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**A BILL FOR AN ACT**

RELATING TO THE DWELLING UNIT REVOLVING FUND.

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

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

4           "§201H- Dwelling unit revolving fund equity  
5 program. (a) The corporation may purchase equity in for-sale  
6 housing development projects in the form of a second mortgage  
7 loan, provided that:

8           (1) The equity shall be allocated to specific units within  
9           the housing development project; and

10           (2) The contribution from each eligible buyer of a unit  
11           shall be reduced by the corporation's equity amount  
12           for that unit.

13           (b) Eligible buyers shall be bona fide residents of the  
14 State and shall not own a majority interest in any residential  
15 real property. The corporation may establish additional  
16 qualifications for the eligible buyer, which may include a  
17 requirement that the eligible buyer work in a profession that is  
18 facing a labor shortage, as determined by the corporation, and a

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1 requirement that gift funds shall not exceed thirty-five per  
2 cent of the unit purchase price.

3 (c) The corporation may establish criteria for the  
4 prioritization of eligible buyers.

5 (d) If a buyer sells the unit within thirty years of the  
6 date of the buyer's purchase of the unit, then at the time of  
7 the sale, the buyer shall repay to the corporation the  
8 corporation's equity and equity percentage share of the  
9 appreciated unit value, if any; provided that if the buyer does  
10 not sell the unit within thirty years of the date of the buyer's  
11 purchase of the unit, then upon refinance, obtaining additional  
12 financing, transfer of title, non-owner occupancy or rental of  
13 the unit or any part of the unit, the buyer shall repay to the  
14 corporation the corporation's equity and equity percentage share  
15 of the appreciated unit value, if any, prior to the expiration  
16 of the thirty-year period; provided further that this  
17 requirement shall run with the deed or lease initially conveyed  
18 for each unit until the obligation to repay the equity and  
19 equity percentage share, if any, has been satisfied.

20 (e) With the prior approval of the corporation, the  
21 eligible developer may repay, in the form of equity in project  
22 units under the program, a part or all of the interim financing

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1 made under this subpart and secured by a mortgage on the for-  
2 sale housing development project.

3 (f) The corporation shall establish rules pursuant to  
4 chapter 91 to implement this section.

5 (g) The following words or terms as used in this section  
6 shall have the following meanings unless a different meaning  
7 clearly appears from the context:

8 "Housing development project" means a plan, design, or  
9 undertaking by the corporation or an eligible developer for the  
10 development of units. "Housing development project" includes  
11 all real and personal property, buildings and improvements,  
12 commercial space, lands for farming and gardening, community  
13 facilities acquired or constructed or to be acquired or  
14 constructed, and all tangible or intangible assets held or used  
15 in connection with the housing development project.

16 "Unit" means:

17 (1) The structure and land upon which the structure is  
18 constructed, whether on fee simple or leasehold  
19 property, developed for residential purposes pursuant  
20 to chapter 201H; or

21 (2) Improved or unimproved real property that is developed  
22 for residential purposes pursuant to chapter 201H.

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1 "Unit" includes dwelling units."

2 SECTION 2. Section 201H-191, Hawaii Revised Statutes, is  
3 amended by amending subsection (a) to read as follows:

4 "(a) There is created a dwelling unit revolving fund. The  
5 funds appropriated for the purpose of the dwelling unit  
6 revolving fund and all moneys received or collected by the  
7 corporation for the purpose of the revolving fund shall be  
8 deposited [~~in~~] into the revolving fund. The proceeds in the  
9 revolving fund shall be used to reimburse the general fund to  
10 pay the interest on general obligation bonds issued for the  
11 purposes of the revolving fund, for the necessary expenses in  
12 administering housing development programs and regional state  
13 infrastructure programs, and for carrying out the purposes of  
14 housing development programs and regional state infrastructure  
15 programs, including but not limited to the expansion of  
16 community facilities and regional state infrastructure  
17 constructed in conjunction with housing and mixed-use transit-  
18 oriented development projects, purchasing equity in for-sale  
19 housing development projects, interim primary or secondary  
20 financing, permanent primary or secondary financing, and  
21 supplementing building costs, federal guarantees required for  
22 operational losses, and all things required by any federal

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1 agency in the construction and receipt of federal funds or  
2 low-income housing tax credits for housing projects."

3 SECTION 3. Act 92, Session Laws of Hawaii 2023, is amended  
4 by amending section 2 to read as follows:

5 "SECTION 2. [~~(a) The Hawaii housing finance and~~  
6 ~~development corporation may establish a five year dwelling unit~~  
7 ~~revolving fund equity pilot program, which shall be funded by~~  
8 ~~the dwelling unit revolving fund, to address the high, unmet~~  
9 ~~demand of for sale units by Hawaii residents, specifically~~  
10 ~~residents who:~~

11 ~~(1) Own no other real property;~~

12 ~~(2) Receive no gift funds; and~~

13 ~~(3) Work in a profession that is facing a shortage as~~  
14 ~~defined by the corporation, including health care~~  
15 ~~workers, educators, law enforcement officers,~~  
16 ~~including staff at correctional facilities, or~~  
17 ~~agricultural field workers.~~

18 ~~(b) The Hawaii housing finance and development corporation~~  
19 ~~may purchase equity in for sale housing development projects,~~  
20 ~~provided that this equity shall be allocated to specific units~~  
21 ~~within the housing development projects and the price to be paid~~  
22 ~~by each eligible buyer of a unit shall be reduced by the Hawaii~~

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1 ~~housing finance and development corporation's equity amount for~~  
2 ~~that unit.~~

