

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**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

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

**TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON HOUSING AND  
GOVERNMENT OPERATIONS**

**ON  
SENATE BILL NO. 2812**

**FEBRUARY 3, 2022  
1:00 P.M.  
Via Videoconference**

RELATING TO BONDS.

The Department of Budget and Finance (the "Department") offers the following concerns on Senate Bill No. 2812 which (1) specifies that the allocation of the state bond ceiling to the State shall be used entirely for housing related projects; (2) specifies that if a county elects to receive its allocation of the state bond ceiling, the county shall do so by adopting a resolution and shall specify the allocation amount requested, up to its ceiling; (3) removes the requirement for a resolution or written certificate for a county or issuer to assign their allocation back to the State; (4) removes authorization for counties or issuers to request additional allocations of the state bond ceiling; (5) prioritize projects of counties that assign their allocation back to the State over projects of counties that have their own bond issuance program; (6) requires counties or issuers that retain their allocation to submit quarterly reports on the status or use of any allocation; (7) 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 (8) changes the dates for reverted or remaining allocations and require certain reverted or remaining allocations to be used for housing related projects.

This bill will prohibit the issuance of non-housing related Special Purpose Revenue Bonds (SPRB) by the Department that have been authorized and unissued and are subject to State's Volume Cap Ceiling for the next five years. As of July 1, 2021, \$1,515,200,000 in non-housing SPRB has been authorized and unissued and is subject to the State's Volume Cap Ceiling.

The language requiring the counties that desire to receive its portion of the allocation of the state ceiling to adopt a resolution by its legislative body in Section 39B-2(a), HRS could slow down existing processes. A resolution is currently not necessary as Section 39B-2(a), HRS allocates a percentage to each county.

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

The Department recommends that the reporting requirement be revised to include information on carry forward PAB allocations and consider an amendment to the proposed Section 39B-2(e) (deleted language striked through; new language underlined):

(e) ~~A county or any issuer that does not assign all or any part its portion of the allocation of the annual state ceiling to the State pursuant to subsection (d) during a calendar year shall submit a quarterly report to the department on the status or use of that portion of the allocation.~~

A county or any issuer shall 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 proposed changes to Section 39B-2(f) is unclear as to the intent, specifically as to applying to the State for the state allocation.

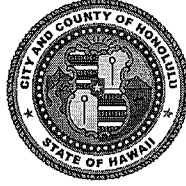
In conclusion, this bill takes away the flexibility of the State and its ability to help ensure that private activity bond cap is not wasted. The Department notes that 96.8 percent, or \$2.964 billion out of \$3.063 billion, of allocations to issuers made by the State in the past 12 years have gone to HHFDC and have been used for housing related purposes.

Thank you for your consideration of our concerns.

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 768-8000 • FAX: (808) 768-6041  
DEPT. WEB SITE: [www.honoluluodpp.org](http://www.honoluluodpp.org) • CITY WEB SITE: [www.honolulu.gov](http://www.honolulu.gov)

RICK BLANGIARDI  
MAYOR



DEAN UCHIDA  
DIRECTOR  
DAWN TAKEUCHI APUNA  
DEPUTY DIRECTOR  
EUGENE H. TAKAHASHI  
DEPUTY DIRECTOR

February 3, 2022

The Honorable Stanley Chang, Chair  
and Members of the Committee on Housing  
The Honorable Sharon Y. Moriwaki, Chair  
and Members of the Committee  
on Government Operations  
Hawaii State Senate  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chairs Chang and Moriwaki, and Committee Members:

**Subject: Senate Bill No. 2812  
Relating to Bonds**

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

1. Specify that the allocation of the state bond ceiling to the State shall be used entirely for housing related projects.
2. Require counties that elect to receive their allocation to do so by resolution and specify the allocation amount requested.
3. Remove the authorization for counties or issuers to request additional allocations of the state bond ceiling.
4. Prioritize projects of counties that assign their allocation back to the State over projects of counties with their own private activity bond issuance program.
5. Require counties or issuers that retain their allocation to submit quarterly reports on the status or use of any allocation.
6. 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.
7. Change the dates for reverted or remaining allocations and require certain reverted or remaining allocations to be used for housing related projects.
8. Sunset on December 31, 2027.

