
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 is
2 experiencing an extreme housing shortage. However, the rental
3 housing revolving fund, the State's primary means of financing
4 new housing, produces new housing with extreme inefficiency.
5 Presently, the rental housing revolving fund requires spending
6 roughly \$200,000 of state taxpayer funds per unit, typically to
7 be repaid at only 0.15 per cent interest over fifty-seven years.
8 Units financed by the rental housing revolving fund are
9 typically only affordable for up to sixty-one years, which will
10 result in the expiration of fifteen thousand units by the year
11 2100. The families in those fifteen thousand units will likely
12 be evicted as rents rise to market rates unless the State and
13 counties buy back the buildings, causing taxpayers to pay twice
14 for the same building. As a result of these attractive terms,
15 the rental housing revolving fund now finances half of all
16 housing production statewide, crowding out all other forms of
17 housing finance, including from the private sector.



1 Furthermore, the rental housing revolving fund is
2 overbuilding rental housing at the sixty per cent area median
3 income level. According to the Hawaii housing finance and
4 development corporation's 2019 Hawaii housing planning study,
5 the corporation forecasts a demand of only 1,789 rental units
6 for households earning fifty to sixty per cent of the area
7 median income, or three hundred fifty-eight units per year, over
8 the 2020 - 2025 period, which is almost exclusively what
9 comprises low-income housing tax credit projects. Presently,
10 the Hawaii housing finance and development corporation is
11 financing well over one thousand low-income housing tax credit
12 units per year.

13 Due to the dramatic overbuilding of this narrow market
14 segment, over thirty per cent of low-income housing tax credit
15 units are being rented by tenants earning thirty per cent of the
16 area median income, who are severely cost burdened as a result.
17 The same 2019 study forecasts demand of 1,855 rental units, or
18 three hundred seventy-one units per year, for renters earning
19 one hundred twenty per cent to one hundred forty per cent of
20 area median income over the same five-year period. By contrast,
21 there is demand for 11,872 ownership units for households



1 earning one hundred twenty per cent of the area median income or
2 greater, which equals 2,156 units at one hundred twenty to one
3 hundred forty per cent of area median income; 3,982 units at one
4 hundred forty to one hundred eighty per cent of area median
5 income; and 5,734 units greater than one hundred eighty per cent
6 of area median income, over the same five-year period, or 2,374
7 units per year. These figures indicate that there is much
8 greater demand than what the market is currently supplying.
9 Therefore, prioritizing financing for tier I and tier II area
10 median income segments, while enabling surplus funds to be used
11 to produce housing in the most efficient means possible, will
12 greatly increase housing production in the State.

13 Accordingly, the purpose of this Act is to:

- 14 (1) Rename the rental housing revolving fund to the state
15 housing revolving fund;
- 16 (2) Establish a tiered system for the prioritization of
17 moneys awarded from the state housing revolving fund;
- 18 (3) Require the Hawaii housing finance and development
19 corporation to establish an application process for
20 fund allocation; and



1 (4) Require the Hawaii housing finance and development
2 corporation to prioritize projects that require the
3 least amount of funding per unit per year.

4 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
5 amended by amending the title of subpart J of part III to read
6 as follows:

7 "J. [~~Rental~~] State Housing Revolving Fund"

8 SECTION 3. Section 201H-201, Hawaii Revised Statutes, is
9 amended as follows:

10 1. By amending the definition of "fund" to read:

11 ""Fund" means the [~~rental~~] state housing revolving fund
12 established pursuant to section 201H-202."

13 2. By repealing the definitions of "efficiency",
14 "feasibility", and "project readiness".

