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# A BILL FOR AN ACT

RELATING TO THE RENTAL HOUSING REVOLVING FUND.

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

1       SECTION 1. Section 201H-202, Hawaii Revised Statutes, is  
2 amended to read as follows:

3       "**§201H-202 Rental housing revolving fund.** (a) There is  
4 established the rental housing revolving fund to be administered  
5 by the corporation.

6       (b) An amount from the fund, to be set by the corporation  
7 and authorized by the legislature, may be used for  
8 administrative expenses incurred by the corporation in  
9 administering the corporation's housing finance programs;  
10 provided that fund moneys shall not be used to finance  
11 day-to-day administrative expenses of projects allotted fund  
12 moneys.

13       (c) The following may be deposited into the fund:  
14 appropriations made by the legislature, conveyance taxes  
15 pursuant to section 247-7, private contributions, repayment of  
16 loans, interest, other returns, and moneys from other sources.



1           (d) ~~[The]~~ Except as provided in subsection (f), the fund  
2 shall be used to provide ~~[loans]~~ financing including but not  
3 limited to loans, equity investments, and credit enhancement,  
4 for the development, pre-development, construction, acquisition,  
5 preservation, and substantial rehabilitation of rental housing  
6 units. The corporation shall not forgive any loan made from the  
7 fund unless the corporation forecloses on the project.  
8 Permitted uses of the fund may include but are not limited to  
9 planning, design, land acquisition, costs of options, agreements  
10 of sale, downpayments, equity financing, capacity building of  
11 nonprofit housing developers, credit enhancement, gap financing,  
12 or other housing development services or activities as provided  
13 in rules adopted by the corporation pursuant to chapter 91. The  
14 rules may provide for a means of recapturing loans or grants  
15 made from the fund if a rental housing project financed under  
16 the fund is refinanced or sold at a later date. The rules may  
17 also provide that moneys from the fund shall be leveraged with  
18 other financial resources to the extent possible.

19           (e) ~~[Moneys]~~ Except as provided in subsection (f), moneys  
20 available in the fund shall be used for the purpose of  
21 providing, in whole or in part, loans for rental housing



1 projects demonstrating project readiness, efficiency, and  
2 feasibility acceptable to the corporation in the following order  
3 of priority:

4 ~~[(1) For projects that were awarded low-income housing~~  
5 ~~credits pursuant to paragraph (2), priority shall be~~  
6 ~~given to projects with a perpetual affordability~~  
7 ~~commitment;~~

8 ~~(2)]~~ (1) Projects or units in projects that are allocated  
9 low-income housing credits pursuant to the state  
10 housing credit ceiling under section 42(h) of the  
11 Internal Revenue Code of 1986, as amended, or projects  
12 or units in projects that are funded by programs of  
13 the United States Department of Housing and Urban  
14 Development and United States Department of  
15 Agriculture Rural Development wherein:

16 (A) At least fifty per cent of the available units  
17 are for persons and families with incomes at or  
18 below eighty per cent of the median family income  
19 of which at least five per cent of the available  
20 units are for persons and families with incomes



1 at or below thirty per cent of the median family  
2 income; ~~and~~

3 (B) The remaining units are for persons and families  
4 with incomes at or below one hundred per cent of  
5 the median family income; and

6 (C) For projects that were awarded low-income housing  
7 credits, priority shall be given to projects with  
8 a perpetual affordability commitment;

9 provided that the corporation may establish rules to  
10 ensure full occupancy of fund projects; and

11 ~~[(3)]~~ (2) Mixed-income rental projects or units in a  
12 mixed-income rental project wherein all of the  
13 available units are for persons and families with  
14 incomes at or below one hundred forty per cent of the  
15 median family income.

16 (f) There is established within the fund a housing  
17 efficiency and innovation subaccount that shall consist of  
18 appropriations from the legislature. The corporation may  
19 transfer funds between the housing efficiency and innovation  
20 subaccount and the rental housing revolving fund without  
21 legislative approval.



1        Notwithstanding the order of priority established in  
2        subsection (e), funds in the subaccount shall be used for  
3        financing, including but not limited to loans, equity  
4        investments, and credit enhancement, for rental, rent-to-own, or  
5        for-sale housing projects exclusively for qualified residents as  
6        defined in section 201H-32; provided that priority shall be  
7        given to:

8            (1) Projects on land owned or developed by the State or a  
9            county;

10          (2) Projects that efficiently use state funding;

11          (3) Projects with a mix of units affordable to a diverse  
12          income range, as defined by the corporation; and

13          (4) Projects prioritizing government employees.

14        The corporation shall establish an application process for  
15        subaccount fund allocation, separate from the fund allocation  
16        process pursuant to section 201H-204(c), that gives preference  
17        to projects meeting the criteria established in this subsection.

18        The corporation may include other criteria as it deems necessary  
19        to effectuate the purposes of this subsection. Moneys derived  
20        from the repayment of loans funded by the subaccount, interest



1 thereon, and related fees and returns, shall be deposited into  
2 the subaccount.

