

JAN 17 2014

A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. The legislature finds that one of the most
2 difficult problems that low income individuals, families,
3 kupuna, and the homeless residing in transitional or temporary
4 housing face in seeking permanent housing is the necessity of
5 paying a security deposit in addition to paying the first
6 month's rent. It is often impossible to meet both the security
7 deposit requirement and the first month's rent because their
8 savings are nonexistent or depleted due to unemployment or
9 underemployment. Contributing to this difficulty is Hawaii's
10 high cost of living, particularly in the area of housing. A
11 program to guarantee or pay both the security deposit and the
12 first month's rent for struggling low income residents will help
13 the State's poor in obtaining adequate and stable permanent
14 rental housing.

15 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
16 amended by adding a new section to be appropriately designated
17 and to read as follows:



1 "§201H- Rental deposit loan program. (a) There is
2 established within the corporation the rental deposit loan
3 program to assist low income individuals, families, the elderly,
4 and homeless families and individuals in obtaining rental
5 housing by providing loans for security deposit and first
6 month's rent payments.

7 (b) The corporation shall provide grants pursuant to
8 chapter 103F to counties and nonprofit corporations for the
9 administration of the program.

10 (c) All funds provided to recipient counties and nonprofit
11 corporations shall be placed into revolving loan funds and
12 deposited in a bank or savings account that is separate from all
13 other funds of the recipient. Each fund and interest earned on
14 amounts in the fund shall be used only as payment of associated
15 bank charges for the maintenance of the fund and for payment of
16 the security deposit and first month's rent required by a
17 residential rental property owner as a condition for entering
18 into a rental agreement with a prospective tenant.

19 (d) Prospective tenants who are eligible to participate in
20 the rental deposit loan program shall be limited to low income
21 individuals, families, the elderly, and homeless individuals who
22 are residing in substandard or shared housing, an emergency



1 shelter or transitional housing operated by a county or
2 nonprofit corporation, or to families who are temporarily
3 residing in a park, car, or are otherwise without adequate
4 shelter.

5 (e) The recipient county or nonprofit corporation shall
6 make a determination regarding each person's or family's
7 eligibility to participate in the rental deposit loan program
8 and availability of a local rental unit for that person or
9 family. A determination of eligibility shall include:

10 (1) A determination that the person or family resides in
11 substandard or overcrowded housing, is homeless, or is
12 in a shelter or transitional housing; and

13 (2) A verification of income and that the person or family
14 can reasonably make the monthly rental payment but
15 does not have the financial resources to make the
16 rental security deposit, first month's rent, or both.

17 (f) A three-party contract shall be required of persons
18 participating in the rental deposit loan program. The parties
19 to the contract shall be the county or nonprofit corporation
20 operating the program on behalf of the corporation, the tenant,
21 and the rental property owner or the owner's agent. The



1 contract shall include but is not limited to the following

2 terms:

3 (1) Agreement by the rental property owner, or owner's
4 agent, to accept the security deposit and first
5 month's rent from the corporation's contracted vendor
6 on behalf of the family or individual who will occupy
7 the premise;

8 (2) Upon execution of the agreement, the corporation's
9 contracted vendor shall encumber or reserve funds
10 through the program;

11 (3) Agreement by the tenant to a payment schedule of a
12 specific number of months not to exceed twenty-four
13 months, at which time the deposit held by the owner or
14 owner's agent would be returned directly to the tenant
15 upon vacating the premise;

16 (4) At any time during the term of the lease agreement,
17 any claims made by the owner or owner's agent against
18 the tenant shall only be against the tenant and not
19 against the corporation's contracted vendor; and

20 (5) If a deduction from the security deposit is required,
21 the deduction shall be taken only to the extent
22 permitted by the contract and in the manner provided



1 by law, including notice to the legal agency or
2 organization. The tenant shall have no direct use of
3 security deposit funds during the term of the
4 repayment agreement.

5 (g) When selecting grant recipients, preference shall be
6 given to county agencies and nonprofit organizations that have
7 experience in managing affordable housing projects or developing
8 and managing rental deposit loan programs.

9 (h) A county or nonprofit corporation receiving a grant
10 pursuant to this section may use a portion of the grant for the
11 costs of administering the rental deposit loan revolving loan
12 fund program. The corporation shall approve the amount so used
13 prior to expenditure, and the amount may not exceed ten per cent
14 of the allocation.

15 (i) The staff of the grant recipient shall be responsible
16 for soliciting housing opportunities for low income and homeless
17 families and persons, coordinating with local low income rental
18 property owners, making determinations regarding the eligibility
19 of prospective tenants for the program, and providing
20 information to prospective tenants on the tenant-property owner
21 relationship, appropriate treatment of property, and the
22 importance of timely rental payments. The staff of the grant



1 recipient assigned to administer the program shall be reasonably
2 available to property owners and tenants to answer questions or
3 complaints about the program.

4 Grant recipients shall work closely and coordinate with
5 homeless services provider organizations.

6 (j) Grant recipients shall keep statistical records on
7 families and individuals served, and provide reports quarterly
8 to the corporation."

9 SECTION 3. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$5,000,000 or so much
11 thereof as may be necessary for fiscal year 2014-2015 for the
12 establishment of the rental deposit loan program to assist low
13 income and homeless individuals and families in obtaining
14 adequate and affordable housing.

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

18 SECTION 4. New statutory material is underscored.

19 SECTION 5. This Act shall take effect on January 1, 2015;
20 provided that section 3 shall take effect on July 1, 2014.

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INTRODUCED BY:

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S.B. NO. 2540

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S.B. NO. 2540

Report Title:

Housing; Affordable Housing; Rental Deposit Loan Program;
Appropriation

Description:

Establishes a rental deposit loan program within the Hawaii housing finance and development corporation to assist low income and homeless individuals and families in obtaining affordable rental housing.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

