
A BILL FOR AN ACT

RELATING TO THE RENTAL HOUSING REVOLVING FUND.

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

1 SECTION 1. The legislature finds that the State has a
2 housing crisis and that although general excise tax exemptions
3 and county subsidies help to reduce development costs, private
4 development of rental housing for households earning from sixty
5 up to one hundred forty per cent of the area median income is
6 not financially feasible without additional public subsidy.

7 The legislature further finds that although funding is
8 appropriated annually to the rental housing revolving fund to
9 finance projects serving households earning up to one hundred
10 forty per cent of area median income, the funds are prioritized
11 for federal and state low-income housing tax credit financed
12 projects, which generally only serve households earning up to
13 sixty per cent of the area median income. Because the demand
14 for revolving fund financing from first-priority tax credit
15 projects far exceeds funding availability, mixed-income
16 projects, including those with units serving households earning



1 up to one hundred forty per cent of the area median income, are
2 not able to utilize the rental housing revolving fund.

3 The legislature also finds that strategies are needed to
4 help keep local residents in the State. Having affordable
5 rental housing opportunities for working families reduces net
6 domestic outmigration and preserves critical segments of the
7 State's labor force.

8 Accordingly, the purpose of this Act is to provide a
9 dedicated source of funds to finance mixed-income rental housing
10 projects.

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

13 **"§201H-202 Rental housing revolving fund.** (a) There is
14 established the rental housing revolving fund to be administered
15 by the corporation.

16 (b) An amount from the fund, to be set by the corporation
17 and authorized by the legislature, may be used for
18 administrative expenses incurred by the corporation in
19 administering the corporation's housing finance programs;
20 provided that fund moneys shall not be used to finance day-to-
21 day administrative expenses of projects allotted fund moneys.



1 (c) The following may be deposited into the fund[+] or
2 into the mixed-income subaccount established under subsection
3 (f): appropriations made by the legislature, conveyance taxes
4 pursuant to section 247-7, private contributions, repayment of
5 loans, interest, other returns, and moneys from other sources.

6 (d) The fund shall be used to provide loans for the
7 development, pre-development, construction, acquisition,
8 preservation, and substantial rehabilitation of rental housing
9 units. The corporation shall not forgive any loan made from the
10 fund unless the corporation forecloses on the project.

11 Permitted uses of the fund may include but are not limited to
12 planning, design, land acquisition, costs of options, agreements
13 of sale, downpayments, equity financing, capacity building of
14 nonprofit housing developers, credit enhancement, gap financing,
15 or other housing development services or activities as provided
16 in rules adopted by the corporation pursuant to chapter 91. The
17 rules may provide for a means of recapturing loans or grants
18 made from the fund if a rental housing project financed under
19 the fund is refinanced or sold at a later date. The rules may
20 also provide that moneys from the fund shall be leveraged with
21 other financial resources to the extent possible.



1 (e) ~~[Moneys]~~ Except as provided in subsection (f), moneys
2 available in the fund shall be used for the purpose of
3 providing, in whole or in part, loans for rental housing
4 projects demonstrating project readiness, efficiency, and
5 feasibility acceptable to the corporation in the following order
6 of priority:

7 ~~[(1) For projects that were awarded low-income housing~~
8 ~~credits pursuant to paragraph (2), priority shall be~~
9 ~~given to projects with a perpetual affordability~~
10 ~~commitment;~~

11 ~~+(2)]~~ (1) Projects or units in projects that are allocated
12 low-income housing credits pursuant to the state
13 housing credit ceiling under section 42(h) of the
14 Internal Revenue Code of 1986, as amended, or projects
15 or units in projects that are funded by programs of
16 the United States Department of Housing and Urban
17 Development and United States Department of
18 Agriculture Rural Development wherein:

19 (A) At least fifty per cent of the available units
20 are for persons and families with incomes at or
21 below eighty per cent of the median family income



1 of which at least five per cent of the available
2 units are for persons and families with incomes
3 at or below thirty per cent of the median family
4 income; and

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

8 provided that the corporation may establish rules to
9 ensure full occupancy of fund projects; ~~and~~

10 (2) For projects that were awarded low-income housing
11 credits pursuant to paragraph (1), priority shall be
12 given to projects with a perpetual affordability
13 commitment; and

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

19 (f) There is established within the fund a mixed-income
20 subaccount. Moneys in the mixed-income subaccount shall be used
21 to make loans to mixed-income rental projects or units in a



1 mixed-income rental project for persons and families with
2 incomes at or below one hundred forty per cent of the area
3 median income. The corporation shall establish an application
4 process for the allocation of funds in the mixed-income
5 subaccount that gives preference to projects meeting the
6 following criteria that are listed in descending order of
7 priority:

8 (1) A diverse range of affordability, targeting persons
9 and families with incomes up to one hundred forty per
10 cent of the median family income;

11 (2) Projects located on state or county owned land;

12 (3) Projects for which a loan from the subaccount is
13 reasonably projected to be fully repaid within forty
14 years from funding; and

15 (4) Any other criteria as the corporation deems necessary
16 to carry out the purposes of this subsection.

17 If the corporation, after applying the process described in
18 this subsection, finds a nonprofit project equally ranked with a
19 for-profit or government project, the corporation shall give
20 preference to the nonprofit project in allotting funds from the
21 mixed-income subaccount.



1 Moneys derived from the repayment of loans funded by the
2 mixed-income subaccount, interest thereon, and related fees and
3 returns shall be deposited into the mixed-income subaccount.

4 [~~f~~] (g) There is established within the fund a bond
5 volume cap recycling program subaccount. The bond volume cap
6 recycling program subaccount shall be maintained as a reserve
7 for the bond volume cap recycling program established pursuant
8 to section 39B-2(f).

