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GOVERNOR



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

February 10, 2022 at 10:00 a.m.
State Capitol, Room 423

In consideration of
H.B. 1748
RELATING TO THE ISSUANCE OF GENERAL OBLIGATION BONDS FOR
AFFORDABLE HOUSING.

The HHFDC ***supports*** H.B 1748, which authorizes the issuance of general obligation bonds, with the bond revenue to be deposited into the Rental Housing Revolving Fund (RHRF).

RHRF provides loans to fill financing gaps to enable the development, preservation, or rehabilitation of affordable rental housing projects. Infusion of additional funds into RHRF is needed to continue to support the development of affordable rental housing, for which there is a dire statewide need.

The demand for this resource continually exceeds the supply.

Thank you for the opportunity to testify on this bill.

HB-1748

Submitted on: 2/8/2022 7:03:21 AM

Testimony for HSG on 2/10/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Kevin Carney	EAH Housing	Support	No

Comments:

Chair Nakamura, Vice Chair Hashimoto and Members of the House Committee on Housing, thank you for this opportunity to submit testimony in **Very Strong Support of HB 1748** which authorizes the issuance of General Obligations Bonds for deposit into the Rental Housing Revolving Fund (RHRF).

I am Kevin Carney, Vice President of EAH Housing, a non-profit developer and manager of low-income rental housing. We are a customer of HHFDC and have experienced the shortage of available funding in the RHRF. As stated in the bill, additional sources of funds directed to the RHRF will help to increase the production of affordable rental housing for those with incomes at or below 60% of the area median income. All the housing studies completed over the past 20 years show that the greatest demand for housing is at these income levels.

We encourage your committee's strong support of HB 1748. Mahalo.

Kevin R. Carney, (PB) NAHP-E

EAH Housing

Vice President, Special Projects

808-523-8826

www.eahhousing.org



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 1748: AUTHORIZING THE ISSURANCE OF GENERAL OBLIGATION BONDS FOR AFFORDABLE HOUSING

TO: Representative Nadine K. Nakamura, Chair, Representative Troy N. Hashimoto, Vice Chair; and Members, Committee on Housing
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i
Hearing: **Tuesday, 2/10/2022; 10:00 AM; via videoconference**

Chair Nakamura, Vice Chair Hashimoto, and Members, Committee on Housing:

Thank you for the opportunity to provide testimony **in strong support** of HB 1748, authorizing GO bonds with the revenue going to the rental housing revolving fund. I am Rob Van Tassell, with Catholic Charities Hawai'i. We are also a member of Partners in Care (PIC).

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 70 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

CCH strongly supports GO bond funding to the Rental Housing Revolving Fund (RHRF). Hawaii's developers are ready to build affordable rentals for our struggling families and elders. Last year, the Hawaii Housing Finance and Development Corporation (HHFDC) awarded \$83 million for projects totaling 512 units. However, many other proposed projects could not be funded: \$269 million was requested to build another 2,200 units! An additional allocation of funds to the RHRF will continue to create affordable rentals giving hope to stressed families. We urge that the immediate and ongoing needs of our residents for affordable rentals should be a priority in allocating CIP funding.

The legislature is concerned about the ALICE population. Many may face homelessness as rents and the cost of living increase. Creating affordable rentals is one major factor of the cost of living over which the Legislature has some control. We also are greatly concerned about our kupuna who are at great risk due to limited incomes. Seniors like a 63 year old woman who came to our Housing Assistance Program since she was renting a room from her niece but wanted her own place. We counseled her and helped her to apply for rentals. However, with the long wait lists for an affordable unit, she eventually became homeless due to overcrowding and safety issues. She was living in her car when she called us with awesome news. She had gotten a unit at a senior housing project in Pearl City, funded by the RHRF! She was even willing to give up her car in order to pay the rent and remain independent with her limited income.