3       ~~[(f)]~~ (g) There is established within the fund a bond  
4 volume cap recycling program subaccount. The bond volume cap  
5 recycling program subaccount shall be maintained as a reserve  
6 for the bond volume cap recycling program established pursuant  
7 to section 39B-2(f).

8       ~~[(g)]~~ (h) The corporation shall submit an annual report to  
9 the legislature no later than twenty days prior to the convening  
10 of each regular session describing the projects funded and, with  
11 respect to rental housing projects targeted for persons and  
12 families with incomes at or below thirty per cent of the median  
13 family income, its efforts to develop those rental housing  
14 projects, a description of proposals submitted for this target  
15 group and action taken on the proposals, and any barriers to  
16 developing housing units for this target group.

17       ~~[(h)]~~ (i) For the purposes of this subpart, the applicable  
18 median family income shall be the median family income for the  
19 county or standard metropolitan statistical area in which the  
20 project is located as determined by the United States Department  
21 of Housing and Urban Development, as adjusted from time to time.



1        [~~(i)~~] (j) The corporation may provide loans under this  
2 section; provided that the corporation shall establish  
3 loan-to-value ratios to protect the fund from inordinate risk  
4 and that under no circumstances shall the rules permit the  
5 loan-to-value ratio to exceed one hundred per cent; provided  
6 further that the underwriting guidelines include a debt-coverage  
7 ratio of no less than 1.0 to 1.

8        [~~(j)~~] (k) For the period commencing July 1, 2005, through  
9 June 30, 2009, the fund may be used to provide grants for rental  
10 units set aside for persons and families with incomes at or  
11 below thirty per cent of the median family income in any project  
12 financed in whole or in part by the fund in proportion of those  
13 units to the total number of units in the project. At the  
14 conclusion of the period described in this subsection, the  
15 corporation shall report to the legislature on the number and  
16 use of grants provided and whether the grants were an effective  
17 use of the funds for purposes of developing rental housing for  
18 families at or below thirty per cent of the median family  
19 income."

20        SECTION 2. Section 201H-204, Hawaii Revised Statutes, is  
21 amended by amending subsection (c) to read as follows:



1       "(c) ~~[The]~~ Except as provided in section 201H-202(f), the  
2 corporation shall establish an application process for fund  
3 allocation that gives preference to projects meeting the  
4 following criteria that are listed in descending order of  
5 priority:

- 6       (1) Serve the original target group;
- 7       (2) Provide at least five per cent of the total number of  
8       units for persons and families with incomes at or  
9       below thirty per cent of the median family income;
- 10      (3) Provide the maximum number of units for persons or  
11      families with incomes at or below eighty per cent of  
12      the median family income;
- 13      (4) Are committed to serving the target group over a  
14      longer period of time;
- 15      (5) Increase the integration of income levels of the  
16      immediate community area;
- 17      (6) Meet the geographic needs of the target group of the  
18      proposed rental housing project, such as proximity to  
19      employment centers and services; and
- 20      (7) Have favorable past performance in developing, owning,  
21      managing, or maintaining affordable rental housing.





1       The corporation may include other criteria as it deems  
2 necessary to carry out the purposes of this subpart.

3       If the corporation, after applying the process described in  
4 this subsection, finds a nonprofit or government project equally  
5 ranked with a for-profit [~~or government~~] project, the  
6 corporation shall give preference to the nonprofit or government  
7 project in allotting fund moneys."

8       SECTION 3. There is appropriated out of the general  
9 revenues of the State of Hawaii the sum of \$               or so  
10 much thereof as may be necessary for fiscal year 2025-2026 and  
11 the same sum or so much thereof as may be necessary for fiscal  
12 year 2026-2027 to be deposited into the rental housing revolving  
13 fund.

14       SECTION 4. There is appropriated out of the housing  
15 efficiency and innovation subaccount of the rental housing  
16 revolving fund established pursuant to section 201H-202(f),  
17 Hawaii Revised Statutes, the sum of \$               or so much  
18 thereof as may be necessary for fiscal year 2025-2026 and the  
19 same sum or so much thereof as may be necessary for fiscal year  
20 2026-2027 for the Hawaii community development authority's  
21 ninety-nine-year leasehold project.



1       The sums appropriated shall be expended by the Hawaii  
2   housing finance and development corporation for the purposes of  
3   this Act.

4       SECTION 5. Statutory material to be repealed is bracketed  
5   and stricken. New statutory material is underscored.

6       SECTION 6. This Act shall take effect on July 1, 2050.



**Report Title:**

HHFDC; RHRF; Housing Efficiency and Innovation Subaccount;  
Housing; Priorities; Appropriations

**Description:**

Establishes the Housing Efficiency and Innovation Subaccount within the Rental Housing Revolving Fund. Specifies permissible uses of funding and priorities. Authorizes the Hawaii Housing Finance and Development Corporation to transfer funds between the Housing Efficiency and Innovation Subaccount and the Rental Housing Revolving Fund without legislative approval. Appropriates funds. Takes effect 7/1/2050. (SD1)

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