

JAN 23 2025

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. The purpose of this Act is to establish the
2 rental housing revolving fund mixed-income subaccount and to
3 authorize the transfer of funds from the rental housing
4 revolving fund to the rental housing revolving fund mixed-income
5 subaccount.

6 SECTION 2. The legislature finds that the State has a
7 housing crisis and that, although general excise tax exemptions
8 and county subsidies help to reduce development costs, private
9 development of rental housing for households earning from sixty
10 up to one hundred forty per cent of the area median income is
11 not financially feasible without additional public subsidy.

12 The legislature also finds that, although funding is
13 appropriated annually to the rental housing revolving fund which
14 may be used to finance projects serving households earning up to
15 one hundred forty per cent of area median income, the revolving
16 funds are prioritized for federal and state low-income housing
17 tax credit financed projects that generally serve households
18 earning up to sixty per cent of the area median income. Because

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1 the demand for revolving fund financing from first-priority low-
2 income housing tax credit projects far exceeds funding
3 availability, mixed-income projects, including those with units
4 serving households earning up to one hundred forty per cent of
5 the area median income, are not able to use the revolving fund.

6 The legislature further finds that strategies are needed to
7 help keep local residents in the State. Having affordable
8 rental housing opportunities for working families reduces net
9 domestic outmigration and preserves critical segments of the
10 State's labor force.

11 Accordingly, the purpose of this Act is to provide a
12 dedicated source of funds to be used by the Hawaii housing
13 finance and development corporation to finance mixed-income
14 rental housing projects.

15 SECTION 3. Section 201H-202, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "**§201H-202 Rental housing revolving fund.** (a) There is
18 established the rental housing revolving fund to be administered
19 by the corporation.

20 (b) An amount from the fund, to be set by the corporation
21 and authorized by the legislature, may be used for
22 administrative expenses incurred by the corporation in

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1 administering the corporation's housing finance programs;
2 provided that fund moneys shall not be used to finance day-to-
3 day administrative expenses of projects allotted fund moneys.

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

8 (d) The following may be deposited into the mixed-income
9 subaccount established in subsection (f): appropriations made by
10 the legislature, private contributions, repayment of loans,
11 interest, other returns, and moneys from other sources.

12 [~~(d)~~] (e) The fund shall be used to provide loans for the
13 development, pre-development, construction, acquisition,
14 preservation, and substantial rehabilitation of rental housing
15 units. The corporation shall not forgive any loan made from the
16 fund unless the corporation forecloses on the [~~project.~~]
17 project's real property pledged as security for the repayment of
18 the loan. Permitted uses of the fund may include but are not
19 limited to planning, design, land acquisition, costs of options,
20 agreements of sale, downpayments, equity financing, capacity
21 building of nonprofit housing developers, credit enhancement,
22 gap financing, or other housing development services or

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1 activities as provided in rules adopted by the corporation
2 pursuant to chapter 91. The rules may provide for a means of
3 recapturing loans or grants made from the fund if a rental
4 housing project financed under the fund is refinanced or sold at
5 a later date. The rules may also provide that moneys from the
6 fund shall be leveraged with other financial resources to the
7 extent possible.

8 ~~[(e)—Moneys]~~ (f) Except as provided in subsection (g),
9 moneys available in the fund shall be used for the purpose of
10 providing, in whole or in part, loans for rental housing
11 projects demonstrating project readiness, efficiency, and
12 feasibility acceptable to the corporation in the following order
13 of priority:

14 (1) For projects that were awarded low-income housing
15 credits pursuant to paragraph (2), priority shall be
16 given to projects with a perpetual affordability
17 commitment;

18 (2) Projects or units in projects that are allocated low-
19 income housing credits pursuant to the state housing
20 credit ceiling under section 42(h) of the Internal
21 Revenue Code of 1986, as amended, or projects or units
22 in projects that are funded by programs of the United

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1 States Department of Housing and Urban Development and
2 United States Department of Agriculture Rural
3 Development wherein:

