

DAVID Y. IGE
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CRAIG K. HIRAI
DIRECTOR

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DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE

ON
SENATE BILL NO. 2812, S.D. 2, H.D. 1

APRIL 6, 2022

1:30 P.M.

Room 308 and Videoconference

RELATING TO BONDS.

The Department of Budget and Finance (the "Department") offers the following comments on Senate Bill No. 2812, S.D. 2, H.D. 1, which (1) requires counties or issuers that retain their allocation to submit quarterly reports on the status of any allocation; (2) specifies that no special purpose revenue bonds (SPRBs) requiring an allocation of annual state ceiling under Section 39B-2 Hawaii Revised Statutes, shall be authorized after June 30, 2022 and before December 31, 2028, unless requested by the Governor and approved by the Legislature; and (3) specifies that any allocation of the annual state ceiling under section 39B-2, Hawaii Revised Statutes, to a county with a population of over five hundred thousand after June 30, 2022 or before December 31, 2028, shall only be used for rental housing projects eligible for the low-income housing tax credit under section 235-110-8, Hawaii Revised Statutes.

The Department supports a provision that requires a county or any issuer to submit a quarterly report to the department on the status or use of its portion of the allocation of the annual state ceiling, including any carryforward allocation, that has not

been applied to an issuance of a qualified private bond, as evidenced by a certificate of the issuer or the director of finance of a county, as applicable.

To permit the issuance of SPRBs authorized during this session, the Department recommends that the date in which no SPRBs requiring an allocation of annual state ceiling under Section 39B-2 Hawaii Revised Statutes shall be authorized, unless requested by the Governor and approved by the Legislature, be revised to after July 1, 2022 and before December 31, 2028.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

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

HOUSE COMMITTEE ON FINANCE

April 06, 2022 at 1:30 p.m.
State Capitol, Room 308

In consideration of
S.B. 2812 SD2 HD1
RELATING TO BONDS.

HHFDC **supports** S.B. 2812 SD2 HD1.

To provide more certainty on the level of bond cap that may be available for the financing of affordable rental housing projects when HHFDC announces its funding round in mid-December of each year, HHFDC recommends **amending** the existing annual report dates, as follows:

§39B-4] Report of unused allocation; reversion to State. The director of finance of each county shall report to the department in writing by ~~December~~ November 15 of each year as to the amount of allocation to such county which has not been applied to private activity bonds in such year or assigned pursuant to this chapter.

In preparing such report, the director of finance of the county shall deduct any allocation which is unused or unassigned as of ~~December~~ November 15 but will be applied to private activity bonds on or prior to December ~~31~~ 1 of such year.

Unless the director of finance of the county or any issuer, by written certificate, indicates to the department and the Hawaii housing finance and development corporation prior to ~~December~~ November 15 of each year that it intends to carry forward all or any portion of its allocation which has not been applied to private activity bonds in such year or assigned pursuant to this chapter, such unused or unassigned allocation shall revert to the State on December ~~31~~ 1 and the State shall

be entitled to carry forward such unused or unassigned allocation as permitted by federal law. [L 1991, c 58, §1]

Requiring the counties to submit quarterly reports to the Department of Budget and Finance and HHFDC on the status or use of its bond cap allocation will help facilitate the flow of information. We recommend the following amendments:

"§39B- Quarterly report status or use of allocation. In addition to the report required by section 39B-4, within thirty days of the end of each quarter each county or any issuer shall submit a quarterly report to the department and the Hawaii housing finance and development corporation on the status or use of its portion of the allocation of the annual state ceiling, including any carryforward allocation, that has not been applied to an issuance of a qualified private bond, as evidenced by a certificate of the issuer or the director of finance of a county, as applicable."

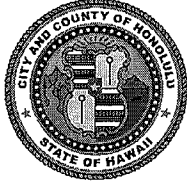
This bill will also prioritize the allocation of bond cap for housing related projects during the next six years by: 1) prohibiting the authorization of new special purpose (i.e., non-housing related) revenue bonds requiring bond cap allocation; and 2) mandating that the City and County of Honolulu's bond cap allocation only be used for the financing of LIHTC projects.

