

JAN 24 2019

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**A BILL FOR AN ACT**

RELATING TO HOMEOWNERSHIP.

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

1 PART I

2 SECTION 1. The legislature finds that homeownership is  
3 positively correlated with economic and social stability in low-  
4 and moderate-income households. However, in the last fifty  
5 years, the number of full time Hawaii residents who own homes  
6 has steadily declined. Currently, Hawaii has the third lowest  
7 homeownership rate of any state in the nation. The department  
8 of business, economic development, and tourism projects that  
9 Hawaii will need approximately 34,000 new homeownership housing  
10 units by 2025 to address the critical shortage of housing.  
11 Action is needed to increase the availability of homeownership  
12 housing to meet demand.

13 The legislature further finds that housing comprises a large  
14 part of cost of living. Hawaii is the state with the highest  
15 cost of living in the nation. The median income cannot qualify  
16 for or support a mortgage of a median-priced home. Many  
17 professionals, including teachers, police officers,



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1           §201H-       Purpose and findings.   The legislature finds  
2 that qualified nonprofit housing trusts can help families by  
3 reducing housing costs significantly for income-qualified  
4 families up to one hundred forty per cent of the area median  
5 income. Substantial cost savings are generated by retaining fee  
6 simple ownership of the home with the qualified nonprofit  
7 housing trust for the long term, subject to a long-term ground  
8 lease to the homeowner. Qualified nonprofit housing trust  
9 homeowners have more financial stability because they no longer  
10 worry about rent increases or loss of their residence because  
11 their landlord decided to sell their unit.

12           The purpose of this subpart is to promote permanent  
13 affordable homeownership opportunities by establishing an  
14 acquisition, rehabilitation and development financing program  
15 for qualified nonprofit housing trusts.

16           §201H-       Definitions.   As used in this subpart, unless a  
17 different meaning is clearly required by the context:

18           "Develop" or "development" means the planning, financing,  
19 or acquisition of real and personal property; demolition of  
20 existing structures; clearance of real property; construction,  
21 reconstruction, alteration, or repairing of approaches, streets,  
22 sidewalks, utilities, and services, or other site improvements;

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1 construction, reconstruction, repair, remodeling, extension,  
2 equipment, or furnishing of buildings or other structures; or  
3 any combination of the foregoing, of any housing project. It  
4 also includes any undertakings necessary therefor, and the  
5 acquisition of any housing, in whole or in part.

6 "Fund" means the qualified nonprofit housing trust  
7 revolving fund established pursuant to section 201H- .

8 §201H- Qualified nonprofit housing trust revolving

9 fund. (a) There is created a qualified nonprofit housing trust  
10 revolving fund. The funds appropriated for the purpose of the  
11 qualified nonprofit housing trust revolving fund and all moneys  
12 received or collected by the corporation for the purpose of the  
13 fund shall be deposited in the fund. The proceeds in the  
14 revolving fund may be used for the necessary expenses incurred  
15 by the corporation in administering the fund; provided that fund  
16 monies may not be used to finance day-to-day administrative  
17 expenses of projects allotted fund moneys.

18 (b) The fund shall be used to provide loans for the  
19 development, pre-development, construction, acquisition,  
20 preservation, and substantial rehabilitation of affordable  
21 housing units under the qualified nonprofit housing trust  
22 program. Permitted uses of the fund may include but are not

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1 limited to planning, design, land acquisition, costs of options,  
2 agreements of sale, downpayments, equity financing, or other  
3 activities as provided in rules adopted by the corporation  
4 pursuant to chapter 91. The rules may provide for a means of  
5 recapturing loans made from the fund if an affordable housing  
6 project financed under the fund is refinanced or sold by the  
7 housing land trust at a later date.

8 §201H- Qualified nonprofit housing trust program for  
9 affordable for-sale housing development. (a) The corporation  
10 may provide loans in amounts not to exceed \$ \_\_\_\_\_ under  
11 this section to qualified nonprofit housing trusts for the  
12 development of affordable housing units.

13 (b) Affordable housing units developed under this section  
14 shall be sold to qualified residents earning not more than one  
15 hundred forty per cent of the area median income as determined  
16 by the U.S. Department of Housing and Urban Development under  
17 terms that ensure permanent housing affordability.

