



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

S.B. NO. 2787, RELATING TO THE RENTAL HOUSING REVOLVING FUND.

BEFORE THE:

SENATE COMMITTEE ON HOUSING

DATE: Tuesday, February 10, 2026 **TIME:** 1:00 p.m.

LOCATION: State Capitol, Room 225

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Chase S.L. Suzumoto, Deputy Attorney General

Chair Chang and Members of the Committee:

The Department of the Attorney General (Department) offers the following comments on this bill.

This bill amends section 201H-204(a), Hawaii Revised Statutes (HRS), to authorize the Hawaii Housing Finance and Development Corporation (HHFDC) to use moneys from the Rental Housing Revolving Fund (RHRF) to provide loans or grants directly to individuals within a specified income range to buy rental units.

The Department has several concerns.

First, sections 201H-202 and 201H-204, HRS, currently list eligible activities for assistance from the RHRF, including, among other things, new construction, rehabilitation, or preservation of low-income rental housing units; leveraging of fund moneys; pre-development activity grants or loans to nonprofit organizations; and acquisition of housing units for preservation as low-income or very low-income housing. These eligible activities reflect a fund structure intended to support rental housing development and preservation activities, rather than direct financial assistance to individuals to purchase rental units. Because the bill would establish a new loan or grant authority for individuals, the Department recommends that the Committee consider placing this new authority in a separate new section within chapter 201H, part III, subpart J, HRS. The Department further recommends that the new section include the following proviso, to clarify that the new loan or grant authority is intended to operate

as a specific exception to existing statutory limitations and requirements applied to the Rental Housing Revolving Fund: "Notwithstanding sections 201H-202(d), (e), and (j), and 201H-204(a),"

The Department further notes that the bill's use of the phrase "purchase a rental unit" is ambiguous and does not specify whether the purchaser must occupy the unit as a principal residence. Without a clear owner-occupancy requirement and appropriate enforcement provisions, the bill could be construed to authorize the use of public funds to assist individuals in purchasing rental units as investment property. If the intent is to support ownership for residents, the bill should be amended to clarify that any unit purchased with assistance must be used as the purchaser's principal residence for a specified period, and should include appropriate resale, recapture, or other enforcement mechanisms. The Department also recommends defining "rental unit" for purposes of this loan and grant program, to clarify what types of housing and ownership interests qualify for assistance. Alternatively, the bill could be amended to require HHFDC to adopt rules to implement the program and clarify key terms and requirements, including the meaning of "rental unit."

Additionally, this bill may be subject to challenge under article VII, section 4, of the Hawai'i Constitution, which provides that "[n]o grant of public money . . . shall be made except pursuant to standards provided by law." Because the bill would authorize HHFDC to provide loans or grants directly to individuals, the Department recommends that this bill be amended to insert appropriate standards. Examples of existing statutes that provide standards for agencies to issue grants are part II of chapter 9 and sections 10-17, 210D-11, and 383-128, HRS.

We have attached examples of standards to this testimony for the Committee's consideration. These and any other standards could be inserted into the bill as a new subsection of a new section to be added chapter 201H, part III, subpart J, HRS.

Thank you for the opportunity to testify on this bill.

DRAFT GRANT STANDARDS

The corporation shall establish by rules adopted pursuant to chapter 91, the application, selection, and administration requirements for any loan or grant provided to an individual pursuant to this section. At a minimum, the rules shall require that an applicant for a loan or grant shall:

- (1) Meet any applicable eligibility requirements established under this subpart;
- (2) Comply with the requirements of sections 201H-47 through 201H-51;
- (3) Use state funds exclusively for the purposes of this section;
- (4) Demonstrate the ability to properly use the loan or grant for the purposes authorized by this section;
- (5) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, disability, or any other characteristic protected under applicable federal or state law;
- (6) Agree not to use state funds for entertainment or perquisites;
- (7) Comply with all applicable federal, state, and county statutes, regulations, rules, and ordinances;
- (8) Agree to indemnify and save harmless the State of Hawaii and its officers, agents, and employees from and against any and all claims arising out of or resulting from activities carried out or projects undertaken with loan or grant funds and procure sufficient insurance to provide this indemnification if requested by the corporation;
- (9) Agree to make available to the corporation all records the applicant may have relating to the loan or grant, to allow state agencies to monitor the applicant's compliance with this subpart; and
- (10) Comply with any additional standards and requirements the corporation may prescribe.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

677 QUEEN STREET, SUITE 300

HONOLULU, HAWAII 96813

FAX: (808) 587-0600

Statement of

DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

February 10, 2026 at 1:00 p.m.

State Capitol, Room 225

In consideration of

SENATE BILL 2787

RELATING TO THE RENTAL HOUSING REVOLVING FUND.

Chair Chang, Vice Chair Hashimoto, and members of the Committee.

HHFDC has **comments** on Senate Bill 2787, which proposes to amend section 201H-204(a), Hawaii Revised Statutes, to expand the eligible uses of the Rental Housing Revolving Fund (RHRF) to include loans or grants to individuals with incomes between sixty-one and one hundred percent of the median family income to purchase a rental unit.

