

ACT 235

H.B. NO. 1763

A Bill for an Act Relating to Housing.

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

SECTION 1. Section 201H-201, Hawaii Revised Statutes, is amended by adding three new definitions to be appropriately inserted and to read as follows:

““Efficiency” means the amount of state financial resources required per unit.

“Feasibility” means reasonableness of project budget and schedule assumptions.

“Project readiness” means a project that is anticipated to commence construction within one year of award of financing.”

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

1. By amending subsections (d) and (e) to read:

“(d) The fund shall be used to provide loans [~~or grants~~] for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. ~~The corporation shall not forgive any loan made from the fund unless the corporation forecloses on the project.~~ 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, credit enhancement, gap financing, or other housing development services or activities as provided in rules adopted by the corporation pursuant to chapter 91. The rules may provide for a means of recapturing loans or grants made from the fund if a rental housing project financed under the fund is refinanced or sold at a later date. The rules may also provide that moneys from the fund shall be leveraged with other financial resources to the extent possible.

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

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

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

(A) At least fifty per cent of the available units are for persons and families with incomes at or below eighty per cent of the median family income of which at least five per cent of the available units are for persons and families with incomes at or below thirty per cent of the median family income; and

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

- provided that the corporation may establish rules to ensure full occupancy of fund projects; and
- [~~(2)~~] (3) Mixed-income rental projects or units in a mixed-income rental project wherein all of the available units are for persons and families with incomes at or below one hundred forty per cent of the median family income.”

2. By amending subsection (h) to read:

“(h) The corporation may provide loans [~~and grants~~] under this section; provided that the corporation shall establish loan-to-value ratios to protect the fund from inordinate risk and that under no circumstances shall the rules permit the loan-to-value ratio to exceed one hundred per cent; [~~and~~] provided further that the underwriting guidelines include a debt-coverage ratio of [~~not~~] no less than 1.0 to 1.”

SECTION 3. The Hawaii housing finance and development corporation shall submit a report to the legislature on plans to revolve funds back into the rental housing revolving fund to ensure its self-sufficiency no later than twenty days prior to the convening of the regular session of 2025.

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2024, and shall apply to rental housing revolving fund applications submitted after June 30, 2024.

(Approved July 9, 2024.)