4 (A) At least fifty per cent of the available units
5 are for persons and families with incomes at or
6 below eighty per cent of the median family income
7 of which at least five per cent of the available
8 units are for persons and families with incomes
9 at or below thirty per cent of the median income;
10 and

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

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

16 (3) Mixed-income rental projects or units in a mixed-
17 income rental project [~~wherein all of the available~~
18 ~~units are~~] for persons and families with incomes at or
19 below one hundred forty per cent of the median family
20 income[-]; and

21 (g) There is established within the fund a mixed-income
22 subaccount to be used and administered as follows:

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(1) The moneys available in the mixed-income subaccount shall be used to make loans to mixed-income rental projects or units in a mixed-income rental project for persons and families with incomes at or below one hundred forty per cent of the median family income;

(2) The corporation shall establish an application process for making loans from the mixed-income subaccount that gives preference to projects meeting the following criteria that are listed in descending order of priority:

(A) Projects that have a diverse range of affordability, targeting persons and families with incomes up to one hundred forty per cent of the median family income;

(B) Projects located on State or county owned land; and

(C) Projects for which a loan from the subaccount is reasonably projected to be fully repaid within forty years from funding.

The corporation shall adopt rules pursuant to chapter 91 that may include other criteria for giving preferences to projects in the application process.

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1 If the corporation, after applying the process
2 described in this paragraph, finds a nonprofit project
3 equally ranked with a for-profit or government
4 project, the corporation shall give preference to the
5 nonprofit project in lending funds from the mixed-
6 income subaccount; and

7 (3) Moneys derived from the repayment of loans made from
8 the mixed-income subaccount, interest earned thereon,
9 and related fees and other returns shall be deposited
10 into the mixed-income subaccount.

11 ~~[(f)]~~ (h) There is established within the fund a bond
12 volume cap recycling program subaccount. The bond volume cap
13 recycling program subaccount shall be maintained as a reserve
14 for the bond volume cap recycling program established pursuant
15 to section 39B-2(f).

16 ~~[(g)]~~ (i) The corporation shall submit an annual report to
17 the legislature no later than twenty days prior to the convening
18 of each regular session describing the projects funded and, with
19 respect to rental housing projects targeted for persons and
20 families with incomes at or below thirty per cent of the median
21 family income, its efforts to develop those rental housing
22 projects, a description of proposals submitted for this target

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1 group and action taken on the proposals, and any barriers to
2 developing housing units for this target group.

3 ~~[(h)]~~ (j) For the purposes of this subpart, the applicable
4 median family income shall be the median family income for the
5 county or standard metropolitan statistical area in which the
6 project is located as determined by the United States Department
7 of Housing and Urban Development, as adjusted from time to time.

8 ~~[(i)]~~ (k) The corporation may provide loans under this
9 section; provided that the corporation shall establish loan-to-
10 value ratios to protect the fund from inordinate risk and that
11 under no circumstances shall the rules permit the loan-to-value
12 ratio to exceed one hundred per cent; provided further that the
13 underwriting guidelines include a debt-coverage ratio of no less
14 than 1.0 to 1.

15 ~~[(j)]~~ (l) For the period commencing July 1, 2005, through
16 June 30, 2009, the fund may be used to provide grants for rental
17 units set aside for persons and families with incomes at or
18 below thirty per cent of the median family income in any project
19 financed in whole or in part by the fund in proportion of those
20 units to the total number of units in the project. At the
21 conclusion of the period described in this subsection, the
22 corporation shall report to the legislature on the number and

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1 use of grants provided and whether the grants were an effective
2 use of the funds for purposes of developing rental housing for
3 families at or below thirty per cent of the median family
4 income."

5 SECTION 4. Section 201H-204, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "[+]§201H-204[+] **Eligible projects.** (a) Activities
8 eligible for assistance from the fund shall include but not be
9 limited to:

10 (1) New construction, rehabilitation, or preservation of
11 low-income rental housing units that meet the criteria
12 for eligibility described in subsection (c) [7] or in
13 subsection 201H-202(g) (2);

14 (2) The leveraging of moneys with the use of fund assets;

15 (3) Pre-development activity [~~grants or~~] loans to
16 nonprofit organizations; and

17 (4) Acquisition of housing units for the purpose of
18 preservation as low-income or very low-income housing.

