

JAN 15 2025

A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. Chapter 201H, Hawaii Revised Statutes, is
2 amended by amending the title of subpart J of part III to read
3 as follows:

4 "J. [~~Rental~~] State Housing Revolving Fund"

5 SECTION 2. Section 201H-6, Hawaii Revised Statutes, is
6 amended by amending subsection (f) to read as follows:

7 "(f) The corporation, through the housing advocacy and
8 information system, shall develop and maintain an affordable
9 housing inventory registry to identify:

10 (1) Affordable housing projects developed by the
11 corporation utilizing moneys in the [~~rental~~] state
12 housing revolving fund established pursuant to section
13 201H-202 or the dwelling unit revolving fund
14 established pursuant to section 201H-191;

15 (2) State and federal public housing projects identified
16 by the Hawaii public housing authority;



- 1 (3) United States Department of Housing and Urban
2 Development Region 9 federally supported and privately
3 managed housing projects; and
4 (4) State and county lands that may be developed for
5 affordable housing, as defined in section 201H-57(b)."

6 SECTION 3. Section 201H-87, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "~~[+]§201H-87[+]~~ **Applications for financing; application**
9 **periods.** If sufficient funding is available, the corporation
10 shall open at minimum two application periods each year for the
11 receipt of applications for financing from parties interested in
12 applying for financing for the development of affordable housing
13 in the State from the low-income housing tax credit program,
14 Hula Mae multi-family program, ~~[rental]~~ state housing revolving
15 fund program, and dwelling unit revolving fund program.
16 Applications for the four programs may be consolidated for
17 administrative efficiency."

18 SECTION 4. Section 201H-191, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§201H-191 Dwelling unit revolving fund.** (a) There is
21 created a dwelling unit revolving fund. The ~~[funds-appropriated~~



1 ~~for the purpose of the dwelling unit revolving fund and all~~
2 ~~moneys received or collected by the corporation for the purpose~~
3 ~~of the revolving fund]~~ following shall be deposited [~~in~~] into
4 the revolving fund[~~+~~]:

5 (1) Funds appropriated for the purpose of the dwelling
6 unit revolving fund;

7 (2) A portion of conveyance taxes pursuant to section
8 247-7(3); and

9 (3) All moneys received or collected by the corporation
10 for the purpose of the revolving fund.

11 (b) The proceeds in the revolving fund shall be used to
12 reimburse the general fund to pay the interest on general
13 obligation bonds issued for the purposes of the revolving fund,
14 for the necessary expenses in administering housing development
15 programs and regional state infrastructure programs, and for
16 carrying out the purposes of housing development programs and
17 regional state infrastructure programs, including but not
18 limited to the expansion of community facilities and regional
19 state infrastructure constructed in conjunction with housing and
20 mixed-use transit-oriented development projects, permanent
21 primary or secondary financing, and supplementing building



1 costs, federal guarantees required for operational losses, and
2 all things required by any federal agency in the construction
3 and receipt of federal funds or low-income housing tax credits
4 for housing projects.

5 ~~[(b)]~~ (c) Subject to the requirements of subsection ~~[(a),]~~
6 (b), proceeds in the revolving fund may be used to establish and
7 operate regional state infrastructure subaccounts pursuant to
8 section 201H-191.5."

9 SECTION 5. Section 201H-201, Hawaii Revised Statutes, is
10 amended as follows:

11 1. By amending the definition of "fund" to read:

12 ""Fund" means the ~~[rental]~~ state housing revolving fund
13 established pursuant to section 201H-202."

14 2. By repealing the definitions of "efficiency",
15 "feasibility", and "project readiness".

16 ~~[""Efficiency" means the amount of state financial~~
17 ~~resources required per unit.~~

18 ~~"Feasibility" means reasonableness of project budget and~~
19 ~~schedule assumptions.~~

20 ~~"Project readiness" means a project that is anticipated to~~
21 ~~commence construction within one year of award of financing."]~~



1 SECTION 6. Section 201H-202, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~§201H-202 [Rental]~~ State housing revolving fund. (a)

4 There is established the [~~rental~~] state housing revolving fund
5 to be administered 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-
18 development, construction, acquisition, preservation, and
19 substantial rehabilitation of rental housing units. The
20 corporation shall not forgive any loan made from the fund unless
21 the corporation forecloses on the project. Permitted uses of



