

Honolulu, Hawaii

FEB 05 2025

RE: S.B. No. 71
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 71
entitled:

"A BILL FOR AN ACT RELATING TO THE RENTAL HOUSING REVOLVING
FUND,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the
preference criteria and eligibility requirements for applicant
developers seeking assistance from the Rental Housing Revolving
Fund.

Your Committee received testimony in support of this measure
from the Hawaii Public Housing Authority.

Your Committee received testimony in opposition to this
measure from NAIOP Hawaii and Catholic Charities Hawai'i.

Your Committee received comments on this measure from the
Hawaii Housing Finance and Development Corporation and one
individual.

Your Committee finds that the Rental Housing Revolving Fund
(RHRF) was established to provide loans for the development,
pre-development, construction, acquisition, preservation, and
substantial rehabilitation of rental housing units. As the
principal agency responsible for administering the RHRF, the



Hawaii Housing Finance and Development Corporation (HHFDC) has utilized an application process that establishes preferences for certain housing projects. However, as the unique housing demands statewide have evolved, clarifying the priorities of eligible housing projects will help HHFDC to produce more housing units to alleviate the existing housing shortage and prioritize categories in high demand.

However, your Committee notes that the RHRF has been producing housing units with extreme inefficiency, spending approximately \$200,000 per unit, typically to be repaid at only 0.15 percent interest over fifty-seven years. Additionally, your Committee finds that as housing projects financed by the RHRF are only required to be classified as affordable for up to sixty-one years, developers may then start charging market rate rents, displacing thousands of families. To ensure tenant stability after the affordability commitment period ends, the State must purchase buildings it previously helped fund, forcing taxpayers to pay for the same development twice. Additionally, recent studies have forecasted that far more units are needed to meet demand than what is currently being produced by the State, especially ownership housing for families earning one hundred twenty to one hundred forty percent of the area median income.

Accordingly, as Hawaii's housing shortage impacts families representing a wide range of household incomes, including demand for additional rental and ownership units, reorganizing the RHRF to better address the needs of the State's residents will help alleviate the strain on the existing market while ensuring residents have options to remain in the State. Amendments to this measure are therefore necessary to ensure this flexibility and to prioritize the production of various categories of housing to best meet demands.

Therefore, your Committee has amended this measure by:

- (1) Inserting language to amend the title of the Rental Housing Revolving Fund to the State Housing Revolving Fund;
- (2) Amending references to the Rental Housing Revolving Fund to the State Housing Revolving Fund;



- (3) Repealing the definitions of "efficiency", "feasibility", and "project readiness" relating to the Rental Housing Revolving Fund;
- (4) Clarifying that the State Housing Revolving Fund shall be for housing projects, including ownership units rather than only rental housing;
- (5) Establishing a tiered system for the prioritization of moneys in the State Housing Revolving fund that:
 - (A) Provides that certain projects that are allocated low-income housing tax credits, or projects or units funded by the United States Department of Housing and Urban Development, and United States Department of Agriculture Rural Development, shall apply to awards up to the annual number of rental units that HHFDC's most recent Hawaii Housing Planning Study forecasts are needed for persons and families with incomes at fifty to sixty percent of the area median income;
 - (B) Provides that mixed-income projects or units in a mixed-income project shall apply to awards up to the annual number of rental units that HHFDC's most recent Hawaii Housing Planning Study forecasts are needed for persons and families with incomes at one hundred twenty to one hundred forty percent of the area median income; and
 - (C) Adds a priority for projects that are exclusively for qualified residents as defined in section 201H-32, Hawaii Revised Statutes;
- (6) Inserting language to require HHFDC to establish an application process for, State Housing Revolving Fund allocation;
- (7) Adding a preference criteria for fund allocation that prioritizes projects requiring the least amount of state funding per unit per year;
- (8) Inserting legislative findings; and



- (9) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 71, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 71, S.D. 1, and be referred to your Committee on Ways and Means.

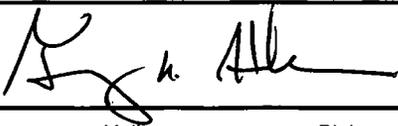
Respectfully submitted on
behalf of the members of the
Committee on Housing,


STANLEY CHANG Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:* SB 71	Committee Referral: HOU, WAM	Date: 1-28-25		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHANG, Stanley (C)	/			
HASHIMOTO, Troy N. (VC)		✓		
AQUINO, Henry J.C.	/			
KANUHA, Dru Mamo	/			
FEVELLA, Kurt	WV /			/
TOTAL	3	1	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes