HONOLULU CITY COUNCIL

KE KANIHELA O KE KALANA O HONOLULU

CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL **20 (2025), CD1**

A BILL FOR AN ORDINANCE

RELATING TO FUNDS.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose and findings. The purpose of this ordinance is to create a new fund to assist prospective homebuyers.

The City Council ("Council") finds that funding loans for down payments and closing costs would help eligible homebuyers in the City and County of Honolulu ("City") to overcome barriers to homeownership. The Council also finds that homeownership strengthens communities by promoting economic stability and civic engagement.

The Council further finds that State of Hawai‘i ("State") and federal mortgage and down payment assistance programs, including the Hawai‘i Housing Finance and Development Corporation's Hale Kama‘āina program, provide critical support for many homebuyers, but do not support all City residents who could, with additional financial support, become homeowners. To efficiently expend City resources, the Council seeks to fund a program that complements, and does not duplicate, existing State and federal homeownership financial assistance programs to prioritize City residents who are ineligible for existing State and federal programs.

The loan program supported by this fund is designed to:

1. Reduce upfront costs for certain homebuyers;

2. Support households as they transition from rental housing into homeownership, thereby increasing the availability of affordable rental units for other families;

3. Coordinate with existing State and federal programs to fill funding gaps for certain homebuyers;

4. Use sustainable financing, including a blend of taxable and tax-exempt bonds; and

5. Ensure long-term viability of the program through a revolving fund structure where repayments are deposited back into the fund to fund loans to additional homebuyers.

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SECTION 2. Chapter 6, Revised Ordinances of Honolulu 2021 ("Funds, Fees, and Loan Programs"), is amended by adding a new article to be appropriately designated by the Revisor of Ordinances and to read as follows:

"ARTICLE __: HOMEBUYERS' LOAN ASSISTANCE REVOLVING FUND

§ 6-__.1 Creation.

There is created and established a special fund to be known as the "homebuyers' loan assistance revolving fund."

§ 6-__.2 Purpose.

The purpose of the homebuyers' loan assistance revolving fund is to provide funding for the issuance of loans to assist eligible homebuyers with the purchase of a principal residence within the city. Loans funded under this article are intended to assist homebuyers who do not qualify for down payment or other homeownership financial assistance programs provided by the State and federal government.

§ 6-__.3 Deposits.

(a) Deposits into the homebuyers' loan assistance revolving fund may include:

(1) Appropriations made by the council;

(2) Proceeds from taxable or tax-exempt bonds issued by the city in accordance with State and federal law;

(3) Loan repayments, interest, and program income; and

(4) Other revenues, grants, or funds as authorized by ordinance.

(b) All income generated from the loan program set forth in this article, including but not limited to loan repayments and loan interest, must be deposited into the homebuyers' loan assistance revolving fund and must not be deposited into any other fund.

§ 6-__.4 Expenditures.

All expenditures from the homebuyers' loan assistance revolving fund must be used for:

(1) Down payments;

(2) Reasonable closing costs, including but not limited to:

(A) Title insurance premiums;

(B) Recording fees;

(C) Origination fees;

(D) Attorney's fees and costs related to closing; and

(E) Prepaid items such as property taxes or homeowner's insurance; and

(3) Reasonable program costs, including loan origination, servicing, and administration costs.

§ 6-__.5 Loan program.

(a) *Program criteria.* To qualify for a loan under this article, the prospective homebuyer must:

(1) Be a United States citizen or resident alien;

(2) Be at least 18 years of age;

(3) Execute an affidavit stating that the prospective homebuyer:

(A) Will meet the criteria for the real property tax home exemption set forth in § 8-10.3 upon the homebuyer's purchase of the home;

(B) Agrees to file an application for the home exemption no later than 10 business days after the close of the real property transaction;

(C) Agrees to provide documentation to the department of community services, in the form prescribed by rule, showing that the home exemption application has been filed;

(D) Agrees to maintain the home exemption for at least five years after closing or until the loan is repaid in full, whichever occurs first; and

(E) Does not currently own, and has not owned at any point during the three years prior to the date of the loan application, any interest in residential real property within the city;

(4) Have an annual household income that is 140 percent or below of the area median income for the city, as determined by the United States Department of Housing and Urban Development at the time of the loan application; provided that the director of community services may establish lower household income limits to prioritize households that are not eligible for programs administered by the State or federal government;

(5) Be approved by a participating mortgage lender for a first mortgage covering the balance of the purchase price;

(6) Provide at least 5 percent of the purchase price toward the down payment or closing costs, or both; and

(7) Successfully complete a United States Department of Housing and Urban Development-approved homeownership counseling course prior to closing on the property.