Under existing law, RHRF is structured as a revolving loan fund, and the eligible uses of the fund are generally contemplated as loans, with repayment supporting the continued availability of resources for future housing activities. HHFDC notes that prior legislative amendments removed general grant authority from RHRF, reinforcing its role as a revolving financing tool. This bill would reintroduce grant authority for a specific category of assistance. As drafted, this authority is added to section 201H-204(a) only, and the additional conforming amendments to other sections of Chapter 201H may be necessary to ensure consistency within the statutory framework and clarity in program administration.

In addition, in recent legislative sessions, the Legislature has emphasized the importance of accelerating the deployment and recycling of RHRF resources so that available capital can support multiple housing projects over time. To the extent RHRF resources are deployed as grants rather than loans, this would affect the revolving behavior of the fund and could reduce the amount of capital available for reuse absent additional appropriations.

HHFDC also notes that assistance for the purchase of existing rental units would be contingent upon property owners offering units for sale. As such, the use of this authority would be dependent on market conditions and seller participation.

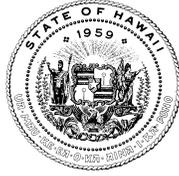
Finally, HHFDC notes that the State's homeownership programs continue to evolve. For example, the Hale Kama'aina program has developed over time to allow for stand-alone downpayment assistance, providing a distinct mechanism to support individual purchasers outside of the project-based financing structures. The relationship between these tools and the authority proposed in this bill may warrant further consideration to ensure clarity and coordination across all programs.

HHFDC appreciates the opportunity to provide these comments and looks forward to continued collaboration with the Legislature regarding the administration and implementation of RHRF.

Thank you for the opportunity to testify.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawai'i*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawai'i*



KALI WATSON
CHAIRPERSON, HHC
Ka Luna Ho'okele

KATIE L. LAMBERT
DEPUTY TO THE CHAIR
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
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TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEE ON HOUSING
ON FEBRUARY 10, 2026 AT 1:00PM IN CR 225

SB 2787, RELATING TO THE RENTAL HOUSING REVOLVING FUND

February 10, 2026

Aloha Chair Chang, Vice Chair Hashimoto, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) **supports** this bill which authorizes the Rental Housing Revolving Fund to be used to provide loans or grants to eligible individuals to purchase rental units.

This legislative proposal was approved by the Hawaiian Homes Commission. DHHL beneficiaries who benefit from DHHL projects developed with Low Income Housing Tax Credits (LIHTC) are subject to a 15-year compliance period as renters of a lease. The intent of this bill is to authorize the Rental Housing Revolving Fund to be used to provide loans or grants to eligible individuals to purchase rental units. Thereby, allowing the rent with option to purchase loan agreement to transition into a mortgage loan for DHHL beneficiaries.

Thank you for your consideration of our testimony.



‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai

SENATE BILL 2787

RELATING TO THE RENTAL HOUSING REVOLVING FUND

Ke Kōmike Hale o ka Ho‘omalua Mea Kemu a me ka ‘Oihana Kālepa
(Senate Committee on housing)

Hawai‘i State Capitol

Pepeluali 10th 2026

1:00 PM

Lumi 225

Aloha e Chair Chang, Vice Chair Hashimoto, and Members of the House Committee on Housing:

The Office of Hawaiian Affairs (OHA) provides **comments** for **SB2787**. This measure seeks to broaden the usage of the Rental Housing Revolving Fund to allow loans or grants to higher income individuals earning between sixty-one and one hundred forty per cent of the area median income to purchase rental units.

OHA supports policies that expand access to stable and affordable housing for Native Hawaiians and other local families, particularly those who are increasingly burdened by rising housing costs and limited pathways to homeownership. Native Hawaiians are disproportionately represented among renters and households experiencing housing instability. At the same time, we recognize some Native Hawaiian families fall within the income bands targeted by this measure, earning too much to qualify for deeply subsidized housing, yet too little to compete in Hawai‘i’s private housing market.

However, OHA emphasizes that the Rental Housing Revolving Fund remains one of the State’s most important tools for the production and preservation of affordable rental housing, particularly for households with the greatest need. Any expansion of eligible uses must therefore include clear statutory guardrails to ensure that public resources continue to serve a public purpose and do not unintentionally undermine affordability outcomes. As we expand the housing that can draw from our limited subsidies, we risk diluting the impact of these funds by spreading subsidies too thin. **Most importantly, expanding access to those above 100%AMI is mathematically allowing folks in the higher half of median**

income to draw funds from programs targeted to the lower half. To the extent that this fund supports rental housing, policy makers should ensure that the lowest affordability is targeted.

