

**ACT 214**

S.B. NO. 3195

A Bill for an Act Relating to Housing.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that there exists a critical shortage of housing units that are affordable to low- and moderate-income residents, and residents in the so-called “gap-group” in the State. Many adverse long-term economic factors such as interest rates for mortgages and construction loans, the high cost and limited availability of residentially designated and zoned land, particularly on Oahu, the cost of construction, the relatively high cost of living, relatively low family incomes in comparison to the national average of comparable high cost areas,

and an increase in the number of households in the State, have interacted to negatively impact residential development in the State. Over the past decade there has been a nearly uninterrupted decline in the supply of new residential units affordable to the lower- and moderate-income residents and residents within the gap-group. This decline is in response to market conditions and the profit motives of the private sector whereby the greatest profits may be derived from the production of higher priced housing. This decline in new production, when combined with population and household increases, has aggravated an already critical housing shortage. In 1986, for example, there was a shortfall of over 20,000 housing units statewide, based on the lag in housing production versus the increase in resident population from 1980 to 1986. There are also other indicators of a tight housing market, including a low vacancy rate, overcrowding, and a large number of families paying in excess of thirty-five per cent of their incomes for rent.

The legislature finds that these conditions cause an increase in discontent, despair, and crime, and constitute a menace to the health, safety, morals, and welfare of residents of the State; that these conditions cannot be remedied by the ordinary operations of private enterprise; that sufficient resources to provide an aggressive affordable housing development program for low- and moderate-income, and gap-group residents do not exist; and that the provision of safe, sanitary, and affordable housing accommodations is a public use and purpose for which public money may be spent. The legislature further finds that it is in the public interest that the commitment of a substantial amount of resources be initiated as soon as possible to provide for the development of affordable housing development programs to assist Hawaii's residents who are in need of shelter.

SECTION 2. Part III, chapter 201E, Hawaii Revised Statutes, is amended as follows:

1. By adding a new section to be appropriately designated and to read as follows:

**"§201E- Homes revolving fund.** (a) There is created a separate revolving fund to be administered by the corporation and to be designated as the "homes revolving fund". The homes revolving fund shall be funded from the proceeds of general obligation bonds of the State, revenue bonds, or other evidences of indebtedness of the State or the corporation, as may be authorized by the legislature from time to time, or from other sources as the legislature may determine.

(b) Pending authorization and issuance of such obligations, the director of finance, with the approval of the governor, may advance \$120,000,000, or so much thereof as is requested by the corporation, to the homes revolving fund from moneys available in the general fund; provided, however, that such moneys advanced from the general fund shall be repaid by the corporation or by the State from the proceeds of obligations issued for the purposes of the fund, or from other sources.

(c) The corporation shall not be required to pay interest on any general fund moneys advanced to the homes revolving fund as provided in subsection (b)."

2. By adding a new section to be appropriately designated and to read as follows:

**"§201E- Use of homes revolving fund.** (a) Moneys on deposit in the homes revolving fund shall be applied by the corporation from time to time for the purposes of developing and implementing affordable housing development programs. The corporation shall provide the governor with a summary of any program to be developed setting forth the various aspects of the program, including any

projects or loan programs to be a part of the program, the methods of financing projects or loans, the programs, and other information as the corporation deems relevant or as the governor may request. Any affordable housing development program may include, without limitation, development of infrastructure, development of off-site and on-site improvements required for development, providing short-term or interim construction loans, and development and construction of housing. The corporation shall adopt rules in accordance with chapter 91 with respect to the administration of any program and may adopt rules applicable to a single program which are different from rules applicable to other programs.

(b) Moneys on deposit in the homes revolving fund shall be expended by the corporation, subject to the following conditions and limitations:

- (1) Any expenditure from the homes revolving fund shall be made only upon the approval of the governor, after the board of directors of the corporation has determined that the purposes and amounts for which the moneys are to be applied are consistent with the purposes of this section;
- (2) Expenditures of advances from the general fund authorized by section 201E- may be made by the corporation from time to time with the approval of the director of finance, who may establish procedures and prescribe rules for controlling the expenditure and encumbrance of those funds;
- (3) Expenditures from the proceeds of general obligation bonds, revenue bonds, other evidences of indebtedness of the State as may be authorized, or from sources in excess of the amount advanced from the general fund under section 201E- , may be expended with the approval of the corporation's board of directors for any authorized purpose, and with the approval of the director of finance and the governor, for any authorized purpose; and
- (4) Moneys from the homes revolving fund shall not be used for mortgage loans or to pay administrative expenses.