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

12 ~~[(e) Moneys available in the fund shall be used for the~~
13 ~~purpose of providing, in whole or in part, loans for rental~~
14 ~~housing projects demonstrating project readiness, efficiency,~~
15 ~~and feasibility acceptable to the corporation in the following~~
16 ~~order of priority:~~

17 ~~(1) For projects that were awarded low income housing~~
18 ~~credits pursuant to paragraph (2), priority shall be~~
19 ~~given to projects with a perpetual affordability~~
20 ~~commitment;~~



1 ~~(2) Projects or units in projects that are allocated low-~~
2 ~~income housing credits pursuant to the state housing~~
3 ~~credit ceiling under section 42(h) of the Internal~~
4 ~~Revenue Code of 1986, as amended, or projects or units~~
5 ~~in projects that are funded by programs of the United~~
6 ~~States Department of Housing and Urban Development and~~
7 ~~United States Department of Agriculture Rural~~
8 ~~Development wherein:~~

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

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

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



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

6 (e) The corporation shall prioritize any project for which
7 a loan from the fund is to be fully repaid within the shortest
8 projected term that produces the highest number of units per
9 dollar, per year.

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

18 (1) Expended to make loans to housing projects; provided
19 that the units in the project shall be made available,
20 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]~~
15 where the project is located as determined by the United States
16 Department of Housing and Urban Development, as adjusted from
17 time to time.

18 ~~(i)~~ (j) The corporation may provide loans under this
19 section; provided that the corporation shall establish loan-to-
20 value ratios to protect the fund from inordinate risk and that
21 under no circumstances shall the rules permit the loan-to-value



1 ratio to exceed one hundred per cent; provided further that the
 2 underwriting guidelines include a debt-coverage ratio of [~~no~~]
 3 not less than 1.0 to 1.

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

16 SECTION 7. Section 201H-203, Hawaii Revised Statutes, is
 17 amended to read as follows:

18 "[~~§~~201H-203~~§~~] **Eligible applicants for funds.** [~~Eligible~~
 19 ~~applicants]~~ To be eligible for funds, applicants shall [~~include~~
 20 ~~nonprofit and for-profit organizations, limited liability~~
 21 ~~companies, partnerships, and government]~~ be:



- 1 (1) Organizations who use all profits to develop
- 2 additional housing in the State; or
- 3 (2) Government agencies~~[, who are].~~

4 Eligible applicants shall also be qualified in accordance with
5 rules adopted by the corporation pursuant to chapter 91."

6 SECTION 8. Section 201H-204, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "~~[}]\$201H-204[}]~~ **Eligible projects.** (a) Activities
9 eligible for assistance from the fund shall include but not be
10 limited to:

- 11 (1) New construction, rehabilitation, or preservation of
- 12 low-income rental housing units ~~[that meet the~~
- 13 ~~criteria for eligibility described in subsection (c)]~~;
- 14 (2) The leveraging of moneys with the use of fund assets;
- 15 (3) Pre-development activity ~~[grants or]~~ loans to
- 16 nonprofit organizations; and
- 17 (4) Acquisition of housing units for the purpose of
- 18 preservation as low-income or very low-income housing.

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

- 21 ~~(1) Multifamily units;~~



- 1 ~~(2) Attached single-family units;~~
- 2 ~~(3) Apartments;~~
- 3 ~~(4) Townhouses;~~
- 4 ~~(5) Housing units above commercial or industrial space;~~
- 5 ~~(6) Single room occupancy units;~~
- 6 ~~(7) Accessory apartment units;~~
- 7 ~~(8) Employee housing;~~
- 8 ~~(9) United States Department of Housing and Urban~~
- 9 ~~Development mixed finance development of public~~
- 10 ~~housing units; and~~
- 11 ~~(10) Other types of units meeting the criteria for~~
- 12 ~~eligibility set forth in subsection (c).]~~

13 meeting the following criteria:

- 14 (1) Multifamily units near stations of a locally preferred
- 15 alternative of a mass transit project;
- 16 (2) State- or county-owned projects;
- 17 (3) Projects that are required to be conveyed to the State
- 18 or a county at a definite time;
- 19 (4) Projects owned by an organization obliged to use all
- 20 financial surplus generated by the project to



1 construct, manage, or rehabilitate owner- or renter-
2 occupied housing in the State;

3 (5) Projects with a perpetual affordability commitment;
4 and

5 (6) Projects of applicant developers who request loan
6 terms no longer than five years.

