

JAN 21 2026

A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. Chapter 201H, Hawaii Revised Statutes, is
2 amended by adding a new part to be appropriately designated and
3 to read as follows:

4 **"PART . AFFORDABLE HOMEOWNERSHIP AND RENTAL SUPPLY PROGRAMS**

5 **§201H-A Definitions.** As used in this part:

6 "Eligible developer" means a developer that meets
7 eligibility requirements pursuant to section 201H-C(a)(3), (4),
8 and (5).

9 "Eligible homebuyer" means a homebuyer who meets
10 eligibility requirements pursuant to section 201H-F.

11 "Middle-income household" means a household whose gross
12 household income does not exceed:

- 13 (1) per cent of the area median income for a family
14 with children as determined by the United States
15 Department of Housing and Urban Development; and



(2) per cent of the area median income for a family without children as determined by the United States Department of Housing and Urban Development.

"Rental housing project" means a project approved for interim financing by the corporation pursuant to section 201H-D.

§201H-B Identification of underutilized lands; public land inventory; assistance. (a) The corporation shall partner with landowners, including the counties and state and federal agencies, to identify low-cost, underutilized public properties that are suitable for the development of affordable rental housing, including mix-used developments.

(b) The corporation shall compile, maintain, and publish on its website an inventory of the public properties identified pursuant to subsection (a), including the corresponding tax map keys of the properties identified.

(c) Once a property is listed in the public inventory, the corporation shall notify eligible developers. An eligible developer may submit a proposal to:

- (1) Develop a rental housing project on the site; or
- (2) Develop and own and operate a rental housing project on the site.



(d) The corporation shall provide assistance to an eligible developer that requests assistance:

(1) In navigating the planning and permitting requirements of the State and the county in which the project site is located to accelerate project development timelines;

(2) With regard to legal issues that may arise during the process of construction and development; and

(3) With federal assistance and financing program pursuant to section 201H-8(4) and (5).

(e) The corporation shall provide assistance to any county agency that requests assistance:

(1) With regard to legal issues that may arise during the construction and development of a property; and

(2) Pursuant to section 201H-8(6).

§201H-C Eligibility requirements; rental housing projects; developers; contributions. (a) To be eligible for financing by the corporation pursuant to section 201H-D, a rental housing project shall, at minimum, meet the following requirements:

(1) The project site shall be viable for residential use and housing;



(2) Housing developed shall be available to middle-income households;

(3) The eligible developer shall own and control mortgageable interest in the property;

(4) The eligible developer shall submit a study to the corporation in accordance with rules adopted by the corporation, detailing:

(A) Present and future need and demand for rental housing for middle-income households in the target community;

(B) A clear business case for the rental housing project, including demonstrated ability to maintain rent thresholds for middle-income households over time; and

(C) A description demonstrating that the rental housing project will be sustainable without operating subsidies or additional capital grants from the corporation for capital repairs or replacements; and



(5) The eligible developer shall contribute in equity to the rental housing project one or more of the following:

(A) Low-cost financing;

(B) Capital funding;

(C) Land contributions;

(D) Fundraising or donor contributions;

(E) Cash and other equity contributions; and

(F) County funding, development bonuses, or

concessions for the project site that improve the viability of the rental housing project.

(b) The corporation may apply additional requirements or prioritize a rental housing project based on available equity contributions, financing, and other factors, including:

(1) Greater need, demand, or community impact;

(2) County and community support;

(3) Large partner equity contributions; and

(4) Geographic location.

(c) An eligible developer that qualifies for a loan or grant under section 201H-D shall guarantee that the rental housing project shall:



1 (1) Be self-sustaining without the need for subsidies or
2 ongoing operating funding from the corporation; and

3 (2) Meet other minimum requirements that the corporation
4 may adopt by rule;

5 provided that an eligible developer may provide funding from the
6 eligible developer's own resources or other funding sources;
7 provided further that the corporation may approve the stacking
8 of other financing and funding programs.

