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# A BILL FOR AN ACT

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RELATING TO THE RENTAL HOUSING REVOLVING FUND.

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

1       SECTION 1.   Section 201H-201, Hawaii Revised Statutes, is  
2   amended by adding one new definition to be appropriately  
3   inserted and to read as follows:

4       "Mixed-income rental project" means a rental housing  
5   development that provides units primarily for households at a  
6   range of income levels, primarily for households with incomes at  
7   or below one-hundred-forty per cent of the area median income."

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

10       **"§201H-202   Rental housing revolving fund.**   (a)   There is  
11   established the rental housing revolving fund to be administered  
12   by the corporation.

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

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1           (c) The following may be deposited into the fund[+] or  
2 into the mixed-income subaccount established under subsection  
3 (f):

- 4           (1) Appropriations made by the legislature;
- 5           (2) Conveyance taxes pursuant to section 247-7;
- 6           (3) Private contributions;
- 7           (4) Repayment of loans;
- 8           (5) Interest;
- 9           (6) Other returns; and
- 10          (7) Moneys from other sources.

11          (d) Except as provided in subsection (f), the fund shall  
12 be used to provide loans for the development, pre-development,  
13 construction, acquisition, preservation, and substantial  
14 rehabilitation of rental housing units. The corporation shall  
15 not forgive any loan made from the fund unless the corporation  
16 forecloses on the project. Permitted uses of the fund may  
17 include but are not limited to planning, design, land  
18 acquisition, costs of options, agreements of sale, downpayments,  
19 equity financing, capacity building of nonprofit housing  
20 developers, credit enhancement, gap financing, or other housing  
21 development services or activities as provided in rules adopted  
22 by the corporation pursuant to chapter 91. The rules may

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1 provide for a means of recapturing loans or grants made from the  
2 fund if a rental housing project financed under the fund is  
3 refinanced or sold at a later date. The rules may also provide  
4 that moneys from the fund shall be leveraged with other  
5 financial resources to the extent possible.

6 (e) Except as provided in subsection (f), moneys available  
7 in the fund shall be used for the purpose of providing, in whole  
8 or in part, loans for rental housing projects demonstrating  
9 project readiness, efficiency, and feasibility acceptable to the  
10 corporation in the following order of priority:

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

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

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

7 provided that the corporation may establish rules to  
8 ensure full occupancy of fund projects; provided  
9 further that for projects that were awarded low-income  
10 housing credits pursuant to this paragraph, priority  
11 shall be given to projects with a perpetual  
12 affordability commitment. For purposes of this  
13 paragraph, "perpetual" means the useful life of the  
14 project; and

15 (2) Mixed-income rental projects or units in a mixed-  
16 income rental project for persons and families with  
17 incomes at or below one hundred forty per cent of the  
18 median family income.

19 (f) There is established within the fund a mixed-income  
20 subaccount. Moneys in the mixed-income subaccount shall be used  
21 for financing, including but not limited to loans, equity  
22 investments, and credit enhancement, for mixed-income rentals

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1 for qualified residents as defined in section 201H-32. The  
2 corporation shall establish an application process for the  
3 allocation of funds in the mixed-income subaccount, separate  
4 from the fund allocation process pursuant to section 201H-  
5 204(c), that gives preference to projects meeting the following  
6 criteria:

7 (1) A diverse range of affordability, prioritizing persons  
8 and families with incomes up to one hundred forty per  
9 cent of the median family income;

10 (2) Projects located on state or county owned land or  
11 developed in partnership with the State or a county;

12 (3) Projects that efficiently use state funding;

13 (4) Mixed-income rental projects or units in a mixed-  
14 income rental project in an area that satisfies  
15 transit-supportive density requirements, as defined in  
16 section 206E-246; and

17 (5) 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 or government project equally  
21 ranked with a for-profit project, the corporation shall give

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1 preference to the nonprofit or government project in allotting  
2 funds from the 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 fund.

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

11 (h) The corporation shall submit an annual report to the  
12 legislature no later than twenty days prior to the convening of  
13 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 (i) For the purposes of this subpart, the applicable  
21 median family income shall be the median family income for the  
22 county or standard metropolitan statistical area in which the

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1 project is located as determined by the United States Department  
2 of Housing and Urban Development, as adjusted from time to time.

