

ACT 147

H.B. NO. 2005

A Bill for an Act Relating to the Rental Housing Trust Fund.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Section 201F-1, Hawaii Revised Statutes, is amended by amending the definition of “nonprofit organization” to read as follows:

““Nonprofit organization” means a corporation, association, or other duly chartered entity which is registered with the State, and which has received [charitable status under] a written determination from the Internal Revenue Service that it is exempt under either section 501(c)(3), section 501(c)(4), or so much of section 501(c)(2) as applies to title holding corporations that turn over their income to organizations that are exempt under either section 501(c)(3) or 501(c)(4), of the Internal Revenue Code of 1986, as amended.”

SECTION 2. Section 201F-2, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

“(b) An amount[, not to exceed one per cent of the rental housing trust fund,] from the trust fund, to be set by the commission and authorized by the legislature, may be used for administrative expenses incurred by the commission in administering the fund; however, trust fund moneys may not be used to finance day-to-day administrative expenses of projects allotted trust fund moneys.”

SECTION 3. Section 201F-3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) The trust fund shall be used to provide loans or grants for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. Permitted uses of the fund may include but

are not limited to planning, design, land acquisition, costs of options, agreements of sale, downpayments, equity financing, capacity building of nonprofit housing developers, or other housing development services or activities as provided in rules adopted by the rental housing trust fund commission pursuant to chapter 91. The rules may provide for a means of recapturing loans or grants made from the rental housing trust fund if a rental housing project financed under the trust fund is refinanced or sold at a later date. The rules may also provide that moneys from the rental housing trust fund shall be leveraged with other financial resources to the extent possible."

SECTION 4. Section 201F-4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established within the department the rental housing trust fund commission consisting of seven members, five of whom shall be public members and appointed pursuant to section 26-34. The public members of the commission shall serve four-year staggered terms, provided that the initial appointments shall be as follows: two members to be appointed for four years; two members to be appointed for three years; and [two members] one member to be appointed for two years[; and one member to be appointed for one year]. As part of this appointment process, an appropriate organization from each of the categories of organizations enumerated below shall submit a list of three public member nominees to the governor. The governor shall select and appoint one public member from each list.

The public members shall be representative of the following categories of organizations:

- (1) Real estate brokers[/] and rental property managers;
- (2) Tenants[/] and renters advocacy organizations;
- (3) Nonprofit housing developers[/] and low income service providers;
- (4) Mortgage lenders; and
- (5) Architects[/] and planners.

A county government official who shall be appointed for a two-year term on a rotating basis among counties and the director of the department or the director's designated representative shall be ex officio voting members of the commission."

SECTION 5. Section 201F-5, Hawaii Revised Statutes, is amended to read as follows:

"**[[§201F-5]] Powers and duties of the commission.** In addition to any other powers and duties granted by this chapter, the commission shall:

- (1) Adopt rules, pursuant to chapter 91, to protect the interests of the fund and to best carry out the purposes of this chapter;
- (2) Define the guidelines, procedures, conditions, and details of loans under this section; provided that the commission shall establish loan-to-value ratios to protect the rental housing trust fund from inordinate risk and that under no circumstances shall the rules permit the loan-to-value ratio to exceed ninety-five per cent; and provided further that the underwriting guidelines include a debt-coverage ratio of not less than 1.05 to 1;
- (3) Evaluate the trust fund program every two years and report its evaluation with suggested changes to the legislature not fewer than

twenty days before the convening of the regular session of the first year of each fiscal biennium, starting with the 1995-1997 fiscal biennium;

- (4) [Obtain] Have the authority to enter into contracts with consultants and engage employees necessary to perform its duties without regard to chapters 76 and 77, and to obtain the services of technical and support staff from other government agencies[, including the housing finance and development corporation and the Hawaii housing authority], and the department of budget and finance to carry out the purposes of this chapter; and
- (5) Do all things necessary to carry out the functions, powers, and duties set forth in this chapter."

SECTION 6. There is hereby authorized from the rental housing trust fund the sum of \$200,000, or so much thereof as may be necessary, to fund for fiscal year 1994-1995 the administrative expenses incurred by the commission.

SECTION 7. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 1994.

(Approved June 9, 1994.)