A BILL FOR AN ACT

RELATING TO HOMEOWNERSHIP.

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

PART I

SECTION 1. The legislature finds that homeownership is positively correlated with economic and social stability in low- and moderate-income households. However, in the last fifty years, the number of full time Hawaii residents who own homes has steadily declined. Currently, Hawaii has the third lowest homeownership rate of any state in the nation. The department of business, economic development, and tourism projects that Hawaii will need approximately 34,000 new homeownership housing units by 2025 to address the critical shortage of housing. Action is needed to increase the availability of homeownership housing to meet demand.

The legislature further finds that housing comprises a large part of cost of living. Hawaii is the state with the highest cost of living in the nation. The median income cannot qualify for or support a mortgage of a median-priced home. Many professionals, including teachers, police officers,
firefighters, construction, hotel, retail and government
workers, cannot afford homeownership.

The lack of affordable homes and homeownership
opportunities negatively affects Hawaii's overall quality of
life. Lack of access to affordable housing inhibits a family's
ability to pay for nutritious food, preventative medical care,
insurance, reliable transportation, and quality childcare.
Lowering the cost of living by reducing housing costs would
immediately benefit Hawaii's working families.

The legislature finds that qualified non-profit housing
entities have successfully helped lower-income households to
become homeowners by significantly reducing housing costs.
These non-profits often utilize grants and other low-cost
sources of financing that require matching funds to acquire or
develop housing units. The purpose of this Act is to promote
permanent affordable homeownership opportunities for first-time
homebuyers through non-profit housing entities.

PART II
SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
amended by adding to part II a new subpart to be appropriately
designated and to read as follows:

". QUALIFIED NONPROFIT HOUSING TRUST REVOLVING FUND."
§201H- Purpose and findings. The legislature finds that qualified nonprofit housing trusts can help families by reducing housing costs significantly for income-qualified families up to one hundred forty per cent of the area median income. Substantial cost savings are generated by retaining fee simple ownership of the home with the qualified nonprofit housing trust for the long term, subject to a long-term ground lease to the homeowner. Qualified nonprofit housing trust homeowners have more financial stability because they no longer worry about rent increases or loss of their residence because their landlord decided to sell their unit.

The purpose of this subpart is to promote permanent affordable homeownership opportunities by establishing an acquisition, rehabilitation and development financing program for qualified nonprofit housing trusts.

§201H- Definitions. As used in this subpart, unless a different meaning is clearly required by the context:

"Develop" or "development" means the planning, financing, or acquisition of real and personal property; demolition of existing structures; clearance of real property; construction, reconstruction, alteration, or repairing of approaches, streets, sidewalks, utilities, and services, or other site improvements;
construction, reconstruction, repair, remodeling, extension, equipment, or furnishing of buildings or other structures; or any combination of the foregoing, of any housing project. It also includes any undertakings necessary therefor, and the acquisition of any housing, in whole or in part.

"Fund" means the qualified nonprofit housing trust revolving fund established pursuant to section 201H-__.

§201H-__ Qualified nonprofit housing trust revolving fund. (a) There is created a qualified nonprofit housing trust revolving fund. The funds appropriated for the purpose of the qualified nonprofit housing trust revolving fund and all moneys received or collected by the corporation for the purpose of the fund shall be deposited in the fund. The proceeds in the revolving fund may be used for the necessary expenses incurred by the corporation in administering the fund; provided that fund monies may not be used to finance day-to-day administrative expenses of projects allotted fund moneys.

(b) The fund shall be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable housing units under the qualified nonprofit housing trust program. 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, or other activities as provided in rules adopted by the corporation pursuant to chapter 91. The rules may provide for a means of recapturing loans made from the fund if an affordable housing project financed under the fund is refinanced or sold by the housing land trust at a later date.

§201H- Qualified nonprofit housing trust program for affordable for-sale housing development. (a) The corporation may provide loans in amounts not to exceed $ under this section to qualified nonprofit housing trusts for the development of affordable housing units.