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

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

22 (l) Notwithstanding any law to the contrary, the

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1 corporation, with the approval of the director of finance, may  
2 transfer moneys between the rental housing revolving fund and  
3 any subaccount established under this section, and between  
4 subaccounts established under this section, without further  
5 legislative authorization, for purposes consistent with this  
6 chapter. The corporation may also return unexpended or  
7 uncommitted funds from any subaccount established under this  
8 section to the rental housing revolving fund, to be used for any  
9 lawful purpose of the fund."

10 SECTION 3. Act 159, Session Laws of Hawaii 2025, is  
11 amended by amending section 8 to read as follows:

12 "SECTION 8. This Act shall take effect upon its approval[+  
13 ~~provided that sections 2 and 3 of this Act shall be repealed on~~  
14 ~~June 30, 2030, and sections 201H-202 and 201H-204, Hawaii~~  
15 ~~Revised Statutes, shall be reenacted in the form in which they~~  
16 ~~read on the day prior to the effective date of this Act]."~~

17 SECTION 4. The director of finance is authorized to  
18 transfer moneys from the rental housing revolving fund to the  
19 rental housing revolving fund mixed-income subaccount in an  
20 amount not to exceed \$100,000,000 for fiscal year 2026-2027.

21 SECTION 5. The corporation shall submit an annual report  
22 to the legislature no later than twenty days prior to the



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1 convening of each regular session describing the projects funded  
2 using moneys transferred from the rental housing revolving fund  
3 to the rental housing revolving fund mixed-income subaccount.

4 SECTION 6. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 7. This Act shall take effect upon its approval.

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INTRODUCED BY: Melanie K. McMan

9

BY REQUEST

JAN 26 2026

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**Report Title:**

Rental Housing Revolving Fund; Mixed-Income Rental Projects; Definition; Mixed-Income Housing; Transfers; Director of Finance; Repeal of Sunset Date; Report

**Description:**

Clarifies the Rental Housing Revolving Fund statute by defining "mixed-income rental projects" to establish consistent eligibility and use of appropriations for mixed-income rental housing projects. Clarifies that mixed-income rental projects are primarily for households at or below one-hundred-forty per cent of the area median income, allowing participation by higher-income households. Authorizes the Hawaii Housing Finance and Development Corporation to transfer funds between the Rental Housing Revolving Fund into the mixed-income subaccount to support eligible mixed-income projects, without legislative approval. Repeals the sunset date in Act 159, Session Laws of Hawaii 2025, thereby making these provisions permanent. Requires a report to the Legislature.

*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 RENTAL HOUSING REVOLVING FUND.

PURPOSE: To add a statutory definition for "mixed-income rental project"; clarify the authority of the Hawaii Housing Finance and Development Corporation (HHFDC) to transfer funds between the Rental Housing Revolving Fund (RHRF) and the mixed-income subaccount established by Act 159, Session Laws of Hawaii (SLH) 2025 (Act 159), and authorize HHFDC to return unexpended or uncommitted subaccount funds to the primary Rental Housing Revolving Fund; clarify that mixed-income rental projects are primarily for households earning up to 140 percent of the area median income, allowing flexibility for higher-income participation; and remove the June 30, 2030, sunset date in Act 159, SLH 2025, thereby making the mixed-income subaccount permanent.

MEANS: Amend sections 201H-201 and 201H-202, Hawaii Revised Statutes, and section 8 of Act 159, SLH 2025.

JUSTIFICATION: Act 159 created a mixed-income subaccount within the RHRF.

RHRF prioritizes two funding groups, but due to limited resources, funds are generally unavailable for mixed-income rental projects serving households between 60 percent and 140 percent median-family income. To fund mixed-income rental projects, separate session laws have been required. Act 159 established a mixed-income subaccount for this purpose but did not provide a funding mechanism for it. Without a direct appropriation of funds to the subaccount or the authority to transfer funds into the subaccount, the subaccount remains unusable.

These changes will allow HHFDC to administer ongoing mixed-income funding rounds without requiring new legislation and ensure the long-term viability of the subaccount.

Impact on the public: Greater access to housing for those who meet mixed-income rental project criteria, thus helping to slow the outmigration of the State's workforce, young professionals, and tax base.

Impact on the department and other agencies: HHFDC will be able to hold targeted funding rounds for mixed-income rental financing without requiring new legislation each time. This will allow developers to be more certain of funding availability and begin working on projects and preparing their project proposals. With earlier notification of funding availability, projects awarded funds will be more prepared and able to break ground sooner after award.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: BED-160.

OTHER AFFECTED  
AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: Upon approval.