

JAN 26 2022

A BILL FOR AN ACT

RELATING TO STATE FUNDS.

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

1 SECTION 1. The legislature finds that the Hawaii housing
2 finance and development corporation has legacy funds within the
3 rental housing revolving fund derived from tax-exempt general
4 obligation bond proceeds. These tax-exempt funds have limited
5 usefulness for affordable rental housing development because
6 under United States Treasury regulations, tax-exempt funds
7 cannot be used to finance projects that also use low-income
8 housing tax credits. There can only be one tax-exempt financing
9 source per project. Under United States Treasury regulations,
10 tax-exempt bond proceeds can be used for public infrastructure
11 projects. Financing of public infrastructure projects is an
12 allowable use of the corporation's dwelling unit revolving fund,
13 but not the rental housing revolving fund.

14 The legislature further finds that the tax-exempt general
15 obligation bond proceeds in the rental housing revolving fund
16 could be utilized if they are transferred to the dwelling unit
17 revolving fund.

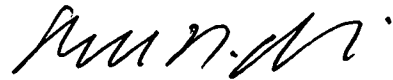
S.B. NO. 3048

1 Therefore, the purpose of this Act is to transfer tax-
2 exempt funds from the rental housing revolving fund to the
3 dwelling unit revolving fund for the purposes of the dwelling
4 unit revolving fund.

5 SECTION 2. The director of finance is authorized to
6 transfer tax-exempt general obligation bond proceeds and accrued
7 interest from the rental housing revolving fund to the dwelling
8 unit revolving fund up to the sum of \$_____ for fiscal
9 year 2022-2023.

10 SECTION 3. This Act, upon its approval, shall take effect
11 on July 1, 2022.

12 INTRODUCED BY: _____



13 BY REQUEST
14

S.B. NO. 3048

Report Title:

State Funds; Rental Housing Revolving Fund; Dwelling Unit
Revolving Fund

Description:

Authorizes the transfer of excess moneys from the rental housing revolving fund to the dwelling unit revolving fund.

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

DEPARTMENT: Business, Economic Development and Tourism

TITLE: A BILL FOR AN ACT RELATING TO STATE FUNDS.

PURPOSE: To authorize the Director of Finance to transfer the tax-exempt general obligation bond proceeds in the Rental Housing Revolving Fund (RHRF) to the Dwelling Unit Revolving Fund (DURF).

MEANS: Establish session law.

JUSTIFICATION: The Hawaii Housing Finance and Development Corporation has within RHRF approximately \$44,000,000 derived from tax-exempt general obligation bond proceeds. This balance has limited usefulness for affordable rental housing development - the primary purpose of the RHRF - because under United States Treasury regulations, tax-exempt funds cannot be used to finance projects that also use low-income housing tax credits. There can only be one tax-exempt financing source per project.

However, under United States Treasury regulations, tax-exempt bond proceeds can be used for public infrastructure projects. Financing of public infrastructure projects is an allowable use of the DURF, but not the RHRF. And the lack of infrastructure is a significant barrier to affordable housing development throughout the State. Therefore, transferring the tax-exempt balance within the RHRF to the DURF would be the most efficient use of these balances.

Impact on the public: Will allow critical public infrastructure projects necessary to support affordable housing development to proceed using existing funds without the appropriation and expenditure of new capital improvement project funds.

Impact on the department and other agencies:
Will allow HHFDC to make expedient use of existing RHRF balances for priority public infrastructure projects statewide.

GENERAL FUND: None.

OTHER FUNDS: Approximately \$44,000,000 in tax-exempt General Obligation Bond proceeds in the Rental Housing Revolving Fund, Dwelling Unit Revolving Fund.

PPBS PROGRAM
DESIGNATION: BED-160.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: July 1, 2022.