15 [~~"Efficiency" means the amount of state financial
16 resources required per unit.~~

17 [~~"Feasibility" means reasonableness of project budget and
18 schedule assumptions.~~

19 [~~"Project readiness" means a project that is anticipated to
20 commence construction within one year of award of financing."]~~



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

3 1. By amending its title and subsection (a) to read:

4 "**§201H-202** [~~Rental~~] **State housing revolving fund.** (a)

5 There is established the [~~rental~~] state housing revolving fund
6 to be administered by the corporation."

7 2. By amending subsections (d) and (e) to read:

8 "(d) The fund shall be used to provide loans for the
9 development, pre-development, construction, acquisition,
10 preservation, and substantial rehabilitation of [~~rental~~] housing
11 units. The corporation shall not forgive any loan made from the
12 fund unless the corporation forecloses on the project.
13 Permitted uses of the fund may include but are not limited to
14 planning, design, land acquisition, costs of options, agreements
15 of sale, downpayments, equity financing, capacity building of
16 nonprofit housing developers, credit enhancement, gap financing,
17 or other housing development services or activities as provided
18 in rules adopted by the corporation pursuant to chapter 91. The
19 rules may provide for a means of recapturing loans or grants
20 made from the fund if a [~~rental~~] housing project financed under
21 the fund is refinanced or sold at a later date. The rules may



1 also provide that moneys from the fund shall be leveraged with
2 other financial resources to the extent possible.

3 (e) Moneys available in the fund shall be used for the
4 purpose of providing, in whole or in part, loans for [~~rental~~]
5 housing projects [~~demonstrating project readiness, efficiency,~~
6 ~~and feasibility acceptable to the corporation~~] in the following
7 order of priority:

8 (1) For projects that were awarded low-income housing
9 credits pursuant to paragraph (2), priority shall be
10 given to projects with a perpetual affordability
11 commitment;

12 (2) Projects or units in projects that are allocated
13 low-income housing credits pursuant to the state
14 housing credit ceiling under section 42(h) of the
15 Internal Revenue Code of 1986, as amended, or projects
16 or units in projects that are funded by programs of
17 the United States Department of Housing and Urban
18 Development and United States Department of
19 Agriculture Rural Development [~~wherein:~~

20 ~~(A) At least fifty per cent of the available units~~
21 ~~are for persons and families with incomes at or~~



1 ~~below eighty per cent of the median family income~~
2 ~~of which at least five per cent of the available~~
3 ~~units are for persons and families with incomes~~
4 ~~at or below thirty per cent of the median family~~
5 ~~income; and~~

6 ~~(B) The remaining units are for persons and families~~
7 ~~with incomes at or below one hundred per cent of~~
8 ~~the median family income;~~

9 ~~provided that the corporation may establish rules to~~
10 ~~ensure full occupancy of fund projects; and]; provided~~
11 ~~that paragraphs (1) and (2) shall apply to awards up~~
12 ~~to the annual number of rental units that the~~
13 ~~corporation's most recent Hawaii housing planning~~
14 ~~study forecasts are needed for persons and families~~
15 ~~with incomes at fifty to sixty per cent of the area~~
16 ~~median income;~~

17 (3) Mixed-income [~~rental~~] projects or units in a
18 mixed-income [~~rental~~] project [~~wherein all of the~~
19 ~~available units are for persons and families with~~
20 ~~incomes at or below one hundred forty per cent of the~~
21 ~~median family income.]; provided that this paragraph~~



1 shall apply to awards up to the annual number of
2 rental units that the corporation's most recent Hawaii
3 housing planning study forecasts are needed for
4 persons and families with incomes at one hundred
5 twenty to one hundred forty per cent of the area
6 median income; and

7 (4) Projects that are exclusively for qualified residents
8 as defined in section 201H-32."

9 3. By amending subsection (g) to read:

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

19 SECTION 5. Section 201H-204, Hawaii Revised Statutes, is
20 amended to read as follows:



1 "~~[+]S201H-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 rental housing units [~~that meet the~~
6 ~~criteria for eligibility described in subsection (c)~~];
7 (2) The leveraging of moneys with the use of fund assets;
8 (3) Pre-development activity grants or loans to nonprofit
9 organizations; and
10 (4) Acquisition of housing units for the purpose of
11 preservation as low-income or very low-income housing.