(b) Affordable housing units developed under this section shall be sold to qualified residents earning not more than one hundred forty per cent of the area median income as determined by the U.S. Department of Housing and Urban Development under terms that ensure permanent housing affordability.

(c) Notwithstanding any other provision of law, the corporation, at its sole discretion, may waive or modify, as appropriate, the following restrictions for housing units developed under this section:
(1) The ten-year buyback restriction set forth in section 201H-47;

(2) The shared appreciation equity restriction set forth in section 201H-47;

(3) The buyback restriction set forth in section 201H-48;

(4) The restriction on use of real property set forth in section 201H-49; and

(5) The restrictions on use, sale, and transfer of real property set forth in section 201H-50;

provided that the qualified nonprofit housing trust loan attributable to the housing units developed by the loan has been repaid to the corporation upon closing of the sale or transfer of the housing units.

(d) Qualified nonprofit housing trusts shall establish and impose on qualified residents owner-occupancy and buyback restrictions, to be approved by the corporation, that require the purchased housing units to remain affordable in perpetuity.

(e) The corporation may establish, revise, charge, and collect fees, premiums, and charges as necessary, reasonable, or convenient, for its qualified nonprofit housing trust program.

(f) The corporation shall adopt rules pursuant to chapter 91 to effectuate the purpose of this program."
SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of $__________ for fiscal year 2019-2020 for deposit into the qualified nonprofit housing trust revolving fund established under section 201H-__, Hawaii Revised Statutes.

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

SECTION 4. There is appropriated out of the qualified nonprofit housing trust revolving fund the sum of $__________ or so much thereof as may be necessary for fiscal year 2019-2020 for the qualified nonprofit housing trust program or affordable for-sale housing development.

The sum appropriated shall be expended by the Hawaii housing finance and development corporation for the purposes of this Act.

PART III

SECTION 5. Chapter 201H, Hawaii Revised Statutes, is amended by adding to part II a new subpart to be appropriately designated and to read as follows:
"SELF-HELP HOMEOWNERSHIP HOUSING REVOLVING FUND.

§201H— Purpose and findings. The legislature finds that the self-help housing model is a cost-effective means of assisting low-income families who would otherwise not have a homeownership opportunity. Self-help housing organizations leverage federal funds from the U.S. Department of Housing and Urban Development and the U.S. Department of Agriculture - Rural Development and low-income families' own contributions of labor to build their own communities. However, an additional non-federal matching funding source is needed.

The purpose of this subpart is to establish a self-help homeownership housing revolving fund to provide for the development of affordable for-sale housing projects by nonprofit housing development organizations under a self-help housing program to facilitate greater homeownership opportunities for Hawaii residents.

§201H— Self-help homeownership housing revolving fund.

(a) There is established a self-help homeownership housing revolving fund to be administered by the corporation for the purpose of providing, in whole or in part, loans to nonprofit housing development organizations to support the development of affordable homeownership housing projects under a self-help
housing program. Loans shall be awarded in the following order of priority:

(1) Projects or units in projects that are funded by programs of the United States Department of Housing and Urban Development, United States Department of Agriculture - Rural Development, and United States Department of Treasury community development financial institutions fund, wherein:

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

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

(2) Mixed-income affordable for-sale housing projects or units in a mixed-income affordable for-sale housing project wherein all of the available units are reserved for persons and families with incomes at or
below one hundred forty per cent of the median family income.

(b) Moneys in the fund shall be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable for-sale housing units. Uses of moneys in the fund may include but are not limited to planning, design, land acquisition, including the costs of options, agreements of sale, and down payments, capacity building of nonprofit housing developers, as matching funds for community development financial institutions financial assistance awards, or other housing development services or activities as provided in rules adopted by the corporation pursuant to chapter 91. The rules may provide that money from the fund shall be leveraged with other financial resources to the extent possible.

