THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2060 S.D. 1

A BILL FOR AN ACT

RELATING TO THE RENTAL HOUSING REVOLVING FUND.

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

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

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

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

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

(b) An amount from the fund, to be set by the corporation and authorized by the legislature, may be used for administrative expenses incurred by the corporation in administering the corporation's housing finance programs; provided that fund moneys shall not be used to finance

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

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

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

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

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

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

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

(3) Projects that efficiently use state funding;

(4) Mixed-income rental projects or units in a mixed-income rental project in an area that satisfy transit-supportive density requirements, as defined in section 206E-246; [~~and~~]

(5) Projects with a perpetual affordability commitment;

(6) Projects proposed by applicants with a demonstrated history of early repayment to the fund; and

[~~(5)~~] (7) Any other criteria as the corporation deems necessary to carry out the purposes of this subsection.

If the corporation, after applying the process described in this subsection, finds a nonprofit or government project equally ranked with a for-profit project, the corporation shall give preference to the nonprofit or government project in allotting funds from the mixed-income subaccount.

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

(g) There is established within the fund a bond volume cap recycling program subaccount. The bond volume cap recycling

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

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

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

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

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

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

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

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

(m) Loans applied for and awarded after December 31, 2026, under this section shall be subject to review and renegotiation when any mortgage debt to which the loan is subordinate is refinanced or retired, except bond volume cap mortgage debt made available to the bond volume cap recycling program referenced in subsection (g)."

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

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

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

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

SECTION 6. There is appropriated out of the mixed-income subaccount of the rental housing revolving fund the sum of $100,000,000 or so much thereof as may be necessary for fiscal year 2026-2027 for the purposes of the subaccount.

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

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

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

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Report Title:
HHFDC; Department of Budget and Finance; RHRF; Mixed-Income Subaccount; 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 RHRF 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. Requires 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 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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