
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 shortage and although general excise tax exemptions and
3 county subsidies help to reduce development costs, private
4 development of rental housing for households earning from sixty
5 per cent up to one hundred forty per cent of the area median
6 income is not financially feasible without additional public
7 subsidy.

8 The legislature further finds that although funding is
9 appropriated annually to the rental housing revolving fund to
10 finance projects serving households earning up to one hundred
11 forty per cent of area median income, the funds are prioritized
12 for federal and state low-income housing tax credit financed
13 projects, which generally only serve households earning up to
14 sixty per cent of the area median income. Because the demand
15 for revolving fund financing from first-priority tax credit
16 projects far exceeds funding availability, mixed-income
17 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 housing opportunities for working families reduces net domestic
6 outmigration and preserves critical segments of the State's
7 labor force.

8 Accordingly, the purpose of this Act is to provide a
9 dedicated source of funds to finance mixed-income 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] Notwithstanding any law to the contrary, the
7 fund shall be used to provide [~~loans~~] financing including but
8 not limited to loans, equity investments, credit enhancement,
9 and collateral for the development, pre-development,
10 construction, acquisition, preservation, and substantial
11 rehabilitation of rental housing units. The corporation shall
12 not forgive any loan made from the fund unless the corporation
13 forecloses on the project. Permitted uses of the fund may
14 include but are not limited to planning, design, land
15 acquisition, costs of options, agreements of sale, downpayments,
16 equity financing, capacity building of nonprofit housing
17 developers, credit enhancement, gap financing, or other housing
18 development services or activities as provided in rules adopted
19 by the corporation pursuant to chapter 91. The rules may
20 provide for a means of recapturing loans or grants made from the
21 fund if a rental housing project financed under the fund is



1 refinanced or sold at a later date. The rules may also provide
2 that moneys from the fund shall be leveraged with other
3 financial resources to the extent possible.

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

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

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



1 (A) At least fifty per cent of the available units
2 are for persons and families with incomes at or
3 below eighty per cent of the median family income
4 of which at least five per cent of the available
5 units are for persons and families with incomes
6 at or below thirty per cent of the median family
7 income; [and]

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

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

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

17 ~~[-(3)-]~~ (2) Mixed-income rental projects or units in a mixed-
18 income rental project ~~[wherein all of the available~~
19 ~~units are]~~ for persons and families with incomes at or
20 below one hundred forty per cent of the median family
21 income.



1 (f) There is established within the fund a mixed-income
2 subaccount. Moneys in the mixed-income subaccount shall be used
3 for financing mixed-income rental or for-sale projects, or units
4 in a mixed-income rental or for-sale project, exclusively for
5 qualified residents as defined in section 201H-32; provided that
6 financing from the subaccount may include loans, equity
7 investments, credit enhancement, and collateral. The
8 corporation may transfer moneys between the mixed-income
9 subaccount and the rental housing revolving fund without
10 requiring legislative approval.

11 The corporation shall establish an application process for
12 the allocation of funds in the mixed-income subaccount, separate
13 from the fund allocation process pursuant to section 201H-
14 204(c), that gives preference to projects meeting the following
15 criteria:

16 (1) Projects for renters or buyers who meet income
17 requirements, members of the workforce, government
18 employees, or other populations as the corporation may
19 deem in the public interest; provided that the units
20 may be offered to all qualified residents as defined
21 in section 201H-32 if insufficient renters or buyers



1 from prioritized groups are found after a marketing
2 period to be determined by the corporation;

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

4 (3) Projects requiring the least state funding per unit
5 and that are projected to be fully repaid within the
6 shortest loan term; and

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

9 If the corporation, after applying the process described in
10 this subsection, finds a nonprofit or government project equally
11 ranked with a for-profit project, the corporation shall give
12 preference to the nonprofit or government project in allotting
13 funds from the mixed-income subaccount.

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

17 The corporation shall prioritize funding for rental and
18 for-sale housing projects that price units at the minimum level
19 to be revenue neutral, as determined by rules adopted by the
20 corporation pursuant to chapter 91.



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

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

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

20 ~~[(+i)]~~ (j) The corporation may provide loans under this
21 section; provided that the corporation shall establish loan-to-



1 value ratios to protect the fund from inordinate risk and that
2 under no circumstances shall the rules permit the loan-to-value
3 ratio to exceed one hundred per cent; provided further that the
4 underwriting guidelines include a debt-coverage ratio of no less
5 than 1.0 to 1.

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

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



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

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

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

- 15 (1) Multifamily units;
16 (2) Attached single-family units;
17 (3) Apartments;
18 (4) Townhouses;
19 (5) Housing units above commercial or industrial space;
20 (6) Single room occupancy units;
21 (7) Accessory apartment units;



(8) Employee housing;

(9) United States Department of Housing and Urban
Development mixed finance development of public
housing units; and

(10) Other types of units meeting the criteria for
eligibility set forth in subsection (c) ~~[7]~~ or section
201H-202(f).

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

(1) Serve the original target group;

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

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

(4) Are committed to serving the target group over a
longer period of time;



(5) Increase the integration of income levels of the immediate community area;

(6) Meet the geographic needs of the target group of the proposed rental housing project, such as proximity to employment centers and services; and

(7) Have favorable past performance in developing, owning, managing, or maintaining affordable rental housing.

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

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

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

"§247-7 Disposition of taxes. All taxes collected under this chapter shall be paid into the state treasury to the credit of the general fund of the State, to be used and expended for the purposes for which the general fund was created and exists by law; provided that of the taxes collected each fiscal year:



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

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

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2025-2026 and the same sum or so much thereof as may be necessary for fiscal year 2026-2027 to be deposited into the mixed-income subaccount of the rental housing revolving fund established pursuant to section 201H-202(f), Hawaii Revised Statutes.

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



1 be necessary for fiscal year 2026-2027 for the purposes of the
2 subaccount.

3 The sums appropriated shall be expended by the Hawaii
4 housing finance and development corporation for the purposes of
5 this Act.

6 SECTION 7. There is appropriated out of the rental housing
7 revolving fund the sum of \$ or so much thereof as may
8 be necessary for fiscal year 2025-2026 and the same sum or so
9 much thereof as may be necessary for fiscal year 2026-2027 for
10 the Mayor Wright homes redevelopment utilizing tier 1 funding.

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

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

16 SECTION 9. This Act shall take effect on July 1, 2050.



Report Title:

HHFDC; RHRF; Mixed-Income Subaccount; Workforce Rental Housing;
For-Sale Housing; Rules; Prioritization; Mayor Wright Homes;
Appropriations

Description:

Establishes the Mixed-Income Subaccount within the Rental
Housing Revolving Fund to prioritize development of workforce
rental and for-sale housing projects for qualified residents as
defined in section 201H-32, Hawaii Revised Statutes. Requires
the Hawaii Housing Finance and Development Corporation to adopt
administrative rules. Appropriates funds. Takes effect
7/1/2050. (SD1)

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