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

18 [~~h~~] (i) For the purposes of this subpart, the applicable
19 median family income shall be the median family income for the
20 county or standard metropolitan statistical area in which the



1 project is located as determined by the United States Department
2 of Housing and Urban Development, as adjusted from time to time.

3 ~~[(i)]~~ (j) The corporation may provide loans under this
4 section; provided that the corporation shall establish loan-to-
5 value ratios to protect the fund from inordinate risk and that
6 under no circumstances shall the rules permit the loan-to-value
7 ratio to exceed one hundred per cent; provided further that the
8 underwriting guidelines include a debt-coverage ratio of no less
9 than 1.0 to 1.

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



SECTION 3. Section 201H-204, Hawaii Revised Statutes, is amended to read as follows:

"[f]§201H-204[+] **Eligible projects.** (a) Activities eligible for assistance from the fund shall include but not be limited to:

- (1) New construction, rehabilitation, or preservation of low-income or mixed-income rental housing units that meet the criteria for eligibility described in subsection (c) [✚] or section 201H-202(f);
- (2) The leveraging of moneys with the use of fund assets;
- (3) Pre-development activity grants or loans to nonprofit organizations; and
- (4) Acquisition of housing units for the purpose of preservation as low-income or very low-income housing.

(b) Preference shall be given to projects producing units in at least one of the following categories:

- (1) Multifamily units;
- (2) Attached single-family units;
- (3) Apartments;
- (4) Townhouses;
- (5) Housing units above commercial or industrial space;



1 (6) Single room occupancy units;

2 (7) Accessory apartment units;

3 (8) Employee housing;

4 (9) United States Department of Housing and Urban

5 Development mixed finance development of public

6 housing units; and

7 (10) Other types of units meeting the criteria for

8 eligibility set forth in subsection (c) [7] or section

9 201H-202(f).

10 (c) ~~[The]~~ Except as provided in section 201H-202(f), the
11 corporation shall establish an application process for fund
12 allocation that gives preference to projects meeting the
13 following criteria that are listed in descending order of
14 priority:

15 (1) Serve the original target group;

16 (2) Provide at least five per cent of the total number of
17 units for persons and families with incomes at or
18 below thirty per cent of the median family income;

19 (3) Provide the maximum number of units for persons or
20 families with incomes at or below eighty per cent of
21 the median family income;



- 1 (4) Are committed to serving the target group over a
2 longer period of time;
- 3 (5) Increase the integration of income levels of the
4 immediate community area;
- 5 (6) Meet the geographic needs of the target group of the
6 proposed rental housing project, such as proximity to
7 employment centers and services; and
- 8 (7) Have favorable past performance in developing, owning,
9 managing, or maintaining affordable rental housing.

10 The corporation may include other criteria as it deems
11 necessary to carry out the purposes of this subpart.

12 If the corporation, after applying the process described in
13 this subsection, finds a nonprofit project equally ranked with a
14 for-profit or government project, the corporation shall give
15 preference to the nonprofit project in allotting fund moneys."

16 SECTION 4. Section 247-7, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "**§247-7 Disposition of taxes.** All taxes collected under
19 this chapter shall be paid into the state treasury to the credit
20 of the general fund of the State, to be used and expended for



1 the purposes for which the general fund was created and exists
2 by law; provided that of the taxes collected each fiscal year:

3 (1) Ten per cent or \$5,100,000, whichever is less, shall
4 be paid into the land conservation fund established
5 pursuant to section 173A-5; and

6 (2) Fifty per cent or \$38,000,000, whichever is less,
7 shall be paid into the rental housing revolving fund
8 established by section 201H-202[~~7~~]; provided that
9 funds allocated under this paragraph may be
10 transferred into the mixed-income subaccount
11 established pursuant to section 201H-202(f)."

12 SECTION 5. The director of finance may transfer moneys
13 from the rental housing revolving fund to the rental housing
14 revolving fund mixed-income subaccount in an amount not to
15 exceed \$75,000,000 for fiscal year 2025-2026 and the same sum or
16 so much thereof as may be necessary for fiscal year 2026-2027.

17 SECTION 6. There is appropriated out of the general
18 revenues of the State of Hawaii the sum of \$75,000,000 or so
19 much thereof as may be necessary for fiscal year 2025-2026 and
20 the same sum or so much thereof as may be necessary for fiscal
21 year 2026-2027 to be deposited into the mixed-income subaccount



1 of the rental housing revolving fund established pursuant to
2 section 201H-202(f), Hawaii Revised Statutes.

3 SECTION 7. There is appropriated out of the mixed-income
4 subaccount of the rental housing revolving fund established
5 pursuant to section 201H-202(f), Hawaii Revised Statutes, the
6 sum of \$75,000,000 or so much thereof as may be necessary for
7 fiscal year 2025-2026 and the same sum or so much thereof as may
8 be necessary for fiscal year 2026-2027 for the purposes of the
9 subaccount.

10 The sums appropriated shall be expended by the Hawaii
11 housing finance and development corporation for the purposes of
12 this Act.

13 SECTION 8. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 9. This Act shall take effect on July 1, 2025.
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INTRODUCED BY:

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H.B. NO. 432

Report Title:

Rental Housing Revolving Fund; Mixed-Income Subaccount;
Workforce Rental Housing; Director of Finance; Appropriation

Description:

Establishes the mixed-income subaccount within the Rental Housing Revolving Fund that targets workforce rental housing projects for persons and families with incomes at or below one hundred forty per cent of the area median income. Authorizes the Director of Finance to transfer funds from the Rental Housing Revolving Fund into the mixed-income subaccount. Appropriates funds into and out of the mixed-income subaccount of the Rental Housing Revolving Fund.

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