(b) *Loan security.* All loans issued under this article must be secured by a mortgage.

(c) *Acquisition cost.* The acquisition cost of a property financed by the program set forth in this article must not exceed the maximum acquisition cost allowed under the Hawaii Housing Finance and Development Corporation's Downpayment Loan Program, or any other maximum acquisition cost as determined by the director of community services.

(d) *Loan limit.* A loan granted in accordance with this article may not exceed the following percentage of the purchase price of the property based on the annual household income of the prospective homebuyer, expressed as a percentage of

the area median income for the city as determined by the United States Department of Housing and Urban Development:

(1) Ten percent for a homebuyer with an annual household income at or below 120 percent of the area median income; and

(2) Seven percent for a homebuyer with an annual household income above 120 percent and at or below 140 percent of the area median income.

§ 6-__.6 Administration.

(a) *Financial management.* The director of budget and fiscal services shall manage the financial administration of the homebuyers' loan assistance revolving fund.

(b) *Loan program implementation.* The director of community services shall oversee the loan assistance program implementation and coordinate with participating lenders. The director of community services may contract with private entities, nonprofit organizations, or approved lenders to originate and service loans. The director of community services may establish reasonable origination and servicing fees, consistent with prevailing industry practices, and shall deposit such fees into the homebuyers' loan assistance revolving fund. The program may be integrated with other housing initiatives, including but not limited to rent-to-own programs, mortgage guarantee programs, and other supportive housing efforts.

(c) *Rulemaking.* The director of community services shall adopt rules pursuant to HRS Chapter 91 for the implementation, administration, monitoring, and enforcement of this article.

(d) *Reporting requirements.* By July 31, 2030, and annually thereafter for the duration of the program, the director of community services shall submit a written report to the council. At a minimum, the report must include for each year:

(1) The number of loans issued;

(2) The total amount loaned;

(3) The number of participating lenders;

(4) The annual household income of all homebuyers who were issued a loan under this article during the reporting period, reported by area median income category;

(5) The number of borrowers who filed and maintained the real property tax home exemption;

(6) Loan repayment, delinquency, and default data;

(7) The amount of program costs incurred by the city;

(8) The amount of repayments and program income received under this article;

(9) An assessment of whether the program addressed a need not met by State or federal homeownership assistance programs; and

(10) A recommendation on whether the program should be extended or amended, as applicable."

SECTION 3. This ordinance takes effect on July 1, 2027, and SECTION 2 of this ordinance will be repealed on July 1, 2032; provided that notwithstanding the repeal:

(1) For the duration of the loan period, any loans issued pursuant to this ordinance will continue in effect and those loans will remain subject to the loan program provisions set forth in proposed Section 6-__.5, Revised Ordinances of Honolulu 2021 ("ROH") in SECTION 2 of this ordinance as it read prior to July 1, 2032;

(2) Loans may be issued under the program established pursuant to SECTION 2 of this ordinance as it read prior to July 1, 2032, provided that the loan application was submitted and deemed to be complete by the Director of Community Services prior to July 1, 2032; and

(3) The administration provisions set forth in proposed ROH Section 6-__.6 in SECTION 2 of this ordinance will remain in effect as they read prior to July 1, 2032 until all loans issued under this ordinance have been repaid**.**

Upon the repeal of the homebuyers' loan assistance revolving fund:

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(1) The Director of Budget and Fiscal Services shall transfer any remaining moneys to another appropriate fund; and

(2) Any income generated after June 30, 2032 from the loan program set forth in this ordinance as it read prior to July 1, 2032 must be deposited into an appropriate fund as determined by the Director of Budget and Fiscal Services.

INTRODUCED BY:

Andria Tupola

Radiant Cordero

DATE OF INTRODUCTION:

February 20, 2025
Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____day of _____, 20 ___ .

RICK BLANGIARDI, Mayor
City and County of Honolulu

Report Title:
Homebuyers' Loan Assistance Revolving Fund; Down Payment and Closing Costs Loans; Revolving Fund; Special Fund; Department of Budget and Fiscal Services ("BFS"); Department of Community Services ("DCS"); Area Median Income ("AMI"); United States Department of Housing and Urban Development ("HUD"); Homeowner; Hawaii Housing Finance and Development Corporation ("HHFDC"); Real Property Tax Home Exemption; Rulemaking Authority; Reporting Requirement

Description:
Creates a new Homebuyers' Loan Assistance Revolving Fund to receive and expend moneys to provide loans to assist certain City residents with their home purchase. Takes effect on July 1, 2027 and is repealed on July 1, 2032.

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