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## A BILL FOR AN ACT

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RELATING TO THE RENTAL HOUSING REVOLVING FUND.

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

1       SECTION 1. Section 201H-202, Hawaii Revised Statutes, is  
2 amended to read as follows:

3       "**§201H-202 Rental housing revolving fund.** (a) There is  
4 established the rental housing revolving fund to be administered  
5 by the corporation.

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

12       (c) The following may be deposited into the fund:  
13 appropriations made by the legislature, conveyance taxes  
14 pursuant to section 247-7, private contributions, repayment of  
15 loans, interest, other returns, and moneys from other sources.

16       (d) ~~[The]~~ Except as provided in subsection (f), the fund  
17 shall be used to provide loans for the development, pre-



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

16 (e) ~~[Moneys]~~ Except as provided in subsection (f), moneys  
17 available in the fund shall be used for the purpose of  
18 providing, in whole or in part, loans for rental housing  
19 projects demonstrating project readiness, efficiency, and  
20 feasibility acceptable to the corporation in the following order  
21 of priority:



- 1           (1) For projects that were awarded low-income housing  
2           credits pursuant to paragraph (2), priority shall be  
3           given to projects with a perpetual affordability  
4           commitment;
- 5           (2) Projects or units in projects that are allocated low-  
6           income housing credits pursuant to the state housing  
7           credit ceiling under section 42(h) of the Internal  
8           Revenue Code of 1986, as amended, or projects or units  
9           in projects that are funded by programs of the United  
10          States Department of Housing and Urban Development and  
11          United States Department of Agriculture Rural  
12          Development wherein:
- 13          (A) At least fifty per cent of the available units  
14              are for persons and families with incomes at or  
15              below eighty per cent of the median family income  
16              of which at least five per cent of the available  
17              units are for persons and families with incomes  
18              at or below thirty per cent of the median family  
19              income; and



1 (B) The remaining units are for persons and families  
2 with incomes at or below one hundred per cent of  
3 the median family income;

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

6 (3) Mixed-income rental projects or units in a mixed-  
7 income rental project wherein all of the available  
8 units are for persons and families with incomes at or  
9 below one hundred forty per cent of the median family  
10 income.

11 (f) There is established within the fund a housing  
12 efficiency and innovation subaccount that shall consist of  
13 revenues from appropriations from the legislature. The  
14 corporation may transfer funds between the housing efficiency  
15 and innovation subaccount and the rental housing revolving fund  
16 without requiring legislative approval. Notwithstanding the  
17 order of priority established in subsection (e), the subaccount  
18 revenues shall be:

19 (1) Expended to make loans to housing projects; provided  
20 that the units in the project shall be made available,  
21 for sale or rent, exclusively to qualified residents



1           as defined in section 201H-32; provided further that  
2           priority shall be given to:

3           (A) Projects on land owned or developed by the State  
4           or a county; and

5           (B) Projects that require the least state funding per  
6           housing unit per year; and

7           (2) Used to provide credit enhancement to projects meeting  
8           the conditions of paragraph (1).

9   The corporation shall establish an application process for  
10 subaccount revenues allocation, separate from the fund  
11 allocation process pursuant to section 201H-204(c), that gives  
12 preference to projects meeting the criteria established in this  
13 subsection. The corporation may include other criteria as it  
14 deems necessary to effectuate the purposes of this subsection.  
15 Moneys derived from the repayment of loans funded by the  
16 subaccount, interest thereon, and related fees and returns,  
17 shall be deposited into the subaccount.

18           ~~[(f)]~~ (g) There is established within the fund a bond  
19 volume cap recycling program subaccount. The bond volume cap  
20 recycling program subaccount shall be maintained as a reserve



1 for the bond volume cap recycling program established pursuant  
2 to section 39B-2(f).

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

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

17       ~~[(i)]~~ (j) The corporation may provide loans under this  
18 section; provided that the corporation shall establish loan-to-  
19 value ratios to protect the fund from inordinate risk and that  
20 under no circumstances shall the rules permit the loan-to-value  
21 ratio to exceed one hundred per cent; provided further that the



1 underwriting guidelines include a debt-coverage ratio of no less  
2 than 1.0 to 1.

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

15        SECTION 2. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17        SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:

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JAN 16 2025



# H.B. NO. 417

**Report Title:**

HHFDC; RHRF; Housing Efficiency and Innovation Subaccount;  
Housing; Priorities

**Description:**

Establishes the Housing Efficiency and Innovation Subaccount within the Rental Housing Revolving Fund. Specifies permissible uses of funding and priorities. Authorizes the Hawaii Housing Finance and Development Corporation to transfer funds between the Housing Efficiency and Innovation Subaccount and the RHRF without legislative approval.

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