

JAN 22 2016

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# A BILL FOR AN ACT

RELATING TO RENTAL HOUSING.

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

1           SECTION 1. The purpose of this Act is to address rental  
2 housing.

3           More specifically, this Act makes projects of the Hawaii  
4 public housing authority eligible for funding from the rental  
5 housing revolving fund of the Hawaii housing finance and  
6 development corporation.

7           The legislature finds that projects of the Hawaii public  
8 housing authority are operated for low-income family and elderly  
9 renters and, consequently, provide affordable rental housing for  
10 the class of people who most need state assistance.

11           Thus, the legislature believes that the Hawaii public  
12 housing authority should have the opportunity to compete for  
13 funds from the rental housing revolving fund, which will receive  
14 substantial revenues from the conveyance tax going forward.

15           This Act also makes the Hawaii public housing authority  
16 eligible for the lease of land of the Hawaii housing finance and  
17 development corporation at a token lease rent. The legislature



1 finds that the authority should have the opportunity to benefit  
2 from such favorable leases if issued by the corporation.

3 This Act also re-orders the preferences for the funding of  
4 projects from the rental housing revolving fund. The  
5 legislature finds that the re-ordered preferences are more  
6 reflective of the contemporary needs of the people of Hawaii.

7 SECTION 2. Section 201H-57, Hawaii Revised Statutes, is  
8 amended to read as follows:

9 "[+]201H-57[+] Land leases to nonprofit organizations  
10 providing affordable housing[-] and the Hawaii public housing  
11 authority. (a) Notwithstanding any provision to the contrary,  
12 the [+]corporation[+], pursuant to section 201H-4(b), may lease  
13 land to the Hawaii public housing authority or any qualified  
14 nonprofit organization providing affordable housing, under the  
15 following terms and conditions:

16 (1) Leases shall be for ninety-nine years at \$1 per year  
17 per parcel; and

18 (2) The instrument of lease shall include provisions,  
19 enforceable by the [+]corporation[+], that the land  
20 shall:



1 (A) Be used only for providing affordable housing  
2 through long-term, renewable, and transferable  
3 leases or other means that are in accordance with  
4 rules adopted by the [†]corporation[†] under  
5 chapter 91; and

6 (B) Revert back to the [†]corporation[†] if:

7 (i) The land is used for any purpose other than  
8 as provided under subparagraph (A); or

9 (ii) The qualified nonprofit organization or  
10 Hawaii public housing authority ceases  
11 operations.

12 (b) For the purposes of this section:

13 "Affordable housing" means housing that is affordable to  
14 households with incomes at or below one hundred forty per cent  
15 of the median family income as determined by the United States  
16 Department of Housing and Urban Development.

17 "Hawaii public housing authority" includes any successor  
18 agency to the authority.

19 "Qualified nonprofit organization" means any private entity  
20 that is organized and operated:



1 (1) In accordance with section 501(c)(3) of the Internal  
2 Revenue Code of 1986, as amended; and

3 (2) For the purpose of providing affordable housing  
4 through long-term, renewable, and transferable  
5 leases."

6 SECTION 3. Section 201H-202, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "§201H-202 Rental housing revolving fund. (a) There is  
9 established the rental housing revolving fund to be administered  
10 by the corporation.

11 (b) An amount from the fund, to be set by the corporation  
12 and authorized by the legislature, may be used for  
13 administrative expenses incurred by the corporation in  
14 administering the fund; provided that fund moneys may not be  
15 used to finance day-to-day administrative expenses of projects  
16 allotted fund moneys.

17 (c) The following may be deposited into the fund:  
18 appropriations made by the legislature, conveyance tax revenues  
19 under section 247-7, private contributions, repayment of loans,  
20 interest, other returns, and moneys from other sources.



1 (d) The fund shall be used to provide loans or grants for  
2 the development, pre-development, construction, acquisition,  
3 preservation, and substantial rehabilitation of rental housing  
4 units. Permitted uses of the fund may include but are not  
5 limited to planning, design, land acquisition, costs of options,  
6 agreements of sale, downpayments, equity financing, capacity  
7 building of nonprofit housing developers, or other housing  
8 development services or activities as provided in rules adopted  
9 by the corporation pursuant to chapter 91. The rules may  
10 provide for a means of recapturing loans or grants made from the  
11 fund if a rental housing project financed under the fund is  
12 refinanced or sold at a later date. The rules may also provide  
13 that moneys from the fund shall be leveraged with other  
14 financial resources to the extent possible.

15 (e) Moneys available in the fund shall be used for the  
16 purpose of providing, in whole or in part, loans or grants for  
17 rental housing projects in the following order of priority:

18 (1) Grants for projects or units in projects of the Hawaii  
19 public housing authority;

20 [~~(1) Projects~~] (2) Loans or grants for projects or units in  
21 projects that are allocated low-income housing credits



1           pursuant to the state housing credit ceiling under  
2           section 42(h) of the Internal Revenue Code of 1986, as  
3           amended, or projects or units in projects that are  
4           funded by programs of the United States Department of  
5           Housing and Urban Development and United States  
6           Department of Agriculture Rural Development wherein:  
7           (A) At least fifty per cent of the available units  
8           are for persons and families with incomes at or  
9           below eighty per cent of the median family income  
10          of which at least five per cent of the available  
11          units are for persons and families with incomes  
12          at or below thirty per cent of the median family  
13          income; and  
14          (B) The remaining units are for persons and families  
15          with incomes at or below one hundred per cent of  
16          the median family income;  
17          provided that the corporation may establish rules to  
18          ensure full occupancy of fund projects; and  
19          [(-2) ~~Mixed income~~] (3) Loans or grants for mixed-income  
20          rental projects or units in a mixed-income rental  
21          project wherein all of the available units are for



1 persons and families with incomes at or below one  
2 hundred forty per cent of the median family income.

