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# 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. The legislature finds that the State has a  
2 housing crisis and although general excise tax exemptions and  
3 county subsidies help to reduce development costs, private  
4 development of rental housing for households earning from sixty  
5 per cent up to one hundred forty per cent of the area median  
6 income is not financially feasible without additional public  
7 subsidy.

8           The legislature further finds that although funding is  
9 appropriated annually to the rental housing revolving fund to  
10 finance projects serving households earning up to one hundred  
11 forty per cent of area median income, the funds are prioritized  
12 for federal and state low-income housing tax credit financed  
13 projects, which generally only serve households earning up to  
14 sixty per cent of the area median income. Because the demand  
15 for revolving fund financing from first-priority tax credit  
16 projects far exceeds funding availability, mixed-income  
17 projects, including those with units serving households earning



1 up to one hundred forty per cent of the area median income, are  
2 not able to utilize the rental housing revolving fund.

3 The legislature also finds that strategies are needed to  
4 help keep local residents in the State. Having affordable  
5 rental housing opportunities for working families reduces net  
6 domestic outmigration and preserves critical segments of the  
7 State's labor force.

8 Accordingly, the purpose of this Act is to provide a  
9 dedicated source of funds to finance mixed-income rental housing  
10 projects by:

- 11 (1) Establishing the mixed-income subaccount within the  
12 rental housing revolving fund to target workforce  
13 rental housing projects for persons and families with  
14 incomes at or below one hundred forty per cent of the  
15 area median income;
- 16 (2) Authorizing the director of finance to transfer funds  
17 from the rental housing revolving fund into the mixed-  
18 income subaccount; and
- 19 (3) Appropriating funds into and out of the mixed-income  
20 subaccount of the rental housing revolving fund.



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

3 **"§201H-202 Rental housing revolving fund.** (a) There is  
4 established the rental housing revolving fund to be administered  
5 by the corporation.

6 (b) An amount from the fund, to be set by the corporation  
7 and authorized by the legislature, may be used for  
8 administrative expenses incurred by the corporation in  
9 administering the corporation's housing finance programs;  
10 provided that fund moneys shall not be used to finance day-to-  
11 day administrative expenses of projects allotted fund moneys.

12 (c) The following may be deposited into the fund[+] or  
13 into the mixed-income subaccount established under subsection  
14 (f): appropriations made by the legislature, conveyance taxes  
15 pursuant to section 247-7, private contributions, repayment of  
16 loans, interest, other returns, and moneys from other sources.

17 (d) The fund shall be used to provide loans for the  
18 development, pre-development, construction, acquisition,  
19 preservation, and substantial rehabilitation of rental housing  
20 units. The corporation shall not forgive any loan made from the  
21 fund unless the corporation forecloses on the project.



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

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

18 [~~(1) For projects that were awarded low-income housing~~  
19 ~~credits pursuant to paragraph (2), priority shall be~~  
20 ~~given to projects with a perpetual affordability~~  
21 ~~commitment;~~



1       ~~(2)~~ (1) Projects or units in projects that are allocated  
2           low-income housing credits pursuant to the state  
3           housing credit ceiling under section 42(h) of the  
4           Internal Revenue Code of 1986, as amended, or projects  
5           or units in projects that are funded by programs of  
6           the United States Department of Housing and Urban  
7           Development and United States Department of  
8           Agriculture Rural Development wherein:  
9           (A) At least fifty per cent of the available units  
10           are for persons and families with incomes at or  
11           below eighty per cent of the median family income  
12           of which at least five per cent of the available  
13           units are for persons and families with incomes  
14           at or below thirty per cent of the median family  
15           income; and  
16           (B) The remaining units are for persons and families  
17           with incomes at or below one hundred per cent of  
18           the median family income;  
19           provided that the corporation may establish rules to  
20           ensure full occupancy of fund projects; provided that  
21           for projects that were awarded low-income housing



1 credits pursuant to this paragraph, priority shall be  
2 given to projects with a perpetual affordability  
3 commitment. For purposes of this paragraph,  
4 "perpetual" means the life of the project; and

5 [~~3~~] (2) Mixed-income rental projects or units in a mixed-  
6 income rental project [wherein all of the available  
7 units are] for persons and families with incomes at or  
8 below one hundred forty per cent of the median family  
9 income.

10 (f) There is established within the fund a mixed-income  
11 subaccount. Moneys in the mixed-income subaccount shall be used  
12 to make loans to mixed-income rental projects or units in a  
13 mixed-income rental project for persons and families with  
14 incomes at or below one hundred forty per cent of the area  
15 median income. The corporation shall establish an application  
16 process for the allocation of funds in the mixed-income  
17 subaccount, separate from the fund allocation process pursuant  
18 to section 201H-204(c), that gives preference to projects  
19 meeting the following criteria that are listed in descending  
20 order of priority:



- 1        (1) A diverse range of affordability, targeting persons
- 2                    and families with incomes up to one hundred forty per
- 3                    cent of the median family income;
- 4        (2) Projects located on state or county owned land;
- 5        (3) Projects for which a loan from the subaccount is
- 6                    reasonably projected to be fully repaid within forty
- 7                    years from funding; and
- 8        (4) Any other criteria as the corporation deems necessary
- 9                    to carry out the purposes of this subsection.

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

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

18        [~~f~~] (g) There is established within the fund a bond  
19 volume cap recycling program subaccount. The bond volume cap  
20 recycling program subaccount shall be maintained as a reserve



1 for the bond volume cap recycling program established pursuant  
2 to section 39B-2(f).

