
A BILL FOR AN ACT

RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION.

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

SECTION 1. The legislature finds that the rental housing revolving fund often carries a significant cash balance, comprised of moneys that have been administratively reserved by the Hawaii housing finance and development corporation for specific projects, but have not yet been legally encumbered. The legislature believes that authorizing the Hawaii housing finance and development corporation to actively manage this cash flow would allow for more efficient and immediate deployment of funds to address the State's housing shortage.

Accordingly, the purpose of this Act is to:

- (1) Authorize the rental housing revolving fund and its mixed-income subaccount to be used to provide any and all forms of financing;
- (2) Require preference to be given to certain projects utilizing funding from the mixed-income subaccount;



- 1 (3) Authorize the Hawaii housing finance and development
2 corporation, with the authorization of the director of
3 finance, to transfer moneys between the rental housing
4 revolving fund and any subaccount established
5 thereunder without further legislative authorization
6 and return unexpended or uncommitted funds from a
7 subaccount to the rental housing revolving fund;
8 (4) Authorize the Hawaii housing finance and development
9 corporation to use moneys in the rental housing
10 revolving fund that have been reserved or awarded by
11 the corporation for specific projects but have not yet
12 been encumbered to fund other rental housing projects
13 or for other authorized purposes of the fund, subject
14 to certain conditions;
15 (5) Repeal the sunset date for Act 159, Session Laws of
16 Hawaii 2025, thereby making the mixed-income
17 subaccount of the rental housing revolving fund
18 permanent; and
19 (6) Appropriate funds.



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

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

8 SECTION 3. 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
18 day-to-day administrative expenses of projects allotted fund
19 moneys.



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

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

(d) ~~[Except]~~ Notwithstanding any law to the contrary, and
except as provided in subsection (f), the fund shall be used to
provide ~~[loans]~~ any and all forms of financing, including but
not limited to loans, equity investments, credit enhancement,
and collateral for the development, pre-development,
construction, acquisition, preservation, and substantial
rehabilitation of rental housing units. The corporation shall
not forgive any loan made from the fund unless the corporation
forecloses on the project. Permitted uses of the fund may
include but are not limited to planning, design, land
acquisition, costs of options, agreements of sale, downpayments,



1 equity financing, capacity building of nonprofit housing
2 developers, credit enhancement, gap financing, or other housing
3 development services or activities as provided in rules adopted
4 by the corporation pursuant to chapter 91. The rules may
5 provide for a means of recapturing loans or grants made from the
6 fund if a rental housing project financed under the fund is
7 refinanced or sold at a later date. The rules may also provide
8 that moneys from the fund shall be leveraged with other
9 financial resources to the extent possible.

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

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



1 United States Department of Agriculture Rural

2 Development wherein:

3 (A) At least fifty per cent of the available units
4 are for persons and families with incomes at or
5 below eighty per cent of the median family income
6 of which at least five per cent of the available
7 units are for persons and families with incomes
8 at or below thirty per cent of the median family
9 income; and

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

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



(2) Mixed-income rental projects or units in a mixed-income rental project primarily for persons and families with incomes at or below one hundred forty per cent of the median family income[-], as provided by this section.

(f) There is established within the fund a mixed-income subaccount. Moneys in the mixed-income subaccount shall be used for any and all forms of financing, including but not limited to loans, equity investments, [~~and~~] credit enhancement, and collateral, for mixed-income rentals for qualified residents as defined in section 201H-32. The corporation shall establish an application process for the allocation of funds in the mixed-income subaccount, separate from the fund allocation process pursuant to section 201H-204(c), that gives preference to projects meeting the following criteria:

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

(2) Projects located on [~~state or county~~] state- or county- owned land or developed in partnership with the State or a county;



- 1 (3) Projects that efficiently use state funding;
- 2 (4) Mixed-income rental projects or units in a mixed-
- 3 income rental project in an area that satisfy transit-
- 4 supportive density requirements, as defined in section
- 5 206E-246; ~~and~~
- 6 (5) Projects with a perpetual affordability commitment;
- 7 (6) Projects proposed by applicants with a demonstrated
- 8 history of early repayment to the fund; and

9 ~~[-(5)]~~ (7) Any other criteria as the corporation deems

10 necessary to carry out the purposes of this

11 subsection.

12 If the corporation, after applying the process described in

13 this subsection, finds a nonprofit or government project equally

14 ranked with a for-profit project, the corporation shall give

15 preference to the nonprofit or government project in allotting

16 funds from the mixed-income subaccount.

17 Moneys derived from the repayment of loans funded by the

18 mixed-income subaccount, interest thereon, and related fees and

19 returns shall be deposited into the fund.

