
A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. The legislature finds that a shortage of
2 affordable housing exists in the State. Apartment and
3 condominium buildings with between ten and forty units, usually
4 older walk-ups, constitute a large portion of the State's
5 existing rental housing stock. Yet the legislature finds that
6 approximately fifteen percent of the units in this type of
7 building on Oahu alone are vacant due to the derelict condition
8 of the units. Although many of these units can be rendered
9 habitable with relatively small improvements, owners often leave
10 these units vacant and uninhabited due to the difficulty in
11 obtaining traditional financing.

12 The purpose of this bill is to encourage the owners of
13 derelict units to bring the units back onto the rental housing
14 market by offering low-interest renovation loans of \$10,000 per
15 unit or less. These microloans will increase the availability
16 of affordable homes by at least 1500 units across the State.
17 The legislature also finds these microloans to directly benefit



1 the local job market by creating additional work for laborers
2 and small contractors.

3 SECTION 2. Section 201H-201, Hawaii Revised Statutes, is
4 amended by adding three new definitions to be appropriately
5 inserted and to read as follows:

6 "Microloan" means a loan of \$10,000 or less based on the
7 current value.

8 "Habitable" means meeting basic standard living conditions
9 as required in section 521-42(a).

10 "Derelict" means failing to meet the basic standard living
11 conditions, rendering the unit uninhabitable."

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

14 **"§201H-202 Rental housing revolving fund.** (a) There is
15 established the rental housing revolving fund to be administered
16 by the corporation.

17 (b) An amount from the fund, to be set by the corporation
18 and authorized by the legislature, may be used for
19 administrative expenses incurred by the corporation in
20 administering the fund; provided that fund moneys may not be



1 used to finance day-to-day administrative expenses of projects
2 allotted fund moneys.

3 (c) The following may be deposited into the fund:
4 appropriations made by the legislature, private contributions,
5 repayment of loans, interest, other returns, and moneys from
6 other sources.

7 (d) The fund shall be used to provide loans or grants for
8 the development, pre-development, construction, acquisition,
9 preservation, and substantial rehabilitation of rental housing
10 units. Permitted uses of the fund may include but are not
11 limited to planning, design, land acquisition, costs of options,
12 agreements of sale, down-payments, equity financing, capacity
13 building of nonprofit housing developers, or other housing
14 development services or activities as provided in rules adopted
15 by the corporation pursuant to chapter 91. The rules may
16 provide for a means of recapturing loans or grants made from the
17 fund if a rental housing project financed under the fund is
18 refinanced or sold at a later date. The rules may also provide
19 that moneys from the fund shall be leveraged with other
20 financial resources to the extent possible.



1 (e) Moneys available in the fund shall be used for the
2 purpose of providing, in whole or in part, loans or grants for
3 rental housing projects in the following order of priority:

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

12 (A) At least fifty per cent of the available units
13 are for persons and families with incomes at or
14 below eighty per cent of the median family income
15 of which at least five per cent of the available
16 units are for persons and families with incomes
17 at or below thirty per cent of the median family
18 income; and

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



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

- 3 (2) Mixed-income rental projects or units in a
4 mixed-income rental project wherein all of the
5 available units are for persons and families with
6 incomes at or below one hundred forty per cent of the
7 median family income.

8 Low-interest microloans under subsection (j) provided to assist
9 landlords of derelict rental units to render these units
10 habitable are exempt from the regulations under this subsection.

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

20 (g) For the purposes of this subpart, the applicable
21 median family income shall be the median family income for the



1 county or standard metropolitan statistical area in which the
2 project is located as determined by the United States Department
3 of Housing and Urban Development, as adjusted from time to time.

4 (h) The corporation may provide loans and grants under
5 this section; provided that the corporation shall establish
6 loan-to-value ratios to protect the fund from inordinate risk
7 and that under no circumstances shall the rules permit the
8 loan-to-value ratio to exceed one hundred per cent; and provided
9 further that the underwriting guidelines include a debt-coverage
10 ratio of not less than 1.0 to 1.

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



1 families at or below thirty per cent of the median family
2 income.

3 (j) No less than five per cent of the funds shall be
4 designated to assist landlords of derelict rental units to
5 obtain low-interest microloans to render these units habitable.
6 Microloans made available to assist landlords of derelict rental
7 units shall be subject to the following regulations:

8 (1) The unit for which the loan is requested is deemed
9 derelict by a Corporation home-inspector,

10 (2) The unit has been unoccupied for at least 3 months
11 prior to loan request,

12 (3) Qualifying units shall be in buildings holding between
13 ten and forty units,

14 (4) The loan is used to renovate the derelict unit to
15 render it habitable,

16 (5) The units are intended to provide affordable long-term
17 housing, and

18 (6) The Corporation may provide for a means of recapturing
19 loans or grants made from the microloan fund if a
20 rental housing unit financed under the fund is
21 refinanced or sold at a later date."



H.B. NO. 2633

1 SECTION 4. New statutory material is underscored.

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

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INTRODUCED BY:

J. Mc. Mate
Cal. St.
Re. Mc. Mate
Nadhi K. R.
SEDO
Garry P. M.
Dm

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H.B. NO. 2633

Report Title:

Microloans; Affordable Housing; Rental Housing Revolving Fund.

Description:

Provides for low-interest microloans to assist landlords of derelict rental units in small apartment or condominium buildings to render these units habitable.

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