

JAN 23 2015

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# A BILL FOR AN ACT

RELATING TO RENTAL HOUSING.

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

1           SECTION 1. Chapter 201H, Hawaii Revised Statutes, is  
2 amended by adding a new section to part III, subpart J, to be  
3 appropriately designated and to read as follows:

4           "§201H- Issuance of bonds. (a) In addition to the  
5 authorization provided by and without limiting section 201H-71,  
6 the corporation, with the approval of the governor and in  
7 amounts not exceeding the total amount authorized to be issued  
8 by the legislature, may issue revenue bonds for the purpose of  
9 financing the rental housing trust fund. The net proceeds of  
10 the revenue bonds issued under this section shall be deposited  
11 into the rental housing trust fund pursuant to section  
12 201H-202(c).

13           (b) In addition to any other power or duty prescribed by  
14 law, the corporation shall comply with sections 39-61 and 39-62  
15 and ensure that any revenue bonds issued are excluded from the  
16 state constitutional debt ceiling. The rental housing trust  
17 fund is a "special fund" within the meaning of article VII,



1 section 13, of the Hawaii State Constitution and chapter 39,  
2 part III. The rental housing trust fund is not a "special fund"  
3 within the meaning of sections 36-27 and 36-30.

4 (c) The corporation may:

5 (1) Pledge security under section 201H-71 and pledge  
6 funds, loans, and accounts or subaccounts in the  
7 rental housing trust fund to the payment or security  
8 of revenue bonds issued under this subpart. The  
9 pledge shall constitute a lien and security interest  
10 on such funds and loans to the extent and with the  
11 priority as set forth in the document establishing the  
12 pledge without physical delivery, recording, or other  
13 further act;

14 (2) Perform any act considered reasonably necessary,  
15 advisable, or expedient for the administration of this  
16 subpart or the advancement of the purposes of this  
17 subpart; and

18 (3) Direct the creation of one or more separate accounts  
19 or subaccounts within the rental housing trust fund  
20 and specify any conditions applicable to the transfer



1           of moneys and securities among the accounts and  
2           subaccounts."

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

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

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

14           (c) The following may be deposited into the fund:  
15 appropriations made by the legislature, private contributions,  
16 repayment of loans, interest, proceeds of bonds issued by the  
17 corporation under section 201H- , all moneys paid into the fund  
18 pursuant to section 247-7(2), other returns, and moneys from  
19 other sources.

20           (d) The fund shall be used to provide loans or grants for  
21 the development, pre-development, construction, acquisition,



1 preservation, and substantial rehabilitation of rental housing  
2 units. Permitted uses of the fund may include but are not  
3 limited to planning, design, land acquisition, costs of options,  
4 agreements of sale, downpayments, equity financing, capacity  
5 building of nonprofit housing developers, or other housing  
6 development services or activities as provided in rules adopted  
7 by the corporation pursuant to chapter 91[-], and payment of  
8 principal, interest, and redemption premium, if any, on revenue  
9 bonds issued by the corporation under section 201H- . The  
10 rules may provide for a means of recapturing loans or grants  
11 made from the fund if a rental housing project financed under  
12 the fund is refinanced or sold at a later date. The rules may  
13 also provide that moneys from the fund shall be leveraged with  
14 other financial resources to the extent possible.

15 (e) Moneys available in the fund shall be used for the  
16 purpose of providing, in whole or in part, loans or grants for  
17 rental housing projects in the following order of priority:

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



1 or units in projects that are funded by programs of  
2 the United States Department of Housing and Urban  
3 Development and United States Department of  
4 Agriculture Rural Development wherein:

5 (A) At least [~~fifty~~] 50 per cent of the available  
6 units are for persons and families with incomes  
7 at or below [~~eighty~~] 80 per cent of the median  
8 family income of which at least [~~five~~] 5 per cent  
9 of the available units are for persons and  
10 families with incomes at or below [~~thirty~~] 30 per  
11 cent of the median family income; and

12 (B) The remaining units are for persons and families  
13 with incomes at or below [~~one hundred~~] 100 per  
14 cent of the median family income;

15 provided that the corporation may establish rules to  
16 ensure full occupancy of fund projects; and

17 (2) Mixed-income rental projects or units in a  
18 mixed-income rental project wherein all of the  
19 available units are for persons and families with  
20 incomes at or below [~~one hundred forty~~] 140 per cent  
21 of the median family income.