12 (b) [~~Preference shall be given to projects producing units~~
13 ~~in at least one of the following categories:~~

- 14 ~~(1) Multifamily units;~~
15 ~~(2) Attached single-family units;~~
16 ~~(3) Apartments;~~
17 ~~(4) Townhouses;~~
18 ~~(5) Housing units above commercial or industrial space;~~
19 ~~(6) Single room occupancy units;~~
20 ~~(7) Accessory apartment units;~~
21 ~~(8) Employee housing;~~



- 1 ~~(9) United States Department of Housing and Urban~~
- 2 ~~Development mixed finance development of public~~
- 3 ~~housing units; and~~
- 4 ~~(10) Other types of units meeting the criteria for~~
- 5 ~~eligibility set forth in subsection (c).]~~

6 The corporation shall establish an application process for fund
7 allocation. Preference shall be given to projects meeting the
8 following criteria:

- 9 (1) Multifamily units near stations of a locally preferred
- 10 alternative of a mass transit project;
- 11 (2) State- or county-owned projects;
- 12 (3) Projects that are required to be conveyed to the State
- 13 or a county at a definite time;
- 14 (4) Projects owned by organizations obliged to use all
- 15 financial surplus generated by the projects to
- 16 construct, manage, or rehabilitate owner- or
- 17 renter-occupied housing in the State;
- 18 (5) Projects with a perpetual affordability commitment;
- 19 (6) Projects of applicant developers who request loan
- 20 terms no longer than five years; and



1 (7) Projects requiring the least amount of state funding
2 per unit per year.

3 ~~[(c) The corporation shall establish an application~~
4 ~~process for fund allocation that gives preference to projects~~
5 ~~meeting the following criteria that are listed in descending~~
6 ~~order of priority:~~

7 ~~(1) Serve the original target group;~~

8 ~~(2) Provide at least five per cent of the total number of~~
9 ~~units for persons and families with incomes at or~~
10 ~~below thirty per cent of the median family income;~~

11 ~~(3) Provide the maximum number of units for persons or~~
12 ~~families with incomes at or below eighty per cent of~~
13 ~~the median family income;~~

14 ~~(4) Are committed to serving the target group over a~~
15 ~~longer period of time;~~

16 ~~(5) Increase the integration of income levels of the~~
17 ~~immediate community area;~~

18 ~~(6) Meet the geographic needs of the target group of the~~
19 ~~proposed rental housing project, such as proximity to~~
20 ~~employment centers and services; and~~



1 ~~(7) Have favorable past performance in developing, owning,~~
2 ~~managing, or maintaining affordable rental housing.~~

3 ~~The corporation may include other criteria as it deems~~
4 ~~necessary to carry out the purposes of this subpart.~~

5 ~~If the corporation, after applying the process described in~~
6 ~~this subsection, finds a nonprofit project equally ranked with a~~
7 ~~for-profit or government project, the corporation shall give~~
8 ~~preference to the nonprofit project in allotting fund moneys.]"~~

9 SECTION 6. Sections 201H-6(f), 201H-87, and 247-7, Hawaii
10 Revised Statutes, are amended by substituting the term "state
11 housing revolving fund", or similar term, wherever the term
12 "rental housing revolving fund", or similar term, appears, as
13 the context requires.

14 SECTION 7. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

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



S.B. NO. ⁷¹ S.D. 2

Report Title:

HHFDC; RHRF; SHRF; Preference Criteria; Eligibility; Fund Allocation; Application Process; Preference; Priorities

Description:

Renames the Rental Housing Revolving Fund to the State Housing Revolving Fund. Clarifies the prioritization of, and eligibility and preference criteria for, projects that may be funded by, State Housing Revolving Fund moneys. Effective 7/1/2050. (SD2)

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