



STATE OF HAWAII

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IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS

February 29, 2016 at 9:15 a.m.
State Capitol, Room 211

In consideration of
S.B. 2563
RELATING TO RENTAL HOUSING.

While the HHFDC stands ready and willing to work with the Hawaii Public Housing Authority on the redevelopment of its rental properties, we have **strong concerns** with S.B. 2563 in its current form, as follows.

Section 3. Subsection 201H-202(e), HRS, authorizes the RHRF to provide loans or grants for rental housing projects in order of priority. Projects which are allocated Low-Income Housing Tax Credits (LIHTCs) or funded by HUD or USDA-Rural Development Programs are the first priority; with mixed-income rental projects the second priority.

S.B. 2563 amends subsection 201H-57, HRS, to make **grants** for HPHA projects the first priority. Given the size and scope of the HPHA's redevelopment plans, this could have the unintended consequence of allocating the entire RHRF balance for HPHA projects and, thereby, preclude funding of other low-income housing developments including projects awarded 9% LIHTCs (which face strict completion deadlines). We note that the financing for HPHA projects would likely include Hula Mae Multifamily Bonds, 4% LIHTC, and HUD subsidies and, therefore, would qualify to be in the first priority under current law.

We also note that RHRF grants as opposed to loans would lower the extent to which funds could be efficiently leveraged for HPHA projects that utilize LIHTCs. Grants reduce the eligible basis of the project and therefore affect the amount of LIHTCs for which a given project qualifies. Any potential financing scenario for the redevelopment of the HPHA's large public housing properties would require the extensive use of LIHTCs.

Section 5. The bill amends subsection 201H-204(b), HRS, which identifies the preferred types of projects that may be funded, by deleting attached single family units and townhouses. The RHRF has assisted the Department of Hawaiian Home Lands in financing attached single family units under a Rent to Own program. The 70-unit Kapolei Ho'olimalima project is an example. Currently, many of the projects financed with RHRF are townhouse structures. For example, the 192-unit Villages of Moa'e Ku, 150-unit Franciscan Vistas Ewa, 308-unit Ko'oloa'ula, and 48-unit Hale Makana O Waianae are recent examples. While we understand the bill intends to increase unit production, we request that HHFDC be allowed to keep the flexibility to consider different housing types depending upon the needs of the specific community in which projects are located. Further refinements to modernize housing types can then be made via program administrative rule amendments.

HHFDC has provided a proposed Senate Draft 1 for the Committee's consideration, addressing these concerns.

Thank you for the opportunity to provide written comments on, and a proposed S.D. 1 to, this bill.

A BILL FOR AN ACT

RELATING TO RENTAL HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to address rental
2 housing.

3 The legislature finds that projects of the Hawaii public
4 housing authority are operated for low-income family and elderly
5 renters and, consequently, provide affordable rental housing for
6 the class of people who most need state assistance.

7 Thus, the legislature believes that the Hawaii public
8 housing authority should compete for funds from the rental
9 housing revolving fund, which will receive substantial revenues
10 from the conveyance tax going forward.

11 This Act also makes the Hawaii public housing authority
12 eligible for the lease of land of the Hawaii housing finance and
13 development corporation at a token lease rent. The legislature
14 finds that the authority should have the opportunity to benefit
15 from such favorable leases if issued by the corporation.

16 This Act also re-orders the preferences for the funding of
17 projects from the rental housing revolving fund. The
18 legislature finds that the re-ordered preferences are more

1 reflective of the contemporary needs of the people of Hawaii.

2 SECTION 2. Section 201H-57, Hawaii Revised Statutes, is
3 amended to read as follows:

4 "[+]201H-57[+] Land leases to nonprofit organizations
5 providing affordable housing[-] and the Hawaii public housing
6 authority. (a) Notwithstanding any provision to the contrary,
7 the [+]corporation[+], pursuant to section 201H-4(b), may lease
8 land to the Hawaii public housing authority or any qualified
9 nonprofit organization providing affordable housing, under the
10 following terms and conditions:

11 (1) Leases shall be for ninety-nine years at \$1 per year
12 per parcel; and

13 (2) The instrument of lease shall include provisions,
14 enforceable by the [+]corporation[+], that the land
15 shall:

16 (A) Be used only for providing affordable housing
17 through long-term, renewable, and transferable
18 leases or other means that are in accordance with
19 rules adopted by the [+]corporation[+] under
20 chapter 91; and

21 (B) Revert back to the [+]corporation[+] if:

1 (i) The land is used for any purpose other than
2 as provided under subparagraph (A); or
3 (ii) The qualified nonprofit organization or
4 Hawaii public housing authority ceases
5 operations.

