

JAN 15 2025

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 providing grants for
2 rental units set aside for persons and families with incomes at
3 or below thirty per cent of the median family income in any
4 project financed in part or in whole by the rental housing
5 revolving fund has been ineffective. Reports indicate that
6 developers overwhelmingly were not willing to set aside units
7 dedicated to persons and families with incomes at or below
8 thirty per cent of the median family income, with only one
9 project containing at least half of the proposed units dedicated
10 to persons and families with incomes at or below thirty per cent
11 of the median family income being submitted. Reports also
12 indicate that the majority of projects receiving grants did not
13 include more than five per cent of units set aside for persons
14 and families with incomes at or below thirty per cent of the
15 median family income. The legislature further finds that
16 offering grants to developers to set aside more units for
17 persons and families with incomes at or below thirty per cent of



1 the median family income does not incentivize developers to set
2 aside more units for persons and families at lower income levels
3 because the rental housing revolving fund already provides long-
4 term, low-interest loans that developers can utilize.

5 Accordingly, the purpose of this Act is to repeal statutory
6 language that:

7 (1) Requires certain housing projects have at least five
8 per cent of available units be for persons and
9 families with incomes at or below thirty per cent of
10 the median family income to be eligible for loans from
11 the rental housing revolving fund;

12 (2) Provides grants to developers for rental units set
13 aside for persons and families with incomes at or
14 below thirty per cent of the median family income in
15 any project financed in part or in whole by the rental
16 housing revolving fund; and

17 (3) Requires the Hawaii housing finance and development
18 corporation to establish an application process for
19 rental housing revolving fund allocation that gives
20 preference to projects providing at least five per
21 cent of the total number of units for persons and



1 families with incomes at or below thirty per cent of
2 the median family income.

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

5 "**§201H-202 Rental housing revolving fund.** (a) There is
6 established the rental housing revolving fund to be administered
7 by the corporation.

8 (b) An amount from the fund, to be set by the corporation
9 and authorized by the legislature, may be used for
10 administrative expenses incurred by the corporation in
11 administering the corporation's housing finance programs;
12 provided that fund moneys shall not be used to finance
13 day-to-day administrative expenses of projects allotted fund
14 moneys.

15 (c) The following may be deposited into the fund:
16 appropriations made by the legislature, conveyance taxes
17 pursuant to section 247-7, private contributions, repayment of
18 loans, interest, other returns, and moneys from other sources.

19 (d) The fund shall be used to provide loans for the
20 development, pre-development, construction, acquisition,
21 preservation, and substantial rehabilitation of rental housing



1 units. The corporation shall not forgive any loan made from the
2 fund unless the corporation forecloses on the project.

3 Permitted uses of the fund may include but are not limited to
4 planning, design, land acquisition, costs of options, agreements
5 of sale, downpayments, equity financing, capacity building of
6 nonprofit housing developers, credit enhancement, gap financing,
7 or other housing development services or activities as provided
8 in rules adopted by the corporation pursuant to chapter 91. The
9 rules may provide for a means of recapturing loans or grants
10 made from the fund if a rental housing project financed under
11 the fund is refinanced or sold at a later date. The rules may
12 also provide that moneys from the fund shall be leveraged with
13 other financial resources to the extent possible.

14 (e) Moneys available in the fund shall be used for the
15 purpose of providing, in whole or in part, loans for rental
16 housing projects demonstrating project readiness, efficiency,
17 and feasibility acceptable to the corporation in the following
18 order of priority:

19 (1) For projects that were awarded low-income housing
20 credits pursuant to paragraph (2), priority shall be



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1 given to projects with a perpetual affordability
2 commitment;

3 (2) Projects or units in projects that are allocated low-
4 income housing credits pursuant to the state housing
5 credit ceiling under section 42(h) of the Internal
6 Revenue Code of 1986, as amended, or projects or units
7 in projects that are funded by programs of the United
8 States Department of Housing and Urban Development and
9 United States Department of Agriculture Rural
10 Development wherein:

11 (A) At least fifty per cent of the available units
12 are for persons and families with incomes at or
13 below eighty per cent of the median family income
14 [~~of which at least five per cent of the available~~
15 ~~units are for persons and families with incomes~~
16 ~~at or below thirty per cent of the median family~~
17 ~~income]; and~~

18 (B) The remaining units are for persons and families
19 with incomes at or below one hundred per cent of
20 the median family income;



1 provided that the corporation may establish rules to
2 ensure full occupancy of fund projects; and

3 (3) Mixed-income rental projects or units in a
4 mixed-income rental project wherein all of the
5 available units are for persons and families with
6 incomes at or below one hundred forty per cent of the
7 median family income.

8 (f) There is established within the fund a bond volume cap
9 recycling program subaccount. The bond volume cap recycling
10 program subaccount shall be maintained as a reserve for the bond
11 volume cap recycling program established pursuant to
12 section 39B-2(f).

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



1 (h) For the purposes of this subpart, the applicable
2 median family income shall be the median family income for the
3 county or standard metropolitan statistical area in which the
4 project is located as determined by the United States Department
5 of Housing and Urban Development, as adjusted from time to time.

6 (i) The corporation may provide loans under this section;
7 provided that the corporation shall establish loan-to-value
8 ratios to protect the fund from inordinate risk and that under
9 no circumstances shall the rules permit the loan-to-value ratio
10 to exceed one hundred per cent; provided further that the
11 underwriting guidelines include a debt-coverage ratio of [nø]
12 not less than 1.0 to 1.

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



1 ~~use of the funds for purposes of developing rental housing for~~
2 ~~families at or below thirty per cent of the median family~~
3 ~~income.]"~~

4 SECTION 3. Section 201H-204, Hawaii Revised Statutes, is
5 amended by amending subsection (c) to read as follows:

6 "(c) The corporation shall establish an application
7 process for fund allocation that gives preference to projects
8 meeting the following criteria that are listed in descending
9 order of priority:

- 10 (1) Serve the original target group;
- 11 ~~[(2) Provide at least five per cent of the total number of~~
12 ~~units for persons and families with incomes at or~~
13 ~~below thirty per cent of the median family income;~~
- 14 ~~+(3)]~~ (2) Provide the maximum number of units for persons or
15 families with incomes at or below eighty per cent of
16 the median family income;
- 17 ~~[(4)]~~ (3) Are committed to serving the target group over a
18 longer period of time;
- 19 ~~[(5)]~~ (4) Increase the integration of income levels of the
20 immediate community area;



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Report Title:

Rental Housing Revolving Fund; HHFDC; Grants; Repeal

Description:

Repeals statutory language requiring certain housing projects have at least five per cent of available units be for persons and families with incomes at or below thirty per cent of the median family income to be eligible for loans from the Rental Housing Revolving Fund. Repeals statutory language providing grants to developers for rental units set aside for persons and families with incomes at or below thirty per cent of the median family income in any project financed in part or in whole by the Rental Housing Revolving Fund. Repeals statutory language requiring the Hawaii Housing Finance and Development Corporation to establish an application process for Rental Housing Revolving Fund allocation that gives preference to projects providing units for persons and families with incomes at or below thirty per cent of the median family income.

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