9 **§201H-D Affordable rental supply revolving fund;**
10 **construction loans; interim financing; requirements; permitted**
11 **uses.** (a) There is established an affordable rental supply
12 revolving fund to be administered by the corporation.

13 (b) The following shall be deposited into the fund:

14 (1) Appropriations made by the legislature;

15 (2) Private contributions;

16 (3) Repayment of loans, interest, and other returns,
17 including the sale of a federally insured or
18 guaranteed loan to the Federal Financing Bank; and

19 (4) Moneys from other sources.

20 (c) The fund shall provide interim financing for the
21 construction and development of rental housing, including new



1 construction, acquisition, and development. The corporation may
2 approve financing up to one hundred per cent of the costs
3 necessary to develop and complete the rental housing project.
4 An eligible developer that receives interim financing pursuant
5 to this section shall repay the loan within five years from the
6 date that the rental housing project transitions to permanent
7 financing.

8 (d) Permitted uses of the fund may also include:

9 (1) A capital grant of not more than \$ for the
10 department of Hawaiian home lands, an eligible
11 developer controlled by Native Hawaiians, and public
12 housing corporations and co-operatives; provided that
13 an eligible developer awarded a grant pursuant to this
14 paragraph shall:

15 (A) Prioritize housing for middle-income households

16 for a minimum of years; and

17 (B) Offer a minimum of per cent of units rented

18 at per cent market rate for a minimum of

19 years;



1 provided further that the department of Hawaiian home
2 lands shall be exempt from the requirements of
3 subparagraphs (A) and (B);

4 (2) A short-term loan for a general excise tax advance;
5 provided that the corporation shall only offer the
6 loan to an eligible developer approved for interim
7 financing pursuant to subsection (c);

8 (3) Project development funding activities, including but
9 not limited to feasibility studies, design drawings
10 and specifications, cost estimates, survey fees,
11 acquisition and servicing, and demolition costs;

12 (4) County fees, including rezoning, building permits,
13 development permits, utility permits, development cost
14 charges, and utility charges;

15 (5) Appraisal fees;

16 (6) Professional fees; and

17 (7) Other housing development services or activities that
18 the corporation may authorize in accordance with rules
19 adopted pursuant to chapter 91.

20 (e) A loan issued under this section shall:

21 (1) Comply with applicable federal and state laws;



- 1 (2) Be federally insured or guaranteed; and
- 2 (3) Meet other requirements in accordance with rules
- 3 adopted by the corporation pursuant to chapter 91,
- 4 including restrictions on the maturities, interest
- 5 rates, and other requirements.

6 **§201H-E Affordable homeownership program.** The corporation
7 shall provide an equity-participating second mortgage to
8 eligible homebuyers towards the down payment of a home in a
9 development designated by the corporation. The corporation
10 shall not lend the amount of the second mortgage in the form of
11 cash to an eligible homebuyer but shall instead hold the amount
12 of the second mortgage.

13 **§201H-F Eligible homebuyers; requirements.** (a) An
14 eligible homebuyer seeking a second mortgage pursuant to section
15 201H-E, at the time of application, shall:

- 16 (1) Be a citizen or permanent resident of the State;
- 17 (2) Have resided in the State for at least years;
- 18 (3) Not own property in the State or any jurisdiction
- 19 outside of the State;
- 20 (4) Be living in rental housing or other non-ownership
- 21 housing; and



(5) Have a gross household income that does not exceed:

(A) per cent of the area median income for families with children as determined by the United States Department of Housing and Urban Development; and

(B) per cent of the area median income for families without children as determined by the United States Department of Housing and Urban Development.

(b) An eligible homebuyer shall:

(1) Secure primary mortgage financing from a private sector lender approved by the corporation; and

(2) Provide a down payment of at least per cent of the property value.