6 (b) For the purposes of this section:

7 "Affordable housing" means housing that is affordable to
8 households with incomes at or below one hundred forty per cent
9 of the median family income as determined by the United States
10 Department of Housing and Urban Development.

11 "Hawaii public housing authority" includes any successor
12 agency to the authority.

13 "Qualified nonprofit organization" means any private entity
14 that is organized and operated:

15 (1) In accordance with section 501(c)(3) of the Internal
16 Revenue Code of 1986, as amended; and

17 (2) For the purpose of providing affordable housing
18 through long-term, renewable, and transferable
19 leases."

20 SECTION 3. Section 201H-202, Hawaii Revised Statutes, is
21 amended to read as follows:

1 "§201H-202 Rental housing revolving fund. (a) There is
2 established the rental housing revolving fund to be administered
3 by the corporation.

4 (b) An amount from the fund, to be set by the corporation
5 and authorized by the legislature, may be used for
6 administrative expenses incurred by the corporation in
7 administering the fund; provided that fund moneys may not be
8 used to finance day-to-day administrative expenses of projects
9 allotted fund moneys.

10 (c) The following may be deposited into the fund:
11 appropriations made by the legislature, conveyance tax revenues
12 under section 247-7, private contributions, repayment of loans,
13 interest, other returns, and moneys from other sources.

14 (d) The fund shall be used to provide loans or grants for
15 the development, pre-development, construction, acquisition,
16 preservation, and substantial rehabilitation of rental housing
17 units. Permitted uses of the fund may include but are not
18 limited to planning, design, land acquisition, costs of options,
19 agreements of sale, downpayments, equity financing, capacity
20 building of nonprofit housing developers, or other housing
21 development services or activities as provided in rules adopted
22 by the corporation pursuant to chapter 91. The rules may

1 provide for a means of recapturing loans or grants made from the
2 fund if a rental housing project financed under the fund is
3 refinanced or sold at a later date. The rules may also provide
4 that moneys from the fund shall be leveraged with other
5 financial resources to the extent possible.

6 (e) Moneys available in the fund shall be used for the
7 purpose of providing, in whole or in part, loans or grants for
8 rental housing projects in the following order of priority:

9 (1) Projects or units in projects that are allocated low-
10 income housing credits pursuant to the state housing
11 credit ceiling under section 42(h) of the Internal
12 Revenue Code of 1986, as amended, projects or units in
13 projects of the Hawaii public housing authority, or
14 projects or units in projects that are funded by
15 programs of the United States Department of Housing
16 and Urban Development and United States Department of
17 Agriculture Rural Development wherein:

18 (A) At least fifty per cent of the available units
19 are for persons and families with incomes at or
20 below eighty per cent of the median family income
21 of which at least five per cent of the available
22 units are for persons and families with incomes

1 at or below thirty per cent of the median family
2 income; and

3 (B) The remaining units are for persons and families
4 with incomes at or below one hundred per cent of
5 the median family income;

6 provided that the corporation may establish rules to
7 ensure full occupancy of fund projects; and

8 (2) Mixed-income rental projects or units in a mixed-income
9 rental project wherein all of the available units are
10 for persons and families with incomes at or below one
11 hundred forty per cent of the median family income.

12 (f) The corporation shall submit an annual report to the
13 legislature, no later than twenty days prior to the convening of
14 each regular session, describing the projects funded and, with
15 respect to rental housing projects targeted for persons and
16 families with incomes at or below thirty per cent of the median
17 family income, its efforts to develop those rental housing
18 projects, a description of proposals submitted for this target
19 group and action taken on the proposals, and any barriers to
20 developing housing units for this target group.

21 (g) For the purposes of this subpart, the applicable
22 median family income shall be the median family income for the

1 county or standard metropolitan statistical area in which the
2 project is located as determined by the United States Department
3 of Housing and Urban Development, as adjusted from time to time.