Hawai'i's people, communities, and especially our most vulnerable, depend on all of us to continue to pay attention to affordable housing especially as our economy improves. We urge your support for a significant allocation for the construction of affordable rentals. Please contact our Legislative Liaison, Betty Lou Larson at bettylou.larson@catholiccharitieshawaii.org or (808) 373-0356 if you have any questions.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822
Phone (808) 373-0356 • bettylou.larson@CatholicCharitiesHawaii.org



PARTNERS IN CARE

Oahu's Continuum of Care

Our mission is to eliminate homelessness through open and inclusive participation and the coordination of integrated responses.

TESTIMONY IN SUPPORT OF HB 1748: AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS FOR AFFORDABLE HOUSING

TO: HouseCommittee on Housing
FROM: Partners In Care (PIC)
Hearing: **Thursday, February 10, 2022; 10:00 am; via videoconference**

Chair Nakamura, Vice Chair Hashimoto, and Members, Committee on Housing:

Thank you for the opportunity to provide testimony **in strong support** of HB 1748, authorizing the issuance of GO bonds for the Rental Housing Revolving Fund (RHRF). Partners In Care (PIC), is a coalition of more than 60 non-profit homelessness providers and concerned organizations. We urge your continued prioritization of GO bond funding for affordable rental production to prevent homelessness and give hope to the people of Hawai'i.

We cannot afford to stop investing in affordable housing development. 60% of Hawaii's families pay more than one-third of their income on rent. Hit hard by the pandemic, many remain in financial jeopardy. Growing homelessness is a real concern. Building affordable rentals builds resiliency for the future, as well as bringing hope to Hawaii's families. The Rental Housing Revolving Fund (RHRF) is the major pathway for the State to promote the development of affordable rental units. RHRF has build thousands of units, yet 20,000 rentals are still needed by 2025 for Hawaii's lower income families (making \$61,000/year or less).

PIC urges your support for a strong allocation to the RHRF to increase its capacity to fund thousands of units of additional housing, with additional funds.

Partners In Care is also very concerned about increasing homelessness for elders. Vulnerable elders on walkers sometimes come into emergency shelters. Besides continuing to be the most vulnerable to the COVID-19 pandemic, elders face significant health trauma from homelessness. **Studies predict almost a 300% increase in elderly homelessness over the next 10 years.** Even worse, these projections were prior to the pandemic which has hit older workers hard.

Housing is healthcare—and can prevent much more expensive institutionalization for Hawai'i seniors. Partners In Care urges your strong support for GO bond funding for affordable rentals. Besides the important economic impact, this funding will provide hope to our struggling families, elders and disabled persons.

Mahalo



HAWAI' APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

LATE

Testimony of the Hawai'i Applesseed Center for Law and Economic Justice
SUPPORTING HB1748 – AUTHORIZING GO BONDS FOR AFFORDABLE HOUSING
Conference Room 423 & Videoconference
Thursday, February 10th, 2022 at 10:00 AM

Aloha Chair Nakamura, Vice Chair Hashimoto, and committee members,

Thank you for the opportunity to stand in **STRONG SUPPORT** of **HB1748** and offering **comments**.

We enthusiastically endorse the use of rental housing revolving funds to maximize our use of federal low-income housing tax credits. For every \$1 allocated to the rental housing revolving fund, **Hawai'i receives about \$1 in matching federal funds for affordable housing projects**.

As noted in the bill, there is a limit on these matching federal funds based on a federally determined private activity bond (PAB) allocation, however, **we should be maximizing our PAB for affordable housing every year**. It is the only allowable use of PAB which brings in extra federal funds to the state of Hawai'i, and we need all of the funding for affordable housing that we can secure.

In order to maximize our 4% LIHTC funds which the general obligation bonds must be **taxable GO bonds**. This is crucial because private activity bonds are a type of **tax-exempt bond** and you **cannot fund an affordable housing project with two tax-exempt bonds** stacked on each other.