3 ~~(c) If a buyer sells the buyer's unit within thirty years~~  
4 ~~of the date of the buyer's purchase of the unit, then at the~~  
5 ~~time of the sale, the buyer shall repay to the Hawaii housing~~  
6 ~~finance and development corporation the corporation's~~  
7 ~~appreciated equity value; provided that if the buyer does not~~  
8 ~~sell the unit within thirty years of the date of the buyer's~~  
9 ~~purchase of the unit, then the buyer shall repay to the Hawaii~~  
10 ~~housing finance and development corporation the corporation's~~  
11 ~~appreciated equity value prior to the expiration of the~~  
12 ~~thirty-year period; provided further that this requirement shall~~  
13 ~~run with the deed for each unit until the obligation to repay~~  
14 ~~the appreciated equity value has been satisfied.~~

15 ~~(d) The Hawaii housing finance and development corporation~~  
16 ~~may establish rules pursuant to chapter 91, Hawaii Revised~~  
17 ~~Statutes, to implement this section, including rules that~~  
18 ~~establish the methods by which appreciated equity values shall~~  
19 ~~be calculated, assessed, and satisfied.~~

20 ~~(e) The Hawaii housing finance and development corporation~~  
21 ~~may establish criteria for the prioritization of eligible buyers~~  
22 ~~based on state goals and policies and submit a report on this~~

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1 ~~criteria to the legislature no later than twenty days prior to~~  
2 ~~the convening of the regular session of 2024.~~

3 ~~(f) The Hawaii housing finance and development corporation~~  
4 ~~shall submit interim reports on the dwelling unit revolving fund~~  
5 ~~equity pilot program to the legislature no later than twenty~~  
6 ~~days prior to the convening of the regular sessions of 2024,~~  
7 ~~2025, 2026, and 2027. The Hawaii housing finance and~~  
8 ~~development corporation shall submit a final report on the~~  
9 ~~dwelling unit revolving fund equity pilot program to the~~  
10 ~~legislature no later than twenty days prior to the convening of~~  
11 ~~the regular session of 2028.~~

12 ~~(g) As used in this section:~~

13 ~~"Housing development project" means a plan, design, or~~  
14 ~~undertaking by the Hawaii housing finance and development~~  
15 ~~corporation or an eligible developer for the development of~~  
16 ~~units. "Housing development project" includes all real and~~  
17 ~~personal property, buildings and improvements, commercial space,~~  
18 ~~lands for farming and gardening, community facilities acquired~~  
19 ~~or constructed or to be acquired or constructed, and all~~  
20 ~~tangible or intangible assets held or used in connection with~~  
21 ~~the housing development project.~~

22 ~~"Unit" means:~~

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- 1       ~~(1) The structure and land upon which the structure is~~  
2           ~~constructed, whether on fee simple or leasehold~~  
3           ~~property, developed for residential purposes pursuant~~  
4           ~~to chapter 201H, Hawaii Revised Statutes; or~~  
5       ~~(2) Improved or unimproved real property that is developed~~  
6           ~~for residential purposes pursuant to chapter 201H,~~  
7           ~~Hawaii Revised Statutes.~~

8       ~~"Unit" includes dwelling units.]~~    Repealed."

9           SECTION 4. Act 92, Session Laws of Hawaii 2023, is amended  
10    by amending section 5 to read as follows:

11           "SECTION 5. This Act shall take effect on July 1, 2023 [~~7~~  
12    ~~and shall be repealed on June 30, 2028; provided that:~~

13           ~~(1) Section 201H-47, Hawaii Revised Statutes, shall be~~  
14           ~~reenacted in the form in which it read on the day~~  
15           ~~prior to the effective date of this Act; and~~

16           ~~(2) The requirements imposed pursuant to section 2(c) of~~  
17           ~~this Act shall remain in effect and run with the deed~~  
18           ~~after June 30, 2028]."~~

19           SECTION 5. Statutory material to be repealed is bracketed  
20    and stricken. New statutory material is underscored.

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1 SECTION 6. This Act shall take effect upon its approval.

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INTRODUCED BY: *Ann. H.*

4

BY REQUEST

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**Report Title:**

Hawaii Housing Finance and Development Corporation; Dwelling Unit Revolving Fund; Dwelling Unit Revolving Fund Equity Program; Interim Financing

**Description:**

Makes the Dwelling Unit Revolving Fund Equity Pilot Program permanent. Allows partial or full repayment of Dwelling Unit Revolving Fund interim loans in the form of unit equity through the Dwelling Unit Revolving Fund Equity Program.

*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 THE DWELLING UNIT REVOLVING FUND.

PURPOSE: To make permanent, with modifications, the Dwelling Unit Revolving Fund (DURF) equity program, which sunsets on June 30, 2028, to allow more eligible buyers to participate in the program. Authorizes the Hawaii Housing Finance and Development Corporation to purchase equity in units in certain for-sale housing development projects, reducing the contribution by eligible buyers. Allows eligible housing developers to repay part or all of a DURF interim loan for certain for-sale housing development projects in the form of equity in project units under the program.

MEANS: Amend subpart I of part III, chapter 201H, Hawaii Revised Statutes (HRS), section 201H-191(a), HRS, and sections 2 and 5 of Act 92, Session Laws of Hawaii 2023.

JUSTIFICATION: The high cost of housing is causing Hawaii residents—especially those in professions facing a shortage, such as teachers, healthcare workers, and law enforcement officers—to leave the state. The DURF equity program allows Hawaii residents to purchase a for-sale housing unit with HHFDC's equity investment in the unit.

Impact on the public: Hawaii residents will have greater access to homeownership opportunities.

Impact on the department and other agencies: None.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: BED-160.

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OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: Upon approval.