OHA respectfully offers the following **COMMENTS** for the Committee's consideration:

- **Affordability and targeting public benefits:** Assistance provided to individual purchasers should be conditioned on enforceable affordability requirements, including rent limits and minimum affordability periods, to ensure long-term benefit to renters.
- **Preservation-focused use:** Priority should be given to the acquisition and preservation of existing rental units, rather than speculative purchases or conversions that do not add to or stabilize the affordable housing supply.
- **Local and owner-occupancy safeguards:** Eligibility criteria such as long term owner-occupancy or primary-residence requirements can help ensure that assistance benefits local families.
- **Non-dilution of low-income priorities:** The use of funds for higher income bands should not diminish resources available for housing serving households at or below sixty per cent of area median income, where Native Hawaiian need is most acute.

With these considerations addressed, this measure may provide an additional pathway to housing stability while remaining aligned with the State's housing priorities to local residents and the core purpose of the Rental Housing Revolving Fund.

Mahalo for the opportunity to provide **COMMENTS** on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Allow Rental Housing Revolving Fund to Make Loans or Grants

BILL NUMBER: SB 2787, HB2401

INTRODUCED BY: SB by KEOHOKALO, CHANG, MCKELVEY, San Buenaventura; HB by HOLT, AMATO, EVSLIN, KEOHOKAPU-LEE LOY, KILA, KUSCH, LOWEN, MARTEN, MIYAKE, MORIKAWA, OLDS, POEPOE, SOUZA, TAKAYAMA

EXECUTIVE SUMMARY: Authorizes the Rental Housing Revolving Fund to be used to provide loans or grants to eligible individuals to purchase rental units.

SYNOPSIS: Amends section 201H-204, HRS, to add, as an acceptable activity for assistance from the fund, loans or grants to individuals with incomes between 61% and 140% of the median family income to purchase a rental unit.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The legislature has enacted criteria for the establishment or continuation of a revolving fund in section 37-52.4, HRS. One of the requirements is that the fund be financially self-sustaining.

Allowing the fund to make loans is fine because the loans are supposed to be repaid by the borrowers. Allowing the fund to make grants, however, is not fine. Grants don't have to be repaid.

Digested: 2/6/2026

SB-2787

Submitted on: 2/5/2026 1:14:43 PM

Testimony for HOU on 2/10/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry Support

2787 SB RELATING TO THE RENTAL HOUSING REVOLVING FUND.



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LATE

**The Thirty-Third Legislature
Seante Committee on Housing
Tuesday, February 10, 2026
Conference Room 225
1:00 p.m.**

TO: The Honorable Stanley Chang, Chair
FROM: Keali'i S. López, State Director
RE: Support for S.B. 2787 Relating to the Rental Housing Revolving Fund

Aloha Chair Chang and Members of the Committee:

My name is Keali'i López, and I serve as the State Director of AARP Hawai'i. AARP is a nonprofit, nonpartisan, social impact organization dedicated to **empowering people fifty and older to choose how they live as they age**. We advocate at the state and federal level on issues that matter most to older adults and their families. Access to stable, affordable housing is central to AARP's mission of ensuring residents can age with dignity and remain in their communities. On behalf of our 135,000 members statewide, thank you for the opportunity to testify in **support of S.B. 2787**.

S.B. 2787 authorizes the Rental Housing Revolving Fund (RHRF) to be used to provide loans or grants to individuals earning between 61% and 140% of the area median family income (AMI) to purchase a rental unit. This group often described as workforce or moderate-income households regularly falls into a gap: they do not qualify for low-income housing programs, yet they cannot afford market-rate options.

By expanding eligible uses of RHRF dollars, the bill strengthens the State's ability to **support these working families**. This aligns with broader statewide efforts to **address the full housing continuum** from low-income households to middle-income residents who are increasingly priced out of Hawai'i's housing market.

This measure also recognizes and enhances the ongoing work of the Department of Hawaiian Home Lands (DHHL), which currently uses the RHRF to develop housing projects. Allowing RHRF resources to support eligible buyers directly not only advances DHHL's mission of **expanding housing opportunities for Native Hawaiians** but also benefits other **local families striving for attainable homeownership**.

S.B. 2787 Relating to the Rental Housing Revolving Fund

February 10, 2026

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Authorizing loans or grants for the purchase of rental units **provides families with long-term financial and housing stability**. Homeownership helps prevent displacement, builds intergenerational wealth, and allows residents to **remain in the communities where they work, raise families, and care for loved ones**. These outcomes are critical at a time when too many young working families are leaving Hawai'i because suitable housing remains out of reach.

Stable and affordable housing is foundational to strong, resilient communities. It supports a diverse local workforce, reinforces small businesses, and strengthens Hawai'i's overall economic health. Importantly, it **allows our kūpuna to remain in their homes** and age in place, close to family and support networks that help them thrive.

By creating a **more flexible and responsive financing structure**, S.B. 2787 modernizes RHRF operations and ensures that State resources can be used efficiently to meet today's pressing housing needs. This is a smart, practical way to leverage existing tools to help more Hawai'i residents secure stable homes.

AARP Hawai'i respectfully urges the **Senate Committee on Housing to pass S.B. 2787**. Thank you for your consideration and for your continued commitment to addressing Hawai'i's housing crisis.

Mahalo for the opportunity to support this important measure.