1 (f) The corporation shall submit an annual report to the  
2 legislature no later than twenty days prior to the convening of  
3 each regular session describing the projects funded and, with  
4 respect to rental housing projects targeted for persons and  
5 families with incomes at or below [~~thirty~~] 30 per cent of the  
6 median family income, its efforts to develop those rental  
7 housing projects, a description of proposals submitted for this  
8 target group and action taken on the proposals, and any barriers  
9 to developing housing units for this target group.

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

15 (h) The corporation may provide loans and grants under  
16 this section; provided that the corporation shall establish  
17 loan-to-value ratios to protect the fund from inordinate risk  
18 and that under no circumstances shall the rules permit the  
19 loan-to-value ratio to exceed [~~one hundred~~] 100 per cent; and  
20 provided further that the underwriting guidelines include a  
21 debt-coverage ratio of not less than 1.0 to 1.



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

13 (j) The entire fund, not only those accounts or  
14 subaccounts funded by revenue bond proceeds, shall be subject to  
15 section 39-61 for the purposes of accomplishing leveraging and  
16 exclusion of the revenue bonds from the state constitutional  
17 debt ceiling."

18 SECTION 3. Section 247-7, Hawaii Revised Statutes, is  
19 amended to read as follows:

20 **"§247-7 Disposition of taxes.** All taxes collected under  
21 this chapter shall be paid into the state treasury to the credit



1 of the general fund of the State, to be used and expended for  
2 the purposes for which the general fund was created and exists  
3 by law; provided that of the taxes collected each fiscal year:

4 (1) [~~Ten~~] 10 per cent shall be paid into the land  
5 conservation fund established pursuant to section  
6 173A-5;

7 (2) [~~Twenty-five~~] 25 per cent from July 1, 2009, until  
8 June 30, 2012; [~~thirty~~] 30 per cent from July 1, 2012,  
9 until June 30, 2014; and [~~fifty~~] 50 per cent in each  
10 fiscal year thereafter shall be paid into the rental  
11 housing trust fund established by section 201H-202;  
12 provided that \_\_\_\_\_ per cent of the funds paid into  
13 the rental housing trust fund, up to a maximum of  
14 \$5,000,000 per fiscal year, may be used for the  
15 repayment of revenue bonds and revenue refunding  
16 bonds; and

17 (3) [~~Twenty~~] 20 per cent from July 1, 2009, until June 30,  
18 2012, and [~~twenty-five~~] 25 per cent in each fiscal  
19 year thereafter shall be paid into the natural area  
20 reserve fund established by section 195-9; provided  
21 that the funds paid into the natural area reserve fund





1 shall be annually disbursed by the department of land  
2 and natural resources in the following priority:

- 3 (A) To natural area partnership and forest  
4 stewardship programs after joint consultation  
5 with the forest stewardship committee and the  
6 natural area reserves system commission;
- 7 (B) Projects undertaken in accordance with watershed  
8 management plans pursuant to section 171-58 or  
9 watershed management plans negotiated with  
10 private landowners, and management of the natural  
11 area reserves system pursuant to section 195-3;  
12 and
- 13 (C) The youth conservation corps established under  
14 chapter 193."

15 SECTION 4. Revenue bonds and revenue refunding bonds are  
16 hereby authorized to be issued by the Hawaii housing finance and  
17 development corporation pursuant to chapters 39, part III, and  
18 201H, part III, subpart A, Hawaii Revised Statutes, except in  
19 each case as provided in chapter 201H, part III, subpart J,  
20 Hawaii Revised Statutes, in an aggregate principal amount,  
21 exclusive of the aggregate principal amount of revenue refunding



1 bonds, not to exceed \$125,000,000, at such times and in such  
 2 amounts as it deems advisable for the purpose of financing the  
 3 rental housing trust fund as provided under section 201H- ,  
 4 Hawaii Revised Statutes.

5 Proceeds from bonds issued pursuant to section 201H- ,  
 6 Hawaii Revised Statutes, shall be deposited into the rental  
 7 housing trust fund and expended by the Hawaii housing finance  
 8 and development corporation.

9 SECTION 5. Statutory material to be repealed is bracketed  
 10 and stricken. New statutory material is underscored.

11 SECTION 6. This Act shall take effect on July 1, 2015.  
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INTRODUCED BY:

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# S.B. NO. 970

**Report Title:**

Rental Housing Trust Fund; Conveyance Tax; Revenue Bonds

**Description:**

Allows a portion of conveyance tax revenues dedicated to the rental housing trust fund to be monetized to increase the amount of funding for the rental housing trust fund. Authorizes the issuance of revenue bonds to finance the rental housing trust fund.

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

