



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2022**

ON THE FOLLOWING MEASURE:

S.B. NO. 2812, S.D. 2, RELATING TO BONDS.

BEFORE THE:

HOUSE COMMITTEE ON HOUSING

DATE: Tuesday, March 22, 2022 **TIME:** 10:00 a.m.

LOCATION: State Capitol, Room 423, Via Videoconference

TESTIFIER(S): Holly T. Shikada, Attorney General, or
Randall S. Nishiyama, Deputy Attorney General

Chair Nakamura and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

The purpose of this bill is to facilitate the financing of affordable housing projects in the State by temporarily amending provisions that govern the allocation of the State's private activity bond (PAB) cap.

PABs are tax-exempt bonds issued by or on behalf of the State or local government for the purpose of providing financing benefits for qualified projects of a private user. 26 U.S.C. section 141. For example, such PABs may include financing for housing-related projects, industrial enterprises, manufacturing enterprises, and utilities.

The PAB cap is "the principal amount of private activity bonds which may be issued in each calendar year by all issuers and counties in the State under the Internal Revenue Code of 1986, as the same may be amended." Section 39B-1, Hawaii Revised Statutes (HRS).

While the Internal Revenue Code permits the State to amend the allocation of the State's PAB cap and to specify its uses, we note that section 2 of the bill (page 5, lines 12 – 14) adds to section 39B-2, HRS, a new subsection (g) that requires that the unused PAB cap allocation be allocated to the Hawaii Housing Finance and Development Corporation (HHFDC). Because the function of the HHFDC is only to facilitate the financing of affordable housing projects, this amendment to section 39B-2,

HRS, would effectively prevent the unused PAB cap allocation from being used for projects to assist industrial enterprises, manufacturing enterprises, and utilities.

To permit the issuance of PABs previously authorized but unissued for all qualified PAB projects, we suggest the deletion of the requirements that the unused PAB cap be allocated to the HHFDC, which appear on page 5, lines 12 - 14, page 6, lines 17 – 21, and page 7, lines 1 – 3. These deletions will allow previously authorized but unissued PABs to be issued during the bill's effective period. Also, consistent with the present PAB cap statutory scheme in chapter 39B, HRS, we suggest that the authority to allocate the unused PAB cap remain with the Director of Finance.

Thank you for the opportunity to present this testimony.

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

LATE

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 HOUSING

March 22, 2022 at 10:00 a.m.
State Capitol, Room 423

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

HHFDC **strongly supports** S.B. 2812 SD2, which would amend provisions that govern the allocation of the state's private activity bond (PAB) ceiling.

The majority of rental housing projects in the state are financed by HHFDC's low-income housing tax credit (LIHTC) program. HHFDC awards LIHTCs to developers to facilitate the construction and rehabilitation of affordable rentals. Under the Internal Revenue Code, the 4% LIHTCs must be used in conjunction with PAB financing.

During the 2021 financing cycle, developers requested over half a billion dollars of PAB that would have financed nearly 2,700 units. However, due to Hawaii's bond cap constraints, HHFDC was only able to allocate \$151 million in PAB that helped to finance 750 rental units. The demand for PAB was so great that it exceeded the available bond cap by a 4-to-1 ratio.

Currently, HHFDC is only able to receive an allocation of bond cap *after* each county and the Department of Budget and Finance determine there is unused bond cap, typically at the beginning of the following year. This measure seeks to provide more certainty for LIHTC developers and ensures housing projects in the state gets the priority it deserves.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

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

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

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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 HOUSING

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

**MARCH 22, 2022
10:00 A.M.
Room 423 and Videoconference**

RELATING TO BONDS.

Senate Bill No. 2812, S.D. 2: (1) removes authorization for counties or issuers to request additional allocations of the state bond ceiling; (2) prioritize projects of counties that assign their allocation back to the State over projects of counties that have their own bond issuance program; (3) requires counties or issuers that retain their allocation to submit quarterly reports on the status of any allocation; (4) requires a project to first apply in the county in which the project is located, if the county has a private activity bond issuance program, before applying to the State; and (5) changes the dates for reverted or remaining allocations and require certain reverted or remaining allocations to be used for housing related projects. The Department of Budget and Finance (the "Department") offers the following comments.

