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

8 The legislature further finds that although funding is
9 appropriated annually to the rental housing revolving fund to
10 finance projects serving households earning up to one hundred
11 forty per cent of area median income, the funds are prioritized
12 for federal and state low-income housing tax credit financed
13 projects, which generally only serve households earning up to
14 sixty per cent of the area median income. Because the demand
15 for revolving fund financing from first-priority tax credit
16 projects far exceeds funding availability, mixed-income
17 projects, including those with units serving households earning



1 up to one hundred forty per cent of the area median income, are
2 not able to utilize the rental housing revolving fund.

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

8 Accordingly, the purpose of this Act is to provide a
9 dedicated source of funds to finance mixed-income housing
10 projects.

11 SECTION 2. Section 201H-202, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§201H-202 Rental housing revolving fund.** (a) There is
14 established the rental housing revolving fund to be administered
15 by the corporation.

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



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

3 (c) The following may be deposited into the fund[+] or
4 into the mixed-income subaccount established under subsection
5 (f): 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~~] Notwithstanding any law to the contrary, the
9 fund shall be used to provide [~~loans~~] financing including but
10 not limited to loans, equity investments, credit enhancement,
11 and collateral for the development, pre-development,
12 construction, acquisition, preservation, and substantial
13 rehabilitation of rental housing units. The corporation shall
14 not forgive any loan made from the fund unless the corporation
15 forecloses on the project. Permitted uses of the fund may
16 include but are not limited to planning, design, land
17 acquisition, costs of options, agreements of sale, downpayments,
18 equity financing, capacity building of nonprofit housing
19 developers, credit enhancement, gap financing, or other housing
20 development services or activities as provided in rules adopted
21 by the corporation pursuant to chapter 91. The rules may



1 provide for a means of recapturing loans or grants made from the
2 fund if a rental housing project financed under the fund is
3 refinanced or sold at a later date. The rules may also provide
4 that moneys from the fund shall be leveraged with other
5 financial resources to the extent possible.

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

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

16 ~~(2)~~] (1) Projects or units in projects that are allocated
17 low-income housing credits pursuant to the state
18 housing credit ceiling under section 42(h) of the
19 Internal Revenue Code of 1986, as amended, or projects
20 or units in projects that are funded by programs of
21 the United States Department of Housing and Urban



1 Development and United States Department of
2 Agriculture Rural Development wherein:
3 (A) At least fifty per cent of the available units
4 are for persons and families with incomes at or
5 below eighty per cent of the median family income
6 of which at least five per cent of the available
7 units are for persons and families with incomes
8 at or below thirty per cent of the median family
9 income; ~~and~~
10 (B) The remaining units are for persons and families
11 with incomes at or below one hundred per cent of
12 the median family income; and
13 (C) For projects that were awarded low-income housing
14 credits pursuant to paragraph (1), priority shall
15 be given to projects with a perpetual
16 affordability commitment;
17 provided that the corporation may establish rules to
18 ensure full occupancy of fund projects; and
19 ~~(3)~~ (2) Mixed-income rental projects or units in a
20 mixed-income rental project ~~[wherein all of the~~
21 ~~available units are]~~ for persons and families with



1 incomes at or below one hundred forty per cent of the
2 median family income.

3 (f) There is established within the fund a mixed-income
4 subaccount. Moneys in the mixed-income subaccount shall be used
5 for financing mixed-income rental or for-sale projects, or units
6 in a mixed-income rental or for-sale project, exclusively for
7 qualified residents as defined in section 201H-32; provided that
8 financing from the subaccount may include loans, equity
9 investments, credit enhancement, and collateral. The
10 corporation may transfer moneys between the mixed-income
11 subaccount and the rental housing revolving fund without
12 requiring legislative approval.

13 The corporation shall establish an application process for
14 the allocation of funds in the mixed-income subaccount, separate
15 from the fund allocation process pursuant to section
16 201H-204(c), that gives preference to projects meeting the
17 following criteria:

18 (1) Projects for renters or buyers who meet income
19 requirements, members of the workforce, government
20 employees, or other populations as the corporation may
21 deem in the public interest; provided that the units



1 may be offered to all qualified residents as defined
2 in section 201H-32 if insufficient renters or buyers
3 from prioritized groups are found after a marketing
4 period to be determined by the corporation;

5 (2) Projects located on state or county owned land;

6 (3) Projects requiring the least state funding per unit
7 and that are projected to be fully repaid within the
8 shortest loan term; and

9 (4) Any other criteria as the corporation deems necessary
10 to carry out the purposes of this subsection.

11 If the corporation, after applying the process described in
12 this subsection, finds a nonprofit or government project equally
13 ranked with a for-profit project, the corporation shall give
14 preference to the nonprofit or government project in allotting
15 funds from the mixed-income subaccount.

16 Moneys derived from the repayment of loans funded by the
17 mixed-income subaccount, interest thereon, and related fees and
18 returns shall be deposited into the mixed-income subaccount.

19 The corporation shall prioritize funding for rental and
20 for-sale housing projects that price units at the minimum level



1 to be revenue neutral, as determined by rules adopted by the
2 corporation pursuant to chapter 91.

