

JAN 20 2023

A BILL FOR AN ACT

RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION.

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 been designated as the
3 agency responsible for the administration of the rental housing
4 revolving fund. The rental housing revolving fund uses a point
5 system to facilitate project ranking of applications based on
6 the established evaluation criteria. The State has discretion
7 over the point system and rating criteria used to score and
8 evaluate applications used to award funds.

9 The legislature also finds that qualified housing projects
10 are funded in whole or in part through low-interest loans or
11 grants from the rental housing revolving fund for the
12 development, pre-development, construction, acquisition,
13 preservation of affordable rental housing that meet criteria for
14 eligibility set forth in chapter 15-311, Hawaii Administrative
15 Rules. The legislature appropriates millions of dollars to the
16 fund annually. Developers often take decades to repay loans,



1 and grants do not have to be repaid. There is no appropriate
2 incentive to require developers to construct additional projects
3 after the completion of a housing project. A dismal medium- to
4 long-term issue exists wherein the rental housing revolving fund
5 cannot replenish itself without legislative appropriation.
6 Therefore, the fund is an unsustainable burden for the State to
7 shoulder. In addition, the State will often purchase completed
8 housing development projects from the developer to guarantee
9 tenant stability. The taxpayer thus pays twice for the same
10 housing project.

11 The legislature further finds that it would be in the best
12 interest of the State to consider Vienna's Limited-Profit
13 Housing Act of 1979 as a model. Currently, over sixty per cent
14 of the city's population live in income blind, well-maintained,
15 innovatively constructed and designed public housing. Limited-
16 profit housing operates on a cost-recovery, as opposed to a
17 subsidized basis. Profits generated are used to build more
18 housing, which means that each new public housing project built
19 enables the creation of more housing. As a result of this
20 system, there is an annual production of over 17,000 units,



1 which comprises thirty per cent of their national total, with
2 little to no new taxpayer money added.

3 The purpose of this Act is to incentivize developers that
4 are awarded a loan or a grant from the rental housing revolving
5 fund to build housing and use the profits to build additional
6 housing by:

- 7 (1) Giving preference to projects owned by the State, or
8 an organization obliged to use all financial surplus
9 generated by the project to construct housing; and
- 10 (2) Awarding twenty per cent of the maximum two hundred
11 fifty points to projects that meet these criteria.

12 SECTION 2. Section 201H-202, Hawaii Revised Statutes, is
13 amended by amending subsection (e) to read as follows:

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

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



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 family
10 income; 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 (2) 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



1 (3) Projects that are owned by the State or an
2 organization obliged to use all financial surplus
3 generated by the project to construct housing."

4 SECTION 3. (a) The Hawaii housing finance and development
5 corporation shall amend section 15-311, Hawaii Administrative
6 Rules, Exhibit "A", to add a new criteria category that allows
7 for up to twenty per cent of the maximum two hundred fifty
8 points on the application criteria point system to be allocated
9 to proposed projects owned by the State or an organization
10 obliged to use all financial surplus generated by the project to
11 construct housing.

12 (b) The Hawaii housing finance and development corporation
13 shall prioritize applications based on both the timing and loan
14 amount repaid early.

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

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

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INTRODUCED BY: *[Signature]*



S.B. NO. 859

Report Title:

Hawaii Housing Finance and Development Corporation; Rental Housing Revolving Fund Program

Description:

Establishes priority for projects that are awarded funds from the Rental Housing Revolving Fund that are owned by the State or an organization obliged to reinvest financial surplus generated by a completed project into a newly constructed housing project. Requires the Hawaii Housing Finance and Development Corporation to amend Hawaii Administrative Rules to award application criteria points to projects that fulfill these criteria and prioritize applications based on timing and loan amount repaid early.

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