18 (c) Notwithstanding any other provision of law, the  
19 corporation, at its sole discretion, may waive or modify, as  
20 appropriate, the following restrictions for housing units  
21 developed under this section:

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- 1           (1) The ten-year buyback restriction set forth in section  
2                   201H-47;
- 3           (2) The shared appreciation equity restriction set forth  
4                   in section 201H-47;
- 5           (3) The buyback restriction set forth in section 201H-48;
- 6           (4) The restriction on use of real property set forth in  
7                   section 201H-49; and
- 8           (5) The restrictions on use, sale, and transfer of real  
9                   property set forth in section 201H-50;
- 10 provided that the qualified nonprofit housing trust loan  
11 attributable to the housing units developed by the loan has been  
12 repaid to the corporation upon closing of the sale or transfer  
13 of the housing units.
- 14           (d) Qualified nonprofit housing trusts shall establish and  
15 impose on qualified residents owner-occupancy and buyback  
16 restrictions, to be approved by the corporation, that require  
17 the purchased housing units to remain affordable in perpetuity.
- 18           (e) The corporation may establish, revise, charge, and  
19 collect fees, premiums, and charges as necessary, reasonable, or  
20 convenient, for its qualified nonprofit housing trust program.
- 21           (f) The corporation shall adopt rules pursuant to chapter 91  
22 to effectuate the purpose of this program."

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1 SECTION 3. There is appropriated out of the general  
2 revenues of the State of Hawaii the sum of \$\_\_\_\_\_ for  
3 fiscal year 2019-2020 for deposit into the qualified nonprofit  
4 housing trust revolving fund established under section 201H-\_\_\_\_,  
5 Hawaii Revised Statutes.

6 The sums appropriated shall be expended by the Hawaii  
7 housing finance and development corporation for the purposes of  
8 this Act.

9 SECTION 4. There is appropriated out of the qualified  
10 nonprofit housing trust revolving fund the sum of \$\_\_\_\_\_  
11 or so much thereof as may be necessary for fiscal year 2019-2020  
12 for the qualified nonprofit housing trust program or affordable  
13 for-sale housing development.

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

17 PART III

18 SECTION 5. Chapter 201H, Hawaii Revised Statutes, is  
19 amended by adding to part II a new subpart to be appropriately  
20 designated and to read as follows:

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1 "     . SELF-HELP HOMEOWNERSHIP HOUSING REVOLVING FUND.

2 §201H- Purpose and findings. The legislature finds  
3 that the self-help housing model is a cost-effective means of  
4 assisting low-income families who would otherwise not have a  
5 homeownership opportunity. Self-help housing organizations  
6 leverage federal funds from the U.S. Department of Housing and  
7 Urban Development and the U.S. Department of Agriculture - Rural  
8 Development and low-income families' own contributions of labor  
9 to build their own communities. However, an additional non-  
10 federal matching funding source is needed.

11     The purpose of this subpart is to establish a self-help  
12 homeownership housing revolving fund to provide for the  
13 development of affordable for-sale housing projects by nonprofit  
14 housing development organizations under a self-help housing  
15 program to facilitate greater homeownership opportunities for  
16 Hawaii residents.

17 §201H- Self-help homeownership housing revolving fund.

18 (a) There is established a self-help homeownership housing  
19 revolving fund to be administered by the corporation for the  
20 purpose of providing, in whole or in part, loans to nonprofit  
21 housing development organizations to support the development of  
22 affordable homeownership housing projects under a self-help



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1 housing program. Loans shall be awarded in the following order  
2 of priority:

3 (1) Projects or units in projects that are funded by  
4 programs of the United States Department of Housing  
5 and Urban Development, United States Department of  
6 Agriculture - Rural Development, and United States  
7 Department of Treasury community development financial  
8 institutions fund, wherein:

9 (A) At least fifty per cent of the available units  
10 are reserved for persons and families with  
11 incomes at or below eighty per cent of the median  
12 family income and of which at least five per cent  
13 of the available units are for persons and  
14 families with incomes at or below fifty per cent  
15 of the median family income; and

16 (B) The remaining units are reserved for persons and  
17 families with incomes at or below one hundred  
18 twenty per cent of the median family income; and

19 (2) Mixed-income affordable for-sale housing projects or  
20 units in a mixed-income affordable for-sale housing  
21 project wherein all of the available units are  
22 reserved for persons and families with incomes at or

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1           below one hundred forty per cent of the median family  
2           income.

3           (b) Moneys in the fund shall be used to provide loans for  
4           the development, pre-development, construction, acquisition,  
5           preservation, and substantial rehabilitation of affordable for-  
6           sale housing units. Uses of moneys in the fund may include but  
7           are not limited to planning, design, land acquisition, including  
8           the costs of options, agreements of sale, and down payments,  
9           capacity building of nonprofit housing developers, as matching  
10          funds for community development financial institutions financial  
11          assistance awards, or other housing development services or  
12          activities as provided in rules adopted by the corporation  
13          pursuant to chapter 91. The rules may provide that money from  
14          the fund shall be leveraged with other financial resources to  
15          the extent possible.