19 (b) Preference shall be given to projects producing units
20 in at least one of the following categories:

21 (1) Multifamily units;

22 (2) Attached single-family units;

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- (3) Apartments;
- (4) Townhouses;
- (5) Housing units above commercial or industrial space;
- (6) Single room occupancy units;
- (7) Accessory apartment units;
- (8) Employee housing;
- (9) United States Department of Housing and Urban
Development mixed finance development of public
housing units; and

- (10) Other types of units meeting the criteria for
eligibility set forth in subsection (c) [~~+~~] or in
subsection 201H-202(g)(2).

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

- (1) Serve the original target group;
- (2) Provide at least five per cent of the total number of
units for persons and families with incomes at or
below thirty per cent of the median family income;

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(3) Provide the maximum number of units for persons or families with incomes at or below eighty per cent of the median family income;

(4) Are committed to serving the target group over a longer period of time;

(5) Increase the integration of income levels of the immediate community area;

(6) Meet the geographic needs of the target group of the proposed rental housing project, such as proximity to employment centers and services; and

(7) Have favorable past performance in developing, owning, managing, or maintaining affordable rental housing.

The rules adopted by the corporation pursuant to chapter 91 may include other criteria as it deems necessary to carry out the purposes of this subpart.

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

SECTION 5. The director of finance is authorized to transfer moneys from the rental housing revolving fund to the

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1 rental housing revolving fund mixed-income subaccount in an
2 amount not to exceed \$ for fiscal year 2025-2026.

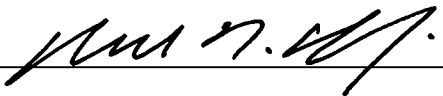
3 SECTION 6. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 7. This Act shall take effect upon its approval.

6

7

INTRODUCED BY:



8

BY REQUEST

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Report Title:

Hawaii Housing Finance and Development Corporation; RHRF; Mixed-Income Rental Housing; Subaccount

Description:

Creates a mixed-income rental housing subaccount under the Rental Housing Revolving Fund which shall make loans to mixed-income rental projects or units in a mixed-income rental project. Authorizes the transfer of moneys from the Rental Housing Revolving Fund to the Rental Housing Revolving Fund Mixed-Income Subaccount.

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

JUSTIFICATION SHEET

SB. NO. 1329

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE RENTAL HOUSING REVOLVING FUND.

PURPOSE: To establish a separate Rental Housing Revolving Fund (RHRF) subaccount to make loans to Tier II mixed-income rental projects or units in a mixed-income rental project wherein all of the available units are for persons and families with incomes at or below 140 percent of the median family income and to authorize the Director of Finance to transfer moneys from the RHRF to the RHRF subaccount.

MEANS: Amend sections 201H-202 and 201H-204, Hawaii Revised Statutes. Provide authority in the Session Laws for the Director of Finance to transfer moneys from the RHRF to the RHRF subaccount.

JUSTIFICATION: RHRF currently has two priority funding groups. Due to limited funding, funds are generally only available for first priority, or "Tier I," projects or units for persons and families with incomes at or below sixty percent of the median family income. This bill is needed so that funding can be available for mixed-income rental projects or units, or Tier II, without the need for legislation to finance projects outside the first priority. The ability to fund Tier II projects in any given year will result in quicker funding and development of housing for those who need it. Tier II projects are able to charge higher rents, which allows loans to be paid and revolve more quickly.

Impact on the public: Greater access to housing for those who meet Tier II project criteria, thus slowing the outmigration of the State's workforce, young professionals, and tax base.

Impact on the department and other agencies:
Hawaii Housing Finance and Development Corporation will be able to hold targeted funding rounds for RHRF Tier II financing without requiring new legislation each time. This will allow developers to be more certain of funding availability and begin working on projects and preparing their project proposals. With earlier notification of funding availability, projects that are proposed and awarded funding will be more ready and break ground sooner after the award.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BED-160.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: Upon approval.