The proposed changes to Section 39B-2(d) are unclear as to the intent and do not describe the priority that is given.

The proposed changes to Section 39B-2(f) are unclear as to the intent, specifically as to applying to the State for the state allocation.

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.

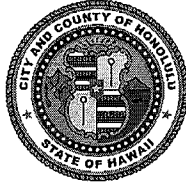
The Department notes that 96.8 percent, or \$2.964 billion out of \$3.063 billion, of allocations to issuers made by the State in the past 12 years have gone to HHFDC and have been used for housing related purposes, principally for low income housing tax credit projects and federal mortgage credit certificates. Additionally, HHFDC currently holds \$361,891,436 in 2020 and 2021 carryforward bond cap and has the ability to request 2022 bond cap if it is needed to issue a housing bond.

Thank you for the opportunity to submit this testimony.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
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DEAN UCHIDA
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DAWN TAKEUCHI APUNA
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

March 22, 2022

The Honorable Nadine K. Nakamura, Chair
and Members of the Committee on Housing
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Nakamura, and Committee Members:

**Subject: Senate Bill No. 2812, SD 1, SD 2
Relating to Bonds**

The Department of Planning and Permitting **supports** Senate Bill No. 2812, SD 1, SD 2, which would do the following:

1. Remove the authorization for counties or issuers to request additional allocations of the state bond ceiling.
2. Prioritize projects of counties that assign their allocation back to the State over projects of counties with their own private activity bond issuance program.
3. Require counties or issuers that retain their allocation to submit quarterly reports on the status or use of any allocation.
4. Require a project to first apply to the county in which the project is located, if the county has a private activity bond issuance program, before applying to the State.
5. Change the dates for reverted or remaining allocations and require certain reverted or remaining allocations to be used for housing related projects.
6. Require that, after December 1 of each calendar year, any unused annual state ceiling allocation shall be allocated to the Hawaii Housing Finance and Development Corporation.
7. Sunset on December 31, 2027.

In 2020, the prior administration chose to retain the City and County of Honolulu's bond allocation. When the Blangiardi Administration took office in 2021, the City lacked the capacity to analyze and process applications for Private Activity Bonds. The City's Private Activity Bond Administrative Rules were adopted on January 24, 2022. We are in the process of building capacity within the Department of Planning and

The Honorable Nadine K. Nakamura, Chair
and Members of the Committee on Housing
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Senate Bill No. 2812, SD 1, SD 2
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Permitting to analyze and process applications for projects eligible for Private Activity Bond allocation. Because we lack the capacity to process these applications, we allowed the State (HHFDC) to use our allocation for 2021.

We are in support of Senate Bill No. 2812, SD 1, SD 2.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dean Uchida".

Dean Uchida
Director



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 2812 SD2: RELATING TO BONDS

TO: House Committee on Housing

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

Hearing: **Tuesday, 3/22/22; 10:00 AM; via videoconference**

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

Thank you for the opportunity to provide testimony **in Support of SB 2812 SD2**, which amends provisions governing the allocation of the State's private activity bond ceiling, and deletes the provision that would require that the State's allocation of the bond cap be used entirely for housing-related projects. 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.

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 families 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.

We support the intent of this bill to clarify the process for utilizing the bond cap and requiring that unused allocations of bond cap be allocated to the Hawaii Housing Finance and Development Corporation. What is critical is for the process to be effective so that these bonds can be fully utilized.

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. The demand for bond financing is so great, last year it exceeded the available bond cap by a ratio of 4 to 1. **In developing affordable housing, stable and predictable funding is key.** We support effective measures that enable affordable housing projects to gain greater access to private activity bond financing.

Please contact our Legislative Liaison, Betty Lou Larson at alohabettylou@hotmail.com or (808) 373-0356 if you have any questions.