(c) The fund may include sums appropriated by the legislature, private contributions, repayment of loans, interest, other returns, and moneys from other sources.

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

(e) The corporation may provide loans under this section
as provided in rules adopted by the corporation pursuant to
chapter 91.

(f) The corporation shall submit a report to the
legislature no later than twenty days prior to the convening of
each regular session describing the projects funded.

(g) For the purposes of this section, "self-help housing
program" shall have the same meaning as in section 201H-151(a)."

SECTION 6. 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 2019-2020 to
be deposited into the self-help homeownership housing revolving
fund.

SECTION 7. There is appropriated out of the self-help
homeownership housing revolving fund the sum of $_______________
or so much thereof as may be necessary for fiscal year 2019-2020
for loans to nonprofit organizations operating a self-help
housing program for the development of affordable for-sale
housing projects.
The sum appropriated shall be expended by the Hawaii housing finance and development corporation for the purposes of this Act.

PART IV

SECTION 8. New statutory material is underscored.

SECTION 9. This Act, upon its approval, shall take effect on July 1, 2019.
Report Title:
Affordable Homeownership; Qualified Nonprofit Housing Trust Program; Self-Help Homeownership Housing Revolving Fund Program

Description:
Establishes an interim construction financing program for qualified nonprofit housing trust organizations that develop affordable for-sale homes for Hawaii residents. Establishes a Self-Help Homeownership Housing Revolving Fund to provide loans to nonprofit housing development organizations for development of affordable homeownership housing projects under a self-help housing program.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO HOMEOWNERSHIP.

PURPOSE: To establish new revolving funds and programs to provide interim construction financing for the acquisition and rehabilitation, or development of affordable for-sale housing by qualified nonprofit housing trusts and to provide a financing source for nonprofit self-help housing organizations to develop or acquire and rehabilitate affordable for-sale housing for Hawaii persons and families.

MEANS: Add two new subparts to part II of chapter 201H, Hawaii Revised Statutes.

JUSTIFICATION: Homeownership is positively correlated with economic and social stability in low- and moderate-income households. However, Hawaii has the third lowest homeownership rate of any state in the nation. The department of business, economic development, and tourism projects that Hawaii will need approximately 34,000 new homeownership housing units by 2025 to address the critical shortage of housing. Action is needed to increase the availability of homeownership housing to meet demand.

Nonprofit housing trusts provide permanently affordable homeownership opportunities through a shared equity model. However, nonprofit housing trust entities in Hawaii find it a challenge to find a source of affordable interim construction financing because the amounts involved are not significant enough to attract private lender participation.
The self-help housing model is a cost-effective means of assisting low-income families who would otherwise not have a homeownership opportunity. Self-help housing organizations leverage federal funds from the U.S. Department of Housing and Urban Development and the U.S. Department of Agriculture - Rural Development and low-income families' own contributions of labor to build their own communities. However, an additional non-federal matching financing source is needed for these nonprofits to increase production of homeownership housing units to meet the level of demand statewide.

The intent of these proposals is to promote additional affordable homeownership opportunities by establishing: (1) an acquisition, rehabilitation and development financing program to provide loans for qualified nonprofit housing trusts; and (2) a new funding source for self-help housing organizations to increase the production of homeownership housing units statewide.

Impact on the public: The program will help increase the supply of affordable for-sale homes for Hawaii first-time homebuyers.

Impact on the department and other agencies: The proposed new revolving funds and programs would add a small amount of administrative duties for HHFDC and to the workloads of the Departments of Accounting and General Services and Budget and Finance. It would also require the adoption of new program administrative rules.

GENERAL FUND: $__________.

OTHER FUNDS: Not applicable.

PPBS PROGRAM DESIGNATION: BED 160.
OTHER AFFECTED AGENCIES: Department of Budget and Finance, and Department of Accounting and General Services.

EFFECTIVE DATE: July 1, 2019.