20 (g) There is established within the fund a bond volume cap

21 recycling program subaccount. The bond volume cap recycling



1 program subaccount shall be maintained as a reserve for the bond
2 volume cap recycling program established pursuant to
3 section 39B-2(f).

4 (h) The corporation shall submit an annual report to the
5 legislature no later than twenty days prior to the convening of
6 each regular session describing the projects funded and, with
7 respect to rental housing projects targeted for persons and
8 families with incomes at or below thirty per cent of the median
9 family income, its efforts to develop those rental housing
10 projects, a description of proposals submitted for this target
11 group and action taken on the proposals, and any barriers to
12 developing housing units for this target group.

13 (i) For the purposes of this subpart, the applicable
14 median family income shall be the median family income for the
15 county or standard metropolitan statistical area in which the
16 project is located as determined by the United States Department
17 of Housing and Urban Development, as adjusted from time to time.

18 (j) The corporation may provide loans under this section;
19 provided that the corporation shall establish loan-to-value
20 ratios to protect the fund from inordinate risk and that under
21 no circumstances shall the rules permit the loan-to-value ratio



1 to exceed one hundred per cent; provided further that the
2 underwriting guidelines include a debt-coverage ratio of no less
3 than 1.0 to 1.

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

16 (l) Notwithstanding any law to the contrary, the
17 corporation, with the approval of the director of finance, may
18 transfer moneys between the rental housing revolving fund and
19 any subaccount established under this section, and between
20 subaccounts established under this section, without further
21 legislative authorization, for purposes consistent with this



1 chapter. The corporation may also return unexpended or
2 uncommitted funds from a subaccount established under this
3 section to the rental housing revolving fund, to be used for any
4 lawful purpose of the fund.

5 (m) Notwithstanding any law to the contrary, the
6 corporation may use moneys in the rental housing revolving fund
7 that have been reserved or awarded by the corporation for
8 specific projects but have not yet been encumbered to fund other
9 rental housing projects or for other authorized purposes of the
10 fund; provided that any use of reserved funds under this
11 subsection shall be subject to the following:

12 (1) Any loan or use of funds under this subsection shall
13 be for a term not to exceed three years;

14 (2) The corporation shall ensure that the principal amount
15 of any loan is fully repaid or replenished before the
16 anticipated financial closing date of the project for
17 which the funds were originally reserved;

18 (3) The corporation shall adopt policies establishing
19 minimum liquidity requirements to ensure the timely
20 availability of funds for all reserved projects; and



1 (4) The corporation shall submit a quarterly report to the
2 legislature detailing the amount of reserved funds
3 currently deployed for other purposes under this
4 subsection and the schedule for the return of the
5 reserved funds to the fund."

6 SECTION 4. Act 159, Session Laws of Hawaii 2025, is
7 amended by amending section 8 to read as follows:

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

13 SECTION 5. The director of finance may transfer moneys
14 from the rental housing revolving fund to the mixed-income
15 subaccount in an amount that shall not exceed \$ for
16 fiscal year 2026-2027.

17 SECTION 6. There is appropriated out of the general
18 revenues of the State of Hawaii the sum of \$ or so
19 much thereof as may be necessary for fiscal year 2026-2027 to be
20 deposited into the mixed-income subaccount of the rental housing
21 revolving fund.



1 SECTION 7. There is appropriated out of the mixed-income
2 subaccount of the rental housing revolving fund the sum of
3 \$ or so much thereof as may be necessary for fiscal
4 year 2026-2027 for the purposes of the subaccount.

5 The sum appropriated shall be expended by the Hawaii
6 housing finance and development corporation for the purposes of
7 this Act.

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

10 SECTION 9. This Act shall take effect on July 1, 2026.



Report Title:

HHFDC; Department of Budget and Finance; RHRF; Mixed-Income Subaccount; Financing; Perpetual Affordability; Early Repayment; Reserved Funds; Appropriations

Description:

Authorizes the Hawaii Housing Finance and Development Corporation, with the approval of the Director of Finance, to transfer moneys between the Rental Housing Revolving Fund and its subaccounts without legislative authorization. Authorizes the Rental Housing Revolving Fund to be used to provide any and all forms of financing for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. Requires HHFDC to give preference to certain projects with perpetual affordability commitments and to applicants with a demonstrated history of early repayment to the RHRF. Authorizes HHFDC to use reserved but unencumbered funds for short term projects, subject to certain conditions. Authorizes the Director of Finance to transfer moneys from the RHRF to its Mixed-Income Subaccount for FY 2026-2027. Appropriates funds. (Proposed SD1)

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