
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. 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 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



1 day-to-day administrative expenses of projects allotted fund
2 moneys.

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

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

13 (d) [~~Except~~] Notwithstanding any law to the contrary, and
14 except as provided in subsection (f), the fund shall be used to
15 provide [~~loans~~] any and all forms of financing, including but
16 not limited to loans, equity investments, credit enhancement,
17 and collateral for the development, pre-development,
18 construction, acquisition, preservation, and substantial
19 rehabilitation of rental housing units. The corporation shall
20 not forgive any loan made from the fund unless the corporation
21 forecloses on the project. Permitted uses of the fund may



1 include but are not limited to planning, design, land
2 acquisition, costs of options, agreements of sale, downpayments,
3 equity financing, capacity building of nonprofit housing
4 developers, credit enhancement, gap financing, or other housing
5 development services or activities as provided in rules adopted
6 by the corporation pursuant to chapter 91. The rules may
7 provide for a means of recapturing loans or grants made from the
8 fund if a rental housing project financed under the fund is
9 refinanced or sold at a later date. The rules may also provide
10 that moneys from the fund shall be leveraged with other
11 financial resources to the extent possible.

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

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



1 the United States Department of Housing and Urban
2 Development and United States Department of
3 Agriculture Rural Development wherein:

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

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

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



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

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

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

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



- 1 (3) Projects that efficiently use state funding;
- 2 (4) Mixed-income rental projects or units in a
3 mixed-income rental project in an area that satisfy
4 transit-supportive density requirements, as defined in
5 section 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 section
3 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) Loans applied for and awarded after December 31, 2026,
6 under this section shall be subject to review and renegotiation
7 when any mortgage debt to which the loan is subordinate is
8 refinanced or retired, except bond volume cap mortgage debt made
9 available to the bond volume cap recycling program referenced in
10 subsection (g).

11 (n) Notwithstanding any law to the contrary, the
12 corporation may use moneys in the fund that have been reserved
13 or awarded by the corporation for specific projects but have not
14 yet been encumbered to fund other rental housing projects or for
15 other authorized purposes of the fund; provided that any use of
16 reserved funds under this subsection shall be subject to the
17 following:

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

20 (2) The corporation shall ensure that the principal amount
21 of any loan is fully repaid or replenished before the



1 anticipated financial closing date of the project for
2 which the funds were originally reserved;

3 (3) The corporation shall adopt, and the board shall
4 review and approve at least annually, policies
5 establishing minimum liquidity requirements to ensure
6 the timely availability of funds for all reserved
7 projects; and

8 (4) The corporation shall submit a quarterly report to the
9 legislature detailing the amount of reserved funds
10 currently deployed for other purposes under this
11 subsection and the schedule for the return of the
12 reserved funds to the fund.

13 (o) To ensure the timely availability of funds for
14 projects with reserved awards, the corporation may, with the
15 approval of the board, secure a line of credit, standby bond
16 purchase agreement, or other credit enhancement facility to
17 provide liquidity for the fund. The corporation may pledge
18 moneys in the fund to secure the credit facilities; provided
19 that the use of the credit facilities shall be strictly limited
20 to managing timing differences between the deployment of



1 reserved funds under subsection (n) and the funding obligations
2 of reserved projects."

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

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

10 SECTION 4. The director of finance may transfer moneys
11 from the rental housing revolving fund to the mixed-income
12 subaccount in an amount that shall not exceed \$100,000,000 for
13 fiscal year 2026-2027.

14 SECTION 5. There is appropriated out of the general
15 revenues of the State of Hawaii the sum of \$100,000,000 or so
16 much thereof as may be necessary for fiscal year 2026-2027 to be
17 deposited into the mixed-income subaccount of the rental housing
18 revolving fund.

19 SECTION 6. There is appropriated out of the mixed-income
20 subaccount of the rental housing revolving fund the sum of



1 \$100,000,000 or so much thereof as may be necessary for fiscal
2 year 2026-2027 for the purposes of the subaccount.

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

6 SECTION 7. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 8. This Act shall take effect on July 1, 2050.



Report Title:

HHFDC; Department of Budget and Finance; RHRF; Mixed-Income Subaccount; Reserved Funds; Appropriations

Description:

Authorizes the Rental Housing Revolving Fund (RURF) 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 the Hawaii Housing Finance and Development Corporation (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, with the approval of the Director of Finance, to transfer moneys between the RHRF and its subaccounts without further legislative authorization. Requires certain RHRF loans applied for or awarded after 12/31/2026 to be subject to review and renegotiation when any mortgage debt to which the loan is subordinate is refinanced or retired. Authorizes HHFDC to use reserved but unencumbered funds for short-term projects with certain conditions. Authorizes HHFDC to secure lines of credit, standby bond purchase agreements, or other credit enhancement facilities to provide liquidity for the RHRF in certain circumstances. Authorizes the Director of Finance to transfer moneys from the RHRF to its Mixed-Income Subaccount for FY 2026-2027. Appropriates funds. Effective 7/1/2050. (SD1)

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