Thank you for the opportunity to testify on this measure.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
MAYOR



DEAN UCHIDA
DIRECTOR
DAWN TAKEUCHI APUNA
DEPUTY DIRECTOR

April 6, 2022

The Honorable Sylvia Luke, Chair
and Members of the Committee on Finance
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Luke and Committee Members:

**Subject: Senate Bill No. 2812, SD 2, HD1
Relating to Bonds**

The Department of Planning and Permitting **opposes** Senate Bill No. 2812, SD 2, HD 1, which proposes to amend Chapter 39B, Hawaii Revised Statutes, by requiring the counties to submit quarterly reports to the State Department of Budget and Finance on the status or use of its allocation of private activity bonds.

Chapter §39B-4 HRS already requires the counties to submit a report of unused allocation; reversion to the State. It states: "The director of finance of each county shall report to the department in writing by December 15 of each year as to the amount of allocation to such county which has not been applied to private activity bonds in such year or assigned pursuant to this chapter."

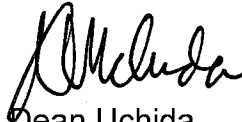
The City and County of Honolulu is setting up a program to administer its annual allocation of bond cap for eligible affordable housing projects on Oahu. Our plan is to essentially mirror the process that the Hawaii Housing Finance Development Corporation (HHFDC) does in processing and scoring eligible affordable housing projects for private activity bonds. Our intent is to work closely with HHFDC to ensure consistency in how applications are processed and scored, and where necessary, combine our efforts to produce much needed affordable housing on Oahu.

Given our desire to work closely with HHFDC, we do not believe that spending staff time and resources to prepare quarterly reports on the status of our private activity bond program would be productive.

The Honorable Sylvia Luke, Chair
and Members of the Committee on Finance
Hawaii House of Representatives
Senate Bill No. 2812, SD 2, HD1
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We appreciate the opportunity to provide our position on this matter, and respectfully request that the Bill be held in committee.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Uchida", written in a cursive style.

Dean Uchida
Director



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 2812, SD2, HD1: RELATING TO BONDS

TO: House Committee on Finance

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaii

Hearing: **Wednesday, 4/6/22; 1:30 pm; via videoconference**

Chair Luke, Vice Chair Yamashta, and Members, Committee on Finance:

Thank you for the opportunity to provide testimony **in Support of SB 2812, SD2, HD1**, which requires counties to submit quarterly reports on the status/use of their portions of the state ceiling, requires counties with a population of 500,000 or more to use their allocation only for rental projects eligible for low-income housing tax credits (after 6/30/22 until 12/31/28), and other provisions. I am Rob Van Tassell, with Catholic Charities Hawaii.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii for 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawaii. Catholic Charities Hawaii has a long history of working in the areas of affordable housing and homelessness.

We support the intent of this bill since it will provide more predictability and more reliable and stable bond financing for affordable housing.

Catholic Charities Hawaii has built six affordable housing projects to serve low-income people on Oahu (300 units) and Maui (165 units). We serve many homeless, elderly and family households that are in desperate need of an affordable rental unit. We must partner with the State on our new projects for Low Income Housing Tax Credits, which also require use of Private Activity Bonds (PAB). The State needs to use any tool available to promote the construction of new units.

The Hawaii Housing Finance and Development Corporation (HHFDC) receives a high number of applications to build new affordable housing. However, there has not been enough money to allocate funding for many projects. Now, for the first time last year, bond financing is experiencing a similar problem. HHFDC testified to the legislature that the demand for bond financing is so great, last year it exceeded the available bond cap by a ratio of 4 to 1. Increasing coordination with the counties and focusing the bond ceiling on affordable rental housing would be a huge step forward.

We urge your support for this bill to give HHFDC an additional tool to address our State's crisis in affordable housing. Please contact our Legislative Liaison, Betty Lou Larson at alohabettylou@hotmail.com or (808) 373-0356 if you have any questions.

