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# 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 the self-help  
2 housing model is a cost-effective means of assisting low-income  
3 families who would otherwise not have a homeownership  
4 opportunity. Self-help housing organizations leverage federal  
5 funds from the United States Department of Housing and Urban  
6 Development and the United States Department of Agriculture  
7 Rural Development and use low-income families' own contributions  
8 of labor to help them build their own communities. However, an  
9 additional non-federal matching funding source is needed.

10           The legislature further finds that homeownership is a  
11 national strategy for preserving affordable housing units  
12 financed through the federal low-income housing tax credit and  
13 section 8 programs. Currently, there are 7,486 affordable  
14 housing units in Hawaii developed with low-income housing tax  
15 credits and section 8 program funding that are at or beyond  
16 their mandatory affordability period and will therefore be at  
17 risk of becoming market-rate units. Action is needed to



1 preserve the limited affordable housing opportunities for low-  
2 and moderate-income households in Hawaii.

3       The legislature further finds that nonprofit community  
4 development financial institutions are intermediaries that  
5 provide financing and technical assistance to assist self-help  
6 housing organizations in the development of affordable  
7 homeownership units in underserved communities. As private  
8 sector organizations, community development financial  
9 institutions establish and maintain revolving loan funds to  
10 attract capital from the United States Department of the  
11 Treasury and other public and private sources of capital in  
12 order to increase the collective impact of affordable housing  
13 development by self-help housing organizations. According to  
14 Opportunity Finance Network, community development financial  
15 institutions leverage federal funding for affordable housing and  
16 community development activities at a ratio of 8:1. Additional  
17 funding would help community development financial institutions  
18 attract private and public capital for affordable housing  
19 development.



1 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
2 amended by adding a new subpart to part II to be appropriately  
3 designated and to read as follows:

4 "B. Qualified Nonprofit Housing Trust Program

5 §201H-A Purpose and findings. The legislature finds that  
6 qualified nonprofit housing trusts can help families by reducing  
7 housing costs significantly for income-qualified families up to  
8 one hundred forty per cent of the area median income.  
9 Substantial cost savings are generated by retaining fee simple  
10 ownership of the home with the qualified nonprofit housing trust  
11 for the long term, subject to a long-term ground lease to the  
12 homeowner. Qualified nonprofit housing trust homeowners have  
13 more financial stability because they no longer worry about rent  
14 increases or loss of their residence in the event the landlord  
15 decides to sell the unit.

16 The purpose of this subpart is to promote permanent  
17 affordable homeownership opportunities by establishing an  
18 acquisition, rehabilitation, and development financing program  
19 for qualified nonprofit housing trusts and nonprofit community  
20 development financial institutions.



1           **§201H-B Definitions.** As used in this subpart, unless a  
2 different meaning is clearly required by the context:

3           "Develop" or "development" means the planning, financing,  
4 or acquisition of real and personal property; demolition of  
5 existing structures; clearance of real property; construction,  
6 reconstruction, alteration, or repairing of approaches, streets,  
7 sidewalks, utilities, and services, or other site improvements;  
8 construction, reconstruction, repair, remodeling, extension,  
9 equipment, or furnishing of buildings or other structures; or  
10 any combination of the foregoing, of any housing project,  
11 including any undertakings necessary therefor and the  
12 acquisition of any housing, in whole or in part.

13           "Fund" means the qualified nonprofit housing trust  
14 revolving fund established pursuant to section 201H-C.

15           **§201H-C Qualified nonprofit housing trust revolving fund.**

16 (a) There is established a qualified nonprofit housing trust  
17 revolving fund. Funds appropriated for the purpose of the  
18 qualified nonprofit housing trust revolving fund and all moneys  
19 received or collected by the corporation for the purpose of the  
20 fund shall be deposited in the fund. The proceeds in the  
21 revolving fund may be used for the necessary expenses incurred



1 by the corporation in administering the fund; provided that fund  
2 moneys may not be used to finance day-to-day administrative  
3 expenses of projects allotted fund moneys.