7 (c) ~~[The corporation shall establish an application~~
8 ~~process for fund allocation that gives preference to projects~~
9 ~~meeting the following criteria that are listed in descending~~
10 ~~order of priority:~~

11 ~~(1) Serve the original target group;~~

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

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

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

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



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

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

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

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

12 To be eligible for assistance from the fund, the project shall:

13 (1) Be perpetually affordable;

14 (2) Require that all profits generated from the project be
15 used to build housing in the State; or

16 (3) Be government-owned;

17 provided that the corporation shall give preference to projects
18 for which loans from the fund are to be fully repaid within the
19 shortest projected terms that produce the highest number of
20 units per dollar, per year."



1 SECTION 9. Section 247-7, Hawaii Revised Statutes, is
2 amended to read as follows:

3 **"§247-7 Disposition of taxes.** All taxes collected under
4 this chapter shall be paid into the state treasury to the credit
5 of the general fund of the State, to be used and expended for
6 the purposes for which the general fund was created and exists
7 by law; provided that of the taxes collected each fiscal year:

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

11 (2) Fifty per cent ~~[or \$38,000,000, whichever is less,]~~
12 shall be paid into the ~~[rental]~~ state housing
13 revolving fund established ~~[by]~~ pursuant to section
14 201H-202~~[.];~~ and

15 (3) Ten per cent shall be paid into the dwelling unit
16 revolving fund established pursuant to section
17 201H-191."

18 SECTION 10. (a) There is established a working group to
19 revise the State's qualified allocation plan, the prioritization
20 of the state housing revolving fund, and the terms of loans made
21 from the fund.



1 (b) The working group shall make recommendations to
2 revise:

3 (1) The State's qualified allocation plan to more
4 effectively allocate federal and state low-income
5 housing tax credits to projects that best meet the
6 housing needs of the State; and

7 (2) The prioritization of the state housing revolving fund
8 and the terms of loans made from the fund to support
9 low-income rental housing project and mixed-income
10 rental projects.

11 (c) The working group shall consist of the following
12 members:

13 (1) The executive director of the Hawaii housing finance
14 and development corporation, or the executive
15 director's designee, who shall serve as the
16 chairperson of the working group;

17 (2) The executive director of the Hawaii public housing
18 authority, or the executive director's designee;

19 (3) The chairpersons of the senate and house of
20 representatives standing committees on housing, or
21 their designees; and



S.B. NO. 164

Report Title:

HHFDC; RHRF; SHRF; DURF; Conveyance Tax; Housing Efficiency and Innovation Subaccount; Affordable Housing; Eligible Applicants; Organizations; Profits; Government Agencies; Grants; Allocations; Eligibility; Fund Allocation; Preference; Priorities; Repeal; Qualified Allocation; Terms; Working Group; Report

Description:

Repeals statutory requirements for certain housing projects to be eligible for loans from the Rental Housing Revolving Fund. Repeals certain statutory provisions for grants to developers for rental units eligible to be financed in part or in whole by the RHRF. Repeals statutory language requiring the Hawaii Housing Finance and Development Corporation to establish an application process for RHRF allocation that prioritized projects meeting certain requirements. Renames the Rental Housing Revolving Fund to the State Housing Revolving Fund (SHRF). Clarifies eligible applicants of the SHRF. Authorizes the HHFDC to use funds from the SHRF for broader housing projects. Establishes the Housing Efficiency and Innovation Subaccount within the SHRF. Authorizes the HHFDC to transfer funds between the Housing Efficiency and Innovation Subaccount and the RHRF without legislative approval. Amends the criteria and eligibility requirements for applicant developers seeking assistance from the SHRF. Requires the HHDFC to maximize the amount of housing built that utilizes loans from the SHRF by prioritizing projects with the shortest projected loan repayment terms that produce the highest number of units, per dollar, per year. Repeals all other priorities and preferences for projects utilizing the RHRF. Establishes a working group to revise the State's Qualified Allocation Plan, the prioritization of the SHRF, and the terms of loans. Requires a report to the Legislature. Allocates ten per cent of conveyance tax collections to the DURF. Removes the annual cap on conveyance taxes paid into the SHRF.

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