§201H-G Affordable homeownership assistance revolving fund; requirements. (a) There is established an affordable homeownership assistance revolving fund to be administered by the corporation.

(b) The following shall be deposited into the fund:

(1) Appropriations made by the legislature;

(2) Private contributions;



(3) Repayment of a second mortgage, interest, other
returns; and

(4) Moneys from any other sources.

(c) The fund shall provide second mortgages for eligible
homebuyers. The corporation may approve a second mortgage
amount of up to per cent of the value of the home. A
homeowner who receives a second mortgage from the corporation
shall repay the amount of the second mortgage, plus a
proportionate share of any increase in value of the home, upon
the sale of the home. A decline in market value shall
proportionately reduce the amount repayable.

(d) The second mortgage shall be:

(1) Interest- and payment-free for years or until
the home is sold, whichever occurs first; and

(2) Registered on the title to secure the value that is
achieved through all partner contributions, including
county, state, and federal housing assistance,
vouchers, and waivers.

(e) An eligible homebuyer who receives a second mortgage
through the affordable homeownership program shall:



(1) Maintain the home as their primary residence for at least years; and

(2) Not rent the home to any tenants for at least years from the date of purchase.

(f) A homeowner who receives a second mortgage from the corporation shall repay the amount of the second mortgage before the expiration of its term or the sale of the home if:

(1) The homeowner defaults on their primary mortgage;

(2) Rents the home during the homeowner's first years of ownership;

(3) Otherwise defaults on any loan or mortgage issued pursuant to the affordable homeownership program; or

(4) The -year mortgage term expires.

§201H-H Rules. The corporation shall adopt rules pursuant to chapter 91 to carry out the purposes of this part."

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2026-2027 to be deposited into the affordable rental supply revolving fund.

SECTION 3. There is appropriated out of the affordable rental supply revolving fund the sum of \$ or so much



1 thereof as may be necessary for fiscal year 2026-2027 for the
2 development of eligible, affordable rental housing projects in
3 the State.

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

7 SECTION 4. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$ or so
9 much thereof as may be necessary for fiscal year 2026-2027 to be
10 deposited into the affordable homeownership assistance revolving
11 fund.

12 SECTION 5. There is appropriated out of the affordable
13 homeownership assistance revolving fund the sum of \$
14 or so much thereof as may be necessary for fiscal year 2026-2027
15 for the financing of second mortgages for eligible homebuyers.

16 The sum appropriated shall be expended by the Hawaii
17 housing finance and development corporation for the purposes of
18 this Act.

19 SECTION 6. In codifying the new sections added by
20 section 1 of this Act, the revisor of statutes shall substitute



1 appropriate section numbers for the letters used in designating
2 the new sections in this Act.

3 SECTION 7. This Act shall take effect on July 1, 2026.

4

INTRODUCED BY: SKS



S.B. NO. 2344

Report Title:

HHFDC; Affordable Rental Supply Revolving Fund; Affordable Homeownership Assistance Revolving Fund; Public Property Inventory; Public Housing Corporations; Developers; Rental Housing; Affordable Homeownership; Second Mortgages; Homebuyers; Appropriations

Description:

Requires the Hawaii Housing Finance and Development Corporation to compile, maintain, and publish on its website a public inventory of underutilized public properties suitable for affordable rental housing development. Requires the HHFDC to provide legal and administrative assistance to requesting county agencies and eligible developers to accelerate the development of affordable rental housing projects. Establishes eligibility requirements for developers and rental housing projects seeking interim financing from the HHFDC. Establishes the Affordable Rental Supply Revolving Fund to be administered by the HHFDC to provide interim financing for eligible developers of approved rental housing projects. Establishes the Affordable Homeownership Program within the HHFDC to provide second mortgages to homebuyers under certain conditions. Establishes eligibility requirements for a homebuyer seeking a second mortgage from the HHFDC. Establishes the Affordable Homeownership Assistance Revolving Fund to be administered by the HHFDC. Appropriates funds.

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