(c) The corporation shall maintain proper books and records showing, among other things, the amount and purpose of the application of moneys on deposit in the homes revolving fund and the source of the moneys, and separate accounting for earnings on moneys on deposit in the homes revolving fund and proceeds of advances from the general fund and proceeds of borrowings."

SECTION 3. Section 201E-40, Hawaii Revised Statutes, is amended to read as follows:

**"[§201E-40] Duty to make reports. Except as otherwise provided by law, the housing finance and development corporation shall be responsible for the following reports:**

- (1) The [housing finance and development] corporation shall at least once a year file with the governor a report of its activities for the preceding year[.];
- (2) The corporation shall report to the state comptroller on moneys deposited in depositories other than the state treasury under section 40-81, and rules adopted thereunder[.]; and
- (3) The corporation shall submit an annual report to the legislature on the homes revolving fund, twenty days prior to the convening of each regular session, which shall provide the following information on the status of its programs and finances:

- (A) A description of programs being developed in the current fiscal biennium, including a summary listing of such programs, the status of each program, the methods of project financing or loans, and other information deemed significant;
- (B) A description of programs planned for development during the two ensuing fiscal bienniums, including a summary listing of such proposed programs, the methods of project financing or loans, and other information deemed significant;
- (C) A status report of actual expenditures made for the purposes of the homes revolving fund in the prior completed fiscal year, estimated expenditures anticipated for the current fiscal year, and projected expenditures for the ensuing fiscal years to be described in relation to specific affordable housing projects; and
- (D) A financial audit and report conducted on the annual basis by a certified public accounting firm.”

SECTION 4. Section 201E-204, Hawaii Revised Statutes, is amended to read as follows:

“[[§201E-204]] Dwelling unit revolving fund. There is created a dwelling unit revolving fund. The funds appropriated for the purpose of [this chapter] the dwelling unit revolving fund and all moneys received or collected by the corporation [under this chapter] for the purpose of the revolving fund shall be deposited in the revolving fund. The proceeds in the revolving fund shall be used to reimburse the general fund to pay the interest on general obligation bonds issued for the purposes of [this chapter,] the revolving fund, for the necessary expenses in administering [the chapter,] this part, and for carrying out the purposes of this [chapter,] part, including, but not limited to, the expansion of community facilities constructed in conjunction with housing projects [for elderly persons], and supplementing building costs, federal guarantees required for operational losses, and all things required by any federal agency in the construction and receipt of federal funds for housing projects [for the elderly].”

SECTION 5. There is hereby appropriated to the homes revolving fund created under this Act from the proceeds of revenue bonds, short-term project notes, or other evidences of indebtedness issued pursuant to chapter 201E and part III of chapter 39, Hawaii Revised Statutes, by the housing finance and development corporation the sum of \$120,000,000. The sum appropriated by this section shall be expended by the corporation in accordance with this Act.

SECTION 6. Notwithstanding any law to the contrary, the housing finance and development corporation, with the approval of the governor, may issue revenue bonds, short-term project notes, or other evidences of indebtedness pursuant to chapter 201E and part III of chapter 39, Hawaii Revised Statutes, in an aggregate principal amount sufficient to yield the amount appropriated by section 5 of this Act, at such times and in such amounts deemed advisable for the purpose of funding the appropriation provided in section 5 of this Act to the homes revolving fund or providing for the repayment of advances made to the homes revolving fund from the general fund pursuant to section 201E-

SECTION 7. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of this Act, or the application of the provision to other persons or circumstances, shall not be affected thereby.

SECTION 8. Statutory material to be repealed is bracketed. New statutory material is underscored.<sup>1</sup>

**SECTION 9.** This Act shall take effect upon its approval.  
(Approved June 7, 1988.)

**Note**

1. Edited pursuant to HRS §23G-16.5.