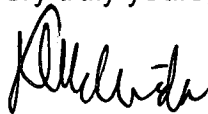
The Honorable Stanley Chang, Chair  
and Members of the Committee on Housing  
The Honorable Sharon Y. Moriwaki, Chair  
and Members of the Committee  
on Government Operations  
Hawaii State Senate  
February 3, 2022  
Senate Bill No. 2812  
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We strongly support the need to dedicate the State's bond allocation ceiling to qualified housing projects. 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 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 respectfully request that the requirement to receive the bond allocation be done by resolution be removed from the Bill. The City Council is not involved in the bond allocation process. Adding this requirement would add unnecessary time to the process.

We are in support of Senate Bill No. 2812 with our proposed amendment and appreciate the opportunity to provide our comments.

Very truly yours,



Dean Uchida  
Director

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

### SENATE COMMITTEE ON HOUSING

February 3, 2022 at 1:00 p.m.  
State Capitol, Room 225

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

HHFDC ***strongly supports*** SB 2812, which would statutorily establish an allocation of bond ceiling for housing projects. This bill is critical in order to continue financing the production of affordable rental housing projects in the state.

The majority of rental housing projects in the state are financed by HHFDC's Low Income Housing Tax Credit (LIHTC) program. HHFDC is the only agency authorized to issue LIHTCs in the state of Hawaii. HHFDC awards LIHTCs to developers to facilitate the construction and rehabilitation of affordable rentals. The 4% LIHTC credit must be used in conjunction with tax-exempt private activity bonds (PAB) under the Internal Revenue Code.

The bond cap is set by the federal government. The 2021 bond cap for the state was approximately \$325 million. The state retains 50% of this bond cap while the remaining 50% is allocated amongst the counties. There currently is no specific allocation to support the development of affordable housing. Housing and HHFDC is only able to receive bond cap after each county and the state determines there is unused bond cap at the end of the year or the beginning of the following year.

The bond cap has seriously limited our ability to make further financing awards during the financing cycle last year. Last year, we received over half a billion dollars' worth of requests for bonds that would have financed nearly 2,700 units. Because of the constraints, we were only able to make awards up to \$151 million for 750 units. The demand for bonds was so great, it exceeded the available bond cap by a ratio of 4 to 1.

This measure allows for the state portion of the bond ceiling to be used entirely for housing related project and makes it easier for the counties to assign their allocation back to the State.

SB 2812 is critical to maintaining an inventory of low-income rental projects in the pipeline. This is our opportunity to change the allocation of bond cap to ensure housing projects in the state gets the priority it deserves as well as provide developers with more certainty.

Thank you for the opportunity to testify.



February 2, 2022

Hawaii State Legislature  
Senate Committee on Housing  
Senate Committee on Government Affairs  
Attn: Chair Stanley Chang and Chair Sharon Y. Moriwaki

**Subject: Testimony in Support - HB 2812 Relating to Bonds, Hearing February 3, 2022, at 1:00pm, State Capitol, Room 225**

Aloha Chair Chang, Chair Moriwaki, and Members of the Senate Committees on Housing and Government Affairs. I am Kevin Carney, Vice President for EAH Housing a non-profit developer and manager of low-income rental housing serving those with incomes at or below 60% of the area median income (AMI). Our managed inventory currently consists of 2,178 apartment units on Kauai, Maui, and Oahu with another 272 units in our development pipeline, a portion of which will extend our operations to the Big Island.

EAH is in **strong support of HB 2812** which specifies that the allocation of the state bond ceiling to the State shall be used entirely for housing related projects. To serve those at 60% and below of the AMI we utilize the funding programs, LIHTCs, Private Activity Bonds (PABs) and Rental Housing Revolving Funds (RHRF) administered by HHFDC. The RHRF, our primary source of "gap" funding, has been over-subscribed for years meaning there is never enough money in the fund to meet the demand for funds. Recently we have experienced the same problem with the allocation of State Bond Cap for HHFDC's use. We understand that PABs are currently over-subscribed by a ratio of 4:1.

This lack of funding has caused a backlog of potential projects at HHFDC, projects that would serve those most in need of housing. This backlog adds to developer costs which increase risk and leads developers to question their projects viability. While we understand that counties may have set their own goals for use of their allocation, we believe that if all the counties were to return their allocations to the State for HHFDC use then more housing would be created in a timelier manner. HB 2812 is a big step forward in helping to expedite production – please give it your unanimous support. Mahalo.