16          (c) The fund may include sums appropriated by the  
17          legislature, private contributions, repayment of loans,  
18          interest, other returns, and moneys from other sources.

19          (d) An amount from the fund, to be set by the corporation  
20          and authorized by the legislature, may be used for  
21          administrative expenses incurred by the corporation in  
22          administering the fund; provided that moneys in the fund shall

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1 not be used to finance day-to-day administrative expenses of the  
2 projects allotted moneys from the fund.

3 (e) The corporation may provide loans under this section  
4 as provided in rules adopted by the corporation pursuant to  
5 chapter 91.

6 (f) The corporation shall submit a report to the  
7 legislature no later than twenty days prior to the convening of  
8 each regular session describing the projects funded.

9 (g) For the purposes of this section, "self-help housing  
10 program" shall have the same meaning as in section 201H-151(a)."

11 SECTION 6. There is appropriated out of the general  
12 revenues of the State of Hawaii the sum of \$\_\_\_\_\_ or  
13 so much thereof as may be necessary for fiscal year 2019-2020 to  
14 be deposited into the self-help homeownership housing revolving  
15 fund.

16 SECTION 7. There is appropriated out of the self-help  
17 homeownership housing revolving fund the sum of \$\_\_\_\_\_  
18 or so much thereof as may be necessary for fiscal year 2019-2020  
19 for loans to nonprofit organizations operating a self-help  
20 housing program for the development of affordable for-sale  
21 housing projects.



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**Report Title:**

Affordable Homeownership; Qualified Nonprofit Housing Trust Program; Self-Help Homeownership Housing Revolving Fund Program

**Description:**

Establishes an interim construction financing program for qualified nonprofit housing trust organizations that develop affordable for-sale homes for Hawaii residents. Establishes a Self-Help Homeownership Housing Revolving Fund to provide loans to nonprofit housing development organizations for development of affordable homeownership housing projects under a self-help housing program.

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

## JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO HOMEOWNERSHIP.

PURPOSE: To establish new revolving funds and programs to provide interim construction financing for the acquisition and rehabilitation, or development of affordable for-sale housing by qualified nonprofit housing trusts and to provide a financing source for nonprofit self-help housing organizations to develop or acquire and rehabilitate affordable for-sale housing for Hawaii persons and families.

MEANS: Add two new subparts to part II of chapter 201H, Hawaii Revised Statutes.

JUSTIFICATION: Homeownership is positively correlated with economic and social stability in low- and moderate-income households. However, Hawaii has the third lowest homeownership rate of any state in the nation. The department of business, economic development, and tourism projects that Hawaii will need approximately 34,000 new homeownership housing units by 2025 to address the critical shortage of housing. Action is needed to increase the availability of homeownership housing to meet demand.

Nonprofit housing trusts provide permanently affordable homeownership opportunities through a shared equity model. However, nonprofit housing trust entities in Hawaii find it a challenge to find a source of affordable interim construction financing because the amounts involved are not significant enough to attract private lender participation.

The self-help housing model is a cost-effective means of assisting low-income families who would otherwise not have a homeownership opportunity. Self-help housing organizations leverage federal funds from the U.S. Department of Housing and Urban Development and the U.S. Department of Agriculture - Rural Development and low-income families' own contributions of labor to build their own communities. However, an additional non-federal matching financing source is needed for these nonprofits to increase production of homeownership housing units to meet the level of demand statewide.

The intent of these proposals is to promote additional affordable homeownership opportunities by establishing: (1) an acquisition, rehabilitation and development financing program to provide loans for qualified nonprofit housing trusts; and (2) a new funding source for self-help housing organizations to increase the production of homeownership housing units statewide.

Impact on the public: The program will help increase the supply of affordable for-sale homes for Hawaii first-time homebuyers.

Impact on the department and other agencies: The proposed new revolving funds and programs would add a small amount of administrative duties for HHFDC and to the workloads of the Departments of Accounting and General Services and Budget and Finance. It would also require the adoption of new program administrative rules.

GENERAL FUND: \$\_\_\_\_\_.

OTHER FUNDS: Not applicable.

PPBS PROGRAM DESIGNATION: BED 160.

OTHER AFFECTED  
AGENCIES:

Department of Budget and Finance, and  
Department of Accounting and General  
Services.

EFFECTIVE DATE: July 1, 2019.