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# 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 crisis 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 rental housing opportunities for working families reduces net  
6 domestic outmigration and preserves critical segments of the  
7 State's labor force.

8 Accordingly, the purpose of this Act is to provide a  
9 dedicated source of funds to finance mixed-income rental 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 day-to-  
21 day administrative expenses of projects allotted fund moneys.



1 (c) The following may be deposited into the fund[+] or  
2 into the mixed-income subaccount established under subsection  
3 (f): appropriations made by the legislature, conveyance taxes  
4 pursuant to section 247-7, private contributions, repayment of  
5 loans, interest, other returns, and moneys from other sources.

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



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

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

11 ~~(2)]~~ (1) Projects or units in projects that are allocated  
12 low-income housing credits pursuant to the state  
13 housing credit ceiling under section 42(h) of the  
14 Internal Revenue Code of 1986, as amended, or projects  
15 or units in projects that are funded by programs of  
16 the United States Department of Housing and Urban  
17 Development and United States Department of  
18 Agriculture Rural Development wherein:

19 (A) At least fifty per cent of the available units  
20 are for persons and families with incomes at or  
21 below eighty per cent of the median family income



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

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

8 provided that the corporation may establish rules to  
9 ensure full occupancy of fund projects; ~~and~~

10 (2) For projects that were awarded low-income housing  
11 credits pursuant to paragraph (1), priority shall be  
12 given to projects with a perpetual affordability  
13 commitment. For purposes of this paragraph,  
14 "perpetual" means the life of the project; and

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

20 (f) There is established within the fund a mixed-income  
21 subaccount. Moneys in the mixed-income subaccount shall be used



1 to make loans to mixed-income rental projects or units in a  
2 mixed-income rental project for persons and families with  
3 incomes at or below one hundred forty per cent of the area  
4 median income. The corporation shall establish an application  
5 process for the allocation of funds in the mixed-income  
6 subaccount, separate from the fund allocation process pursuant  
7 to section 201H-204(c), that gives preference to projects  
8 meeting the following criteria that are listed in descending  
9 order of priority:

10 (1) A diverse range of affordability, targeting persons  
11 and families with incomes up to one hundred forty per  
12 cent of the median family income;

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

14 (3) Projects for which a loan from the subaccount is  
15 reasonably projected to be fully repaid within forty  
16 years from funding; and

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

19 If the corporation, after applying the process described in  
20 this subsection, finds a nonprofit project equally ranked with a  
21 for-profit or government project, the corporation shall give



1 preference to the nonprofit project in allotting funds from the  
2 mixed-income subaccount.

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

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

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

20 [~~h~~] (i) For the purposes of this subpart, the applicable  
21 median family income shall be the median family income for the



1 county or standard metropolitan statistical area in which the  
2 project is located as determined by the United States Department  
3 of Housing and Urban Development, as adjusted from time to time.

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

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





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

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

5 "[~~§~~201H-204~~§~~] **Eligible projects.** (a) Activities  
6 eligible for assistance from the fund shall include but not be  
7 limited to:

- 8 (1) New construction, rehabilitation, or preservation of  
9 low-income or mixed-income rental housing units that  
10 meet the criteria for eligibility described in  
11 subsection (c) [~~+~~] or section 201H-202(f);
- 12 (2) The leveraging of moneys with the use of fund assets;
- 13 (3) Pre-development activity grants or loans to nonprofit  
14 organizations; and
- 15 (4) Acquisition of housing units for the purpose of  
16 preservation as low-income or very low-income housing.

17 (b) Preference shall be given to projects producing units  
18 in at least one of the following categories:

- 19 (1) Multifamily units;
- 20 (2) Attached single-family units;
- 21 (3) Apartments;



- 1 (4) Townhouses;
- 2 (5) Housing units above commercial or industrial space;
- 3 (6) Single room occupancy units;
- 4 (7) Accessory apartment units;
- 5 (8) Employee housing;
- 6 (9) United States Department of Housing and Urban
- 7 Development mixed finance development of public
- 8 housing units; and
- 9 (10) Other types of units meeting the criteria for
- 10 eligibility set forth in subsection (c) [÷] or section
- 11 201H-202(f).

12 (c) [~~The~~] Except as provided in section 201H-202(f), the  
13 corporation shall establish an application process for fund  
14 allocation that gives preference to projects meeting the  
15 following criteria that are listed in descending order of  
16 priority:

- 17 (1) Serve the original target group;
- 18 (2) Provide at least five per cent of the total number of
- 19 units for persons and families with incomes at or
- 20 below thirty per cent of the median family income;



- 1           (3) Provide the maximum number of units for persons or  
2           families with incomes at or below eighty per cent of  
3           the median family income;
- 4           (4) Are committed to serving the target group over a  
5           longer period of time;
- 6           (5) Increase the integration of income levels of the  
7           immediate community area;
- 8           (6) Meet the geographic needs of the target group of the  
9           proposed rental housing project, such as proximity to  
10          employment centers and services; and
- 11          (7) Have favorable past performance in developing, owning,  
12          managing, or maintaining affordable rental housing.

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

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

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



1       **"§247-7 Disposition of taxes.** All taxes collected under  
2 this chapter shall be paid into the state treasury to the credit  
3 of the general fund of the State, to be used and expended for  
4 the purposes for which the general fund was created and exists  
5 by law; provided that of the taxes collected each fiscal year:

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

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

15       SECTION 5. The director of finance may transfer moneys  
16 from the rental housing revolving fund to the rental housing  
17 revolving fund mixed-income subaccount in an amount not to  
18 exceed \$                   for fiscal year 2025-2026 and the same sum or  
19 so much thereof as may be necessary for fiscal year 2026-2027.

20       SECTION 6. There is appropriated out of the general  
21 revenues of the State of Hawaii the sum of \$                   or so



1 much thereof as may be necessary for fiscal year 2025-2026 and  
2 the same sum or so much thereof as may be necessary for fiscal  
3 year 2026-2027 to be deposited into the mixed-income subaccount  
4 of the rental housing revolving fund established pursuant to  
5 section 201H-202(f), Hawaii Revised Statutes.

6 SECTION 7. There is appropriated out of the mixed-income  
7 subaccount of the rental housing revolving fund established  
8 pursuant to section 201H-202(f), Hawaii Revised Statutes, the  
9 sum of \$ or so much thereof as may be necessary for  
10 fiscal year 2025-2026 and the same sum or so much thereof as may  
11 be necessary for fiscal year 2026-2027 for the purposes of the  
12 subaccount.

13 The sums appropriated shall be expended by the Hawaii  
14 housing finance and development corporation for the purposes of  
15 this Act.

16 SECTION 8. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 9. This Act shall take effect on July 1, 3000.



**Report Title:**

Rental Housing Revolving Fund; Mixed-Income Subaccount;  
Workforce Rental Housing; Director of Finance; Appropriation

**Description:**

Establishes the Mixed-Income Subaccount within the Rental Housing Revolving Fund that targets workforce rental housing projects for persons and families with incomes at or below one hundred forty per cent of the area median income. Authorizes the Director of Finance to transfer funds from the Rental Housing Revolving Fund into the Mixed-Income Subaccount. Appropriates funds into and out of the Mixed-Income Subaccount of the Rental Housing Revolving Fund. Effective 7/1/3000.  
(HD1)

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