Sincerely,

Kevin R. Carney, RB-16444  
(PB), NAHP-E  
Vice President, Special Projects, Hawaii





MUTUAL HOUSING  
ASSOCIATION OF HAWAII

*"Building our communities with respect, integrity, and aloha..."*

Kekaulike Courtyards ♦ Ko'oloa'ula ♦ Lihu'e Court Townhomes ♦ Palolo Homes

February 2, 2022

The Honorable Stanley Chang, Chair  
and the Members of the Committee on Housing  
Hawai'i State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Dear Chair Chang and Committee Members:

Subject: Senate Bill 2812 Relating to Bonds

**The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly supports Senate Bill 3018**, which specifies that the allocation of the state bond ceiling shall be used entirely for housing related projects. The bill also includes provisions that prioritizes projects of counties that assign their allocations back to the State over projects of counties with their own private activity bond issuance program.

As Hawai'i faces an affordable housing crisis, we have seen our number of homeless growing, while even working families find it necessary to double or triple-up with family or friends. New rental housing production has not kept pace with the need for units for our local families.

As an owner and developer of affordable rental housing, we can attest to the critical need for permanent and dedicated sources of funding to build new rental housing. The Hawai'i Housing Finance and Development Corporation's ("HHFDC") Hula Mae Multifamily bond program ("HMMF") has proven to be a critical financing tool to develop and rehabilitate affordable rental housing in Hawai'i over the past decade. Our team has over 25 year's experience with the program. Unfortunately, HMMF is currently oversubscribed by four times its current allocation of private activity bonds. Without the maximum amount of private activity bond allocation, HHFDC and local developers are severely hamstrung to finance all the housing possible that are currently ready to be built. HMMF allows developers to leverage other funding programs such as Low-Income Housing Tax Credits, the Rental Housing Revolving Fund, the Dwelling Unit Revolving Fund, HOME program and conventional bank loans to make affordable projects financially feasible. Without HMMF bonds, future construction of affordable rental housing is in clear jeopardy, and Hawai'i will fall further behind in addressing its shortage of rental housing units for our families.

It will take years to develop the projects to meet all of the need in the state. HHFDC's permanent allocation and access to the State's bond ceiling is the most critical tool needed right now to help organizations like Mutual Housing address our affordable rental shortage. Thank you for the opportunity to provide this testimony

Sincerely,

David M. Nakamura  
Executive Director



Mobile: 808.428.8717  
Email: lindaschatz@schatzcollaborative.com  
[Schatzcollaborative.com](http://Schatzcollaborative.com)

February 2, 2022

Senate Committee on Government Operations  
The Honorable Sharon Moriwaki, Chair  
The Honorable Donovan M. Dela Cruz, Vice Chair  
Senate Committee on Housing  
The Honorable Stanley Chang, Chair  
The Honorable Dru Mamo Kanuha, Vice Chair  
State Capitol  
Honolulu, HI 96813

**SUBJECT: Strong Support for S.B. 2812**

Dear Chair Chang, Chair Moriwaki, Vice Chair Kanuha, Vice Chair Dela Cruz and Committee Members,

My name is Linda Schatz and I am the principal of Schatz Collaborative LLC, a real estate development company. Schatz Collaborative LLC has been developing in Hawaii since 2016 with financial and development partners from the Western United States. We focus on multi-family workforce and market rate rentals and specialize in retail development. Our company has also consulted and managed the planning of many master planned communities on Oahu and Hawaii Island for land developers to ensure the redevelopment of mixed income communities and synergistic commercial uses.

**Schatz Collaborative LLC is submitting written testimony in strong support of SB 2812.**

We believe that the State of Hawaii needs to make strong financial policy commitments to supporting housing and SB 2812 is one tool in this effort. It will enable a consistent source of dedicated funding for projects at 60%AMI and below. When private activity bonds are allocated to housing the State of Hawaii will also be able to leverage additional Federal subsidies in the form of tax credits to build more housing units. When these private activity bonds (PAB) are allocated to other uses we lose out on the Federal subsidies that are tied to housing.



Mobile: 808.428.8717  
Email: [lindaschatz@schatzcollaborative.com](mailto:lindaschatz@schatzcollaborative.com)  
[Schatzcollaborative.com](http://Schatzcollaborative.com)

Thank you again for the opportunity to submit this testimony. If there are any questions, or if additional information is needed, please do not hesitate to contact me at (808)428-8717.

Warmest Regards,

A handwritten signature in black ink that reads "Linda Schatz". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Linda Schatz  
Principal