3 (f) The corporation shall submit an annual report to the  
4 legislature, no later than twenty days prior to the convening of  
5 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 (g) 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 the  
15 project is located, as determined by the United States  
16 Department of Housing and Urban Development [7] and as adjusted  
17 from time to time.

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



1 loan-to-value ratio to exceed one hundred per cent; and provided  
2 further that the underwriting guidelines include a debt-coverage  
3 ratio of not less than 1.0 to 1.

4 ~~[(i) For the period commencing July 1, 2005, through June~~  
5 ~~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 4. Section 201H-203, Hawaii Revised Statutes, is  
17 amended to read as follows:

18 "[~~§~~201H-203] Eligible applicants for funds. Eligible  
19 applicants for funds shall include [~~nonprofit~~]:

- 20 (1) Nonprofit and for-profit organizations, limited  
21 liability companies, partnerships, and government





1 agencies, who are qualified in accordance with rules  
2 adopted by the corporation pursuant to chapter 91[-];  
3 and

4 (2) The Hawaii public housing authority."

5 SECTION 5. Section 201H-204, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "[+]§201H-204[+] Eligible projects[-], preferences,  
8 priorities. (a) Activities eligible for assistance from the  
9 fund shall include but not be limited to:

10 (1) New construction, rehabilitation, or preservation of  
11 low-income rental housing units that meet the criteria  
12 for eligibility described in subsection (c);

13 (2) The leveraging of moneys with the use of fund assets;

14 (3) Pre-development activity grants or loans to nonprofit  
15 organizations; and

16 (4) Acquisition of housing units for the purpose of  
17 preservation as low-income or very low-income housing.

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

20 (1) [~~Multifamily units,~~] Units in a multifamily dwelling;

21 [~~(2) Attached single family units,~~



- 1       ~~(3)~~ (2) Apartments;
- 2       ~~[(4) Townhouses,~~
- 3       ~~(5) Housing]~~ (3) Apartment units above commercial or
- 4               industrial space;
- 5       ~~[(6)]~~ (4) Single room occupancy units;
- 6       ~~[(7)]~~ (5) Accessory apartment units;
- 7       ~~[(8)]~~ (6) Employee housing; and
- 8       ~~[(9)]~~ (7) 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 (e)].~~

13       (c) The corporation shall establish an application process

14 for fund allocation that gives preference to projects meeting

15 the following criteria that are listed in descending order of

16 priority:

- 17       (1) Serve families and individuals transitioning from
- 18              homeless shelters;
- 19       ~~[(1)]~~ (2) Serve the original target group;
- 20       ~~[(2)]~~ (3) Provide at least five per cent of the total
- 21              number of units for persons and families with incomes



1 at or below thirty per cent of the median family  
2 income;

3 ~~[(3)]~~ (4) Provide the maximum number of units for persons  
4 or families with incomes at or below eighty per cent  
5 of the median family income;

6 ~~[(4)]~~ (5) Are committed to serving the target group over a  
7 longer period of time;

8 ~~[(5)]~~ (6) Increase the integration of income levels of the  
9 immediate community area;

10 ~~[(6)]~~ (7) Meet the geographic needs of the target group of  
11 the proposed rental housing project, such as proximity  
12 to employment centers and services; and

13 ~~[(7)]~~ (8) Have favorable past performance in developing,  
14 owning, managing, or maintaining affordable rental  
15 housing.

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

18 (d) If the corporation, after applying the process  
19 described in ~~[this]~~ subsection~~[7]~~ (c) finds ~~[a]~~ that:

20 (1) A Hawaii public housing authority project is equally  
21 ranked with another project, the corporation shall



1           give preference to the Hawaii public housing authority  
 2           project; and  
 3           (2) A nonprofit project is equally ranked with a for-  
 4           profit or government project [7] other than a Hawaii  
 5           public housing authority project, the corporation  
 6           shall give preference to the nonprofit project in  
 7           allotting fund moneys."

8           SECTION 6. Statutory material to be repealed is bracketed  
 9 and stricken. New statutory material is underscored.

10           SECTION 7. This Act shall take effect on July 1, 2016.

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# S.B. NO. 2563

**Report Title:**

Rental Housing Revolving Fund; Hawaii Public Housing Authority Projects

**Description:**

Makes the projects of the Hawaii public housing authority eligible for grants from the rental housing revolving fund. Makes the Hawaii public housing authority eligible for the lease of land from the Hawaii housing finance and development corporation at token lease rent. Revises the preferences and priorities for the funding of projects from the rental housing revolving fund.

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

