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 has the highest cost of living in the nation. Individuals within 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 residents' overall quality of life by inhibiting families' ability to pay for nutritious food, preventative medical care, insurance, reliable transportation, and quality childcare. Lowering the cost of living by reducing housing costs will 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 help families by reducing housing costs significantly for income-qualified families up to one hundred forty per cent of the area median income. 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 repair 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 into 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 shall 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 including the 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 United States 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 used to
develop the housing units 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.

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 United States Department of Housing and Urban Development and the United States Department of Agriculture – Rural Development funds with low-income families' contributions of labor to build their communities. However, an additional non-federal matching funding source is needed.

The legislature further finds that homeownership is a strategy for preserving affordable housing units that were financed through Federal Low-Income Housing Tax Credit and Section 8 programs. In Hawaii, there are 7,486 affordable housing units that were developed with Low-Income Housing Tax Credits and Section 8 program funding that are now at or beyond the mandatory affordability period. These units are at-risk of
becoming market-rate units. Action is needed to preserve the limited affordable housing opportunities for low- and moderate-income households in Hawaii.

The legislature also finds that nonprofit community development financial institutions provide financing and technical assistance and support self-help housing organizations in the development of affordable homeownership units in underserved communities. Community development financial institutions increase the collective impact of affordable housing developed by self-help housing organizations by maintaining revolving loan funds to attract private and public capital, including United States Department of the Treasury funds. According to Opportunity Finance Network, community development financial institutions leverage federal funding for affordable housing and community development at a ratio of eight-to-one. Additional funding will help community development financial institutions attract private and public capital for affordable housing development.

The purpose of this subpart is to facilitate greater homeownership opportunities for Hawaii residents by establishing 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.

§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 the 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 for nonprofit housing developers; 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, proceeds from repayment of loans, interest, other returns, and moneys from other sources.

(d) An amount from the fund, 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 shall take effect on January 1, 2050.
Report Title:
Nonprofit Housing Trust; Self-Help Housing Revolving Fund

Description:
Establishes revolving funds for the development of for-sale affordable homeownership housing projects. Provides interim construction financing to qualified nonprofit housing trust organizations. Provides loans to self-help housing organizations. (HB959 HD1)

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