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

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

17       ~~[(i)]~~ (j) The corporation may provide loans under this  
18 section; provided that the corporation shall establish loan-to-  
19 value ratios to protect the fund from inordinate risk and that  
20 under no circumstances shall the rules permit the loan-to-value  
21 ratio to exceed one hundred per cent; provided further that the



1 underwriting guidelines include a debt-coverage ratio of no less  
2 than 1.0 to 1.

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

15       SECTION 3. Section 201H-204, Hawaii Revised Statutes, is  
16 amended to read as follows:

17       "~~§~~**201H-204**~~§~~ **Eligible projects.** (a) Activities  
18 eligible for assistance from the fund shall include but not be  
19 limited to:

20       (1) New construction, rehabilitation, or preservation of  
21       low-income or mixed-income rental housing units that



- 1 meet the criteria for eligibility described in  
2 subsection (c) [~~+~~] or section 201H-202(f);
- 3 (2) The leveraging of moneys with the use of fund assets;  
4 (3) Pre-development activity grants or loans to nonprofit  
5 organizations; and  
6 (4) Acquisition of housing units for the purpose of  
7 preservation as low-income or very low-income housing.
- 8 (b) Preference shall be given to projects producing units  
9 in at least one of the following categories:
- 10 (1) Multifamily units;  
11 (2) Attached single-family units;  
12 (3) Apartments;  
13 (4) Townhouses;  
14 (5) Housing units above commercial or industrial space;  
15 (6) Single room occupancy units;  
16 (7) Accessory apartment units;  
17 (8) Employee housing;  
18 (9) United States Department of Housing and Urban  
19 Development mixed finance development of public  
20 housing units; and



1 (10) Other types of units meeting the criteria for  
2 eligibility set forth in subsection (c) [-] or section  
3 201H-202(f).

4 (c) [~~The~~] Except as provided in section 201H-202(f), the  
5 corporation shall establish an application process for fund  
6 allocation that gives preference to projects meeting the  
7 following criteria that are listed in descending order of  
8 priority:

- 9 (1) Serve the original target group;
- 10 (2) Provide at least five per cent of the total number of  
11 units for persons and families with incomes at or  
12 below thirty per cent of the median family income;
- 13 (3) Provide the maximum number of units for persons or  
14 families with incomes at or below eighty per cent of  
15 the median family income;
- 16 (4) Are committed to serving the target group over a  
17 longer period of time;
- 18 (5) Increase the integration of income levels of the  
19 immediate community area;



1 (6) Meet the geographic needs of the target group of the  
2 proposed rental housing project, such as proximity to  
3 employment centers and services; and

4 (7) Have favorable past performance in developing, owning,  
5 managing, or maintaining affordable rental housing.

6 The corporation may include other criteria as it deems  
7 necessary to carry out the purposes of this subpart.

8 If the corporation, after applying the process described in  
9 this subsection, finds a nonprofit project equally ranked with a  
10 for-profit or government project, the corporation shall give  
11 preference to the nonprofit project in allotting fund moneys."

12 SECTION 4. Section 247-7, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 "**§247-7 Disposition of taxes.** All taxes collected under  
15 this chapter shall be paid into the state treasury to the credit  
16 of the general fund of the State, to be used and expended for  
17 the purposes for which the general fund was created and exists  
18 by law; provided that of the taxes collected each fiscal year:

19 (1) Ten per cent or \$5,100,000, whichever is less, shall  
20 be paid into the land conservation fund established  
21 pursuant to section 173A-5; and



1           (2) Fifty per cent or \$38,000,000, whichever is less,  
 2           shall be paid into the rental housing revolving fund  
 3           established by section 201H-202[-]; provided that  
 4           funds allocated under this paragraph may be  
 5           transferred into the mixed-income subaccount  
 6           established pursuant to section 201H-202(f)."

7           SECTION 5. The director of finance may transfer moneys  
 8           from the rental housing revolving fund to the rental housing  
 9           revolving fund mixed-income subaccount in an amount not to  
 10          exceed \$                   for fiscal year 2025-2026 and the same sum or  
 11          so much thereof as may be necessary for fiscal year 2026-2027.

12          SECTION 6. There is appropriated out of the general  
 13          revenues of the State of Hawaii the sum of \$                   or so  
 14          much thereof as may be necessary for fiscal year 2025-2026 and  
 15          the same sum or so much thereof as may be necessary for fiscal  
 16          year 2026-2027 to be deposited into the mixed-income subaccount  
 17          of the rental housing revolving fund established pursuant to  
 18          section 201H-202(f), Hawaii Revised Statutes.

19          SECTION 7. There is appropriated out of the mixed-income  
 20          subaccount of the rental housing revolving fund established  
 21          pursuant to section 201H-202(f), Hawaii Revised Statutes, the



1 sum of \$                    or so much thereof as may be necessary for  
2 fiscal year 2025-2026 and the same sum or so much thereof as may  
3 be necessary for fiscal year 2026-2027 for the purposes of the  
4 subaccount.

5        The sums 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, 3000.



**Report Title:**

Rental Housing Revolving Fund; Mixed-Income Subaccount;  
Workforce Rental Housing; Director of Finance; Appropriation

**Description:**

Establishes the Mixed-Income Subaccount within the Rental Housing Revolving Fund that targets workforce rental housing projects for persons and families with incomes at or below one hundred forty per cent of the area median income. Authorizes the Director of Finance to transfer funds from the Rental Housing Revolving Fund into the Mixed-Income Subaccount. Appropriates funds into and out of the Mixed-Income Subaccount of the Rental Housing Revolving Fund. Effective 7/1/3000.  
(HD1)

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