STANFORD CARR DEVELOPMENT, LLC

March 18, 2009

LATE TESTIMONY

House Committee on Housing
State Capitol, Conference Room 325
415 South Beretania Street
Honolulu, Hawaii

RE: Testimony Supporting SB 1118 SD2: Relating To Low-Income Housing Tax Credits
Hearing date Wednesday, March 18, 2009 at 9:30 AM

Dear Honorable Chair Representative Rida Cabanilla:

I am writing in SUPPORT of SB 1118 SD2 but also to request further changes to make the State Low Income Housing Tax Credit program more effective. As written, the change will make the state LIHTCs more valuable by shortening the overall credit period from ten years to five years, however, we feel that the this change alone will not materially impact the investment community's appetite for these projects nor will it result in increased production of affordable housing units in Hawaii.

As you may know, the American Recovery and Reinvestment Act of 2009 includes a provision that allows each state allocating agency the ability to exchange a portion of the federal low-income housing tax credits for a direct allocation of cash from the Treasury (Section 1602: Grants To States For Low-Income Housing Projects In Lieu Of Low-Income Housing Credit Allocations). The exchange rate is established at $0.85 for each $1 of credit returned over the 10-year tax credit period. The direct grant allocation is then awarded in the form of grants or deferred payment loans by the state allocating agency (i.e. HHFDC) to projects.

We feel that the federal exchange concept should be incorporated into HRS §235-110.8: Low-Income Housing Tax Credit. As the committee's Justification Sheet indicates, the limited market for state LIHTCs has resulted in developers getting less investor equity for these credits. While the State Department of Taxation will continue to provide for the full value of the tax credit (plus depreciation loses under a tax credit structure), the diminished value during the sale of the credit creates a funding deficit that requires additional subsidies. This further burdens the state's ability to produce affordable units and only decreases overall production levels. We feel that this provision should apply to all state LIHTC allocations (both 9% and 4% tax credits).

The proposed exchange of tax credits for cash will take advantage of the in-place infrastructure. No new bureaucracy or added costs will be required for implementation. In addition, the economic stimulus resulting from increased construction levels of affordable housing units coincides with the broader goal to jump-start the local economy. Please feel free to contact me (808-781-3648) or Jesse Wu of my staff (808-990-5678) if you have any questions.

Sincerely,

Stanford S. Carr, President

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