Using **taxable GO bonds** as gap financing for 4% LIHTC projects is a common strategy in mainland cities struggling with affordable housing. See below for some recent examples:

2018-City of Los Angeles, 20 yr taxable GO bond \$276M.

Description: These bonds are part of Proposition HHH which authorized **\$1.2 billion** for affordable housing and was approved by **77% of voters** in November 2016.¹

Revenue Source: A property tax of 94 cents per \$1,000 of home value on Los Angeles homeowners.²

All-In True Interest Cost:³ 3.8%

Housing Goal: 10,000 new affordable homes targeting lower-income levels and houseless residents. L.A. is on track to complete 8,600 homes with the help of this funding.

¹ballotpedia.org/Los_Angeles,_California,_Homelessness_Reduction_and_Prevention_Housing,_and_Facilities_Bond_Issue,_Measure_HHH_(November_2016)

² IBID

³ All-In True Interest Cost (TIC) was estimated using total debt service and cost of issuance numbers from the Official Bond Statement. However, the actual TIC could be slightly different depending on other costs not listed in the Official Bond Statement.



HAWAI' APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
SUPPORTING HB1748 – AUTHORIZING GO BONDS FOR AFFORDABLE HOUSING

Conference Room 423 & Videoconference
 Thursday, February 10th, 2022 at 10:00 AM

2020- City of Portland, 20 yr taxable GO bond, \$164M.

Description: Part of \$254,400,000 authorized by 62% of Portland voters in 2016 for a “Housing Measure” fund affordable housing.

Revenue Source: A property tax of 42 cents per \$1,000 of home value on all homeowners.

All-In True Interest Cost:⁴ 2.0%

Housing Goal: 1,300 new affordable homes with 40% of homes at 30% AMI and 20% of homes as supportive housing for houseless resident.

Goal Progress: Portland has **exceeded** the original goal and built 1,490 homes of which 42% are for 30% of AMI, since the Housing Bond was approved in 2016. ⁵

A picture of this **taxable GO bond** Offering Statement is shown below:

NEW ISSUE –COMPETITIVE

BOOK-ENTRY ONLY

City of Portland, Oregon

\$12,235,000	\$164,205,000
General Obligation Bonds	General Obligation Bonds
2020 Series A	2020 Series B
(Parks Projects – Tax Exempt)	(Affordable Housing Projects – Federally Taxable)

BASE CUSIP: 736679

DATED: Date of Delivery

DUE: June 15, as shown on inside cover

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Ratings	Moody's Investors Service: Aaa
Tax Status	In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City (“Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2020 Series A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2020 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In the opinion of Bond Counsel, interest on the 2020 Series B Bonds is <u>not</u> excludable from gross income for federal income tax purposes under existing law. In the opinion of Bond Counsel, interest on the 2020 Series A Bonds and the 2020 Series B Bonds (collectively, the “Bonds”) is exempt from State of Oregon personal income tax under existing law. See “TAX MATTERS: 2020 SERIES A BONDS – FEDERALLY TAX-EXEMPT” and “TAX MATTERS: 2020 SERIES B BONDS – FEDERALLY TAXABLE” herein.
Security	The Bonds are general obligations of the City. Pursuant to Oregon Revised Statute Section 287A.315, the City has pledged its full faith and credit and taxing power to pay the Bonds, and covenants for the benefit of the owners of the Bonds that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the Bonds promptly as they mature. See “THE BONDS—SECURITY” herein.

⁴ This is an estimated based on the Official Statement for the City of Portland GO Bonds, Series 2020

⁵ [Progress — Portland's Housing Bond \(portlandhousingbond.com\)](https://portlandhousingbond.com)

We urge the committee to pass this measure and to issue sufficient *taxable* GO bonds into the RHRF that Hawai'i can maximize our federal affordable housing dollars.

There should be no federal low-income housing tax credits left on the table when we have a severe shortage of affordable housing.

Mahalo committee members for all the work you do on behalf of Hawai'i residents.