3 ~~(f)~~ (g) There is established within the fund a bond
4 volume cap recycling program subaccount. The bond volume cap
5 recycling program subaccount shall be maintained as a reserve
6 for the bond volume cap recycling program established pursuant
7 to section 39B-2(f).

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

17 ~~(h)~~ (i) For the purposes of this subpart, the applicable
18 median family income shall be the median family income for the
19 county or standard metropolitan statistical area in which the
20 project is located as determined by the United States Department
21 of Housing and Urban Development, as adjusted from time to time.



1 ~~[(i)]~~ (j) The corporation may provide loans under this
2 section; provided that the corporation shall establish
3 loan-to-value ratios to protect the fund from inordinate risk
4 and that under no circumstances shall the rules permit the
5 loan-to-value ratio to exceed one hundred per cent; provided
6 further that the underwriting guidelines include a debt-coverage
7 ratio of no less than 1.0 to 1.

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

20 SECTION 3. Section 201H-204, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "~~§~~201H-204~~§~~ Eligible projects. (a) Activities
2 eligible for assistance from the fund shall include but not be
3 limited to:
4 (1) New construction, rehabilitation, or preservation of
5 low-income or mixed-income rental housing units that
6 meet the criteria for eligibility described in
7 subsection (c)~~§~~ or section 201H-202(f);
8 (2) The leveraging of moneys with the use of fund assets;
9 (3) Pre-development activity grants or loans to nonprofit
10 organizations; and
11 (4) Acquisition of housing units for the purpose of
12 preservation as low-income or very low-income housing.
13 (b) Preference shall be given to projects producing units
14 in at least one of the following categories:
15 (1) Multifamily units;
16 (2) Attached single-family units;
17 (3) Apartments;
18 (4) Townhouses;
19 (5) Housing units above commercial or industrial space;
20 (6) Single room occupancy units;
21 (7) Accessory apartment units;



- 1 (8) Employee housing;
- 2 (9) United States Department of Housing and Urban
- 3 Development mixed finance development of public
- 4 housing units; and
- 5 (10) Other types of units meeting the criteria for
- 6 eligibility set forth in subsection (c) [-] or section
- 7 201H-202(f).
- 8 (c) [~~The~~] Except as provided in section 201H-202(f), the
- 9 corporation shall establish an application process for fund
- 10 allocation that gives preference to projects meeting the
- 11 following criteria that are listed in descending order of
- 12 priority:
- 13 (1) Serve the original target group;
- 14 (2) Provide at least five per cent of the total number of
- 15 units for persons and families with incomes at or
- 16 below thirty per cent of the median family income;
- 17 (3) Provide the maximum number of units for persons or
- 18 families with incomes at or below eighty per cent of
- 19 the median family income;
- 20 (4) Are committed to serving the target group over a
- 21 longer period of time;



- 1 (5) Increase the integration of income levels of the
- 2 immediate community area;
- 3 (6) Meet the geographic needs of the target group of the
- 4 proposed rental housing project, such as proximity to
- 5 employment centers and services; and
- 6 (7) Have favorable past performance in developing, owning,
- 7 managing, or maintaining affordable rental housing.

8 The corporation may include other criteria as it deems
9 necessary to carry out the purposes of this subpart.

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

14 SECTION 4. Section 247-7, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§247-7 Disposition of taxes.** All taxes collected under
17 this chapter shall be paid into the state treasury to the credit
18 of the general fund of the State, to be used and expended for
19 the purposes for which the general fund was created and exists
20 by law; provided that of the taxes collected each fiscal year:



1 (1) Ten per cent or \$5,100,000, whichever is less, shall
2 be paid into the land conservation fund established
3 pursuant to section 173A-5; and

4 (2) Fifty per cent or \$38,000,000, whichever is less,
5 shall be paid into the rental housing revolving fund
6 established by section 201H-202[-]; provided that
7 funds allocated under this paragraph may be
8 transferred into the mixed-income subaccount
9 established pursuant to section 201H-202(f)."

10 SECTION 5. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$ or so
12 much thereof as may be necessary for fiscal year 2025-2026 to be
13 deposited into the mixed-income subaccount of the rental housing
14 revolving fund established pursuant to section 201H-202(f),
15 Hawaii Revised Statutes.

16 SECTION 6. There is appropriated out of the mixed-income
17 subaccount of the rental housing revolving fund established
18 pursuant to section 201H-202(f), Hawaii Revised Statutes, the
19 sum of \$ or so much thereof as may be necessary for
20 fiscal year 2025-2026 for the purposes of the subaccount.



1 The sum appropriated shall be expended by the Hawaii
2 housing finance and development corporation for the purposes of
3 this Act.

4 SECTION 7. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

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



Report Title:

HHFDC; Rental Housing Revolving Fund; Mixed-Income Subaccount;
Workforce Rental Housing; For-Sale Housing; Rules;
Prioritization; Appropriations

Description:

Establishes the Mixed-Income Subaccount within the Rental Housing Revolving Fund to prioritize development of workforce rental and for-sale housing projects for qualified residents. Requires the Hawaii Housing Finance and Development Corporation to adopt administrative rules. Appropriates moneys. Effective 7/1/2050. (SD2)

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