid within forty years from funding;
- (9) Inserting language requiring HHFDC to give preference to projects requiring the least state funding per unit and that are projected to be fully repaid within the shortest loan term;
- (10) Clarifying that HHFDC shall give preference to a nonprofit or government project equally ranked with a for-profit project in allotting funds from the Mixed-Income Subaccount;
- (11) Requiring HHFDC to prioritize the funding for rental and for-sale housing projects that price units at the minimum level to be revenue neutral, as determined by rules adopted by HHFDC;
- (12) Inserting a new section appropriating an unspecified amount of funds for the Mayor Wright Homes redevelopment from RHRF Tier 1 funding;
- (13) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (14) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee notes that this measure, as amended, contains unspecified appropriation amounts. Should your Committee on Ways and Means choose to deliberate on this measure, your Committee respectfully requests that it consider inserting an appropriation amount of \$150,000,000, or \$75,000,000 for each year of the biennium, for the establishment of the Mixed-Income Subaccount within the Rental Housing Revolving Fund. Additionally, your Committee respectfully requests that your Committee on Ways and Means consider inserting an additional appropriation amount of \$56,000,000 for the Mayor Wright Homes redevelopment utilizing Tier 1 Rental Housing Revolving Fund moneys.



As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 432, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 432, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Housing,

  
STANLEY CHANG, Chair