4 (b) The fund shall be used to provide loans for the  
5 development, pre-development, construction, acquisition,  
6 preservation, and substantial rehabilitation of affordable  
7 housing units under the qualified nonprofit housing trust  
8 program. Permitted uses of the fund may include but are not  
9 limited to planning, design, land acquisition, costs of options,  
10 agreements of sale, downpayments, equity financing, or other  
11 activities as provided in rules adopted by the corporation  
12 pursuant to chapter 91. The rules may provide for a means of  
13 recapturing loans made from the fund if an affordable housing  
14 project financed under the fund is refinanced or sold by the  
15 qualified nonprofit housing trust at a later date.

16 §201H-D Qualified nonprofit housing trust program for  
17 affordable for-sale housing development. (a) The corporation  
18 may provide loans in amounts not to exceed \$ under  
19 this section to qualified nonprofit housing trusts and nonprofit  
20 community development financial institutions for the development  
21 of affordable housing units.



1 (b) Affordable housing units developed under this section  
2 shall be sold to qualified residents earning not more than one  
3 hundred forty per cent of the area median income as determined  
4 by the United States Department of Housing and Urban Development  
5 under terms that ensure permanent housing affordability.

6 (c) Notwithstanding any other provision of law, the  
7 corporation, at its sole discretion, may waive or modify, as  
8 appropriate, the following restrictions for housing units  
9 developed under this section:

10 (1) The ten-year buyback restriction set forth in section  
11 201H-47;

12 (2) The shared appreciation equity restriction set forth  
13 in section 201H-47;

14 (3) The buyback restriction set forth in section 201H-48;

15 (4) The restrictions on use of real property set forth in  
16 section 201H-49; and

17 (5) The restrictions on use, sale, and transfer of real  
18 property set forth in section 201H-50;

19 provided that the qualified nonprofit housing trust loan

20 attributable to the housing units developed by the loan is



1 repaid to the corporation upon closing of the sale or transfer  
2 of the housing units.

3 (d) Qualified nonprofit housing trusts shall establish and  
4 impose on qualified residents owner-occupancy and buyback  
5 restrictions, to be approved by the corporation, that require  
6 the purchased housing units to remain affordable in perpetuity.

7 (e) The corporation may establish, revise, charge, and  
8 collect fees, premiums, and charges as necessary, reasonable, or  
9 convenient, for its qualified nonprofit housing trust program.

10 (f) The corporation shall adopt rules pursuant to chapter  
11 91 to effectuate the purpose of this program."

12 SECTION 3. Chapter 201H, Hawaii Revised Statutes, is  
13 amended by designating sections 201H-31 to 201H-70 as subpart A  
14 and inserting a title before section 201H-31 to read as follows:

15 "A. General Provisions"

16 SECTION 4. There is appropriated out of the general  
17 revenues of the State of Hawaii the sum of \$ or so  
18 much thereof as may be necessary for fiscal year 2019-2020 to be  
19 deposited into the qualified nonprofit housing trust revolving  
20 fund established under section 201H-C, Hawaii Revised Statutes.



1 SECTION 5. There is appropriated out of the qualified  
2 nonprofit housing trust revolving fund the sum of \$ or  
3 so much thereof as may be necessary for fiscal year 2019-2020  
4 for the qualified nonprofit housing trust program.

5 The sum appropriated shall be expended by the Hawaii  
6 housing finance and development corporation for the purposes of  
7 this Act.

8 SECTION 6. In codifying the new sections added by section  
9 2 of this Act, the revisor of statutes shall substitute  
10 appropriate section numbers for the letters used in designating  
11 the new sections in this Act.

12 SECTION 7. New statutory material is underscored.

13 SECTION 8. This Act shall take effect on July 1, 2050.

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**Report Title:**

Qualified Nonprofit Housing Trust Program; Appropriation

**Description:**

Establishes the qualified nonprofit housing trust program to authorize the Hawaii housing finance and development corporation to provide loans to qualified nonprofit housing trusts and nonprofit community development financial institutions to develop affordable housing units. Makes an appropriation into and out of the qualified nonprofit housing trust revolving fund. Effective 7/1/2050. (SD1)

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