4 (h) The corporation may provide loans and grants under
5 this section; provided that the corporation shall establish
6 loan-to-value ratios to protect the fund from inordinate risk
7 and that under no circumstances shall the rules permit the loan-
8 to-value ratio to exceed one hundred per cent; and provided
9 further that the underwriting guidelines include a debt-coverage
10 ratio of not less than 1.0 to 1.

11 ~~[(i) For the period commencing July 1, 2005, through June~~
12 ~~30, 2009, the fund may be used to provide grants for rental~~
13 ~~units set aside for persons and families with incomes at or~~
14 ~~below thirty per cent of the median family income in any project~~
15 ~~financed in whole or in part by the fund in proportion of those~~
16 ~~units to the total number of units in the project. At the~~
17 ~~conclusion of the period described in this subsection, the~~
18 ~~corporation shall report to the legislature on the number and~~
19 ~~use of grants provided and whether the grants were an effective~~
20 ~~use of the funds for purposes of developing rental housing for~~
21 ~~families at or below thirty per cent of the median family~~
22 ~~income.]"~~

SECTION 4. Section 201H-203, Hawaii Revised Statutes, is amended to read as follows:

"[+]§201H-203[+] **Eligible applicants for funds.** Eligible applicants for funds shall include [~~nonprofit~~]:

(1) Nonprofit and for-profit organizations, limited liability companies, partnerships, and government agencies, who are qualified in accordance with rules adopted by the corporation pursuant to chapter 91[-]; and

(2) The Hawaii public housing authority, to the extent authorized by law."

SECTION 5. Section 201H-204, Hawaii Revised Statutes, is amended to read as follows:

"[+]§201H-204[+] **Eligible projects[-], preferences,**
priorities. (a) Activities eligible for assistance from the fund shall include but not be limited to:

(1) New construction, rehabilitation, or preservation of low-income rental housing units that meet the criteria for eligibility described in subsection (c);

(2) The leveraging of moneys with the use of fund assets;

(3) Pre-development activity grants or loans to nonprofit organizations; and

(4) Acquisition of housing units for the purpose of preservation as low-income or very low-income housing.

(b) Preference shall be given to projects producing units in at least one of the following categories:

(1) ~~[Multifamily units;]~~ Units in a multifamily dwelling;

(2) ~~[Attached single family housing units;]~~

Semiattached and side-by-side single family housing units;

(3) Apartments;

~~[(4) Townhouses;~~

~~(5) Housing]~~ (4) Apartment units above commercial or industrial space;

~~[(6)]~~ (4) Single room occupancy units;

~~[(7)]~~ (5) Accessory apartment units;

~~[(8)]~~ (6) Employee housing; and

~~[(9)]~~ (7) United States Department of Housing and Urban Development mixed finance development of public housing units; and

~~[(10)]~~ (8) Other types of units meeting the criteria for eligibility set forth in subsection (c).

(c) The corporation shall establish an application process for fund allocation that gives preference to projects meeting

1 the following criteria that are listed in descending order of
2 priority:

3 (1) Are committed to serving families and individuals
4 transitioning from homeless shelters;

5 [~~+1~~] (2) Serve the original target group;

6 [~~+2~~] (3) Provide at least five per cent of the total
7 number of units for persons and families with incomes
8 at or below thirty per cent of the median family
9 income;

10 [~~+3~~] (4) Provide the maximum number of units for persons
11 or families with incomes at or below eighty per cent
12 of the median family income;

13 [~~+4~~] (5) Are committed to serving the target group over a
14 longer period of time;

15 [~~+5~~] (6) Increase the integration of income levels of the
16 immediate community area;

17 [~~+6~~] (7) Meet the geographic needs of the target group of
18 the proposed rental housing project, such as proximity
19 to employment centers and services; and

20 [~~+7~~] (8) Have favorable past performance in developing,
21 owning, managing, or maintaining affordable rental
22 housing.

1 The corporation may include other criteria as it deems
2 necessary to carry out the purposes of this subpart.

3 (d) If the corporation, after applying the process
4 described in [~~this~~] subsection[7] (c) finds [~~a~~] that:

5 (1) A Hawaii public housing authority project is equally
6 ranked with another project, the corporation shall
7 give preference to the Hawaii public housing authority
8 project; and

9 (2) A nonprofit project is equally ranked with a for-
10 profit or government project, the corporation shall
11 give preference to the nonprofit project in allotting
12 fund moneys."

13 SECTION 6. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 7. This Act shall take effect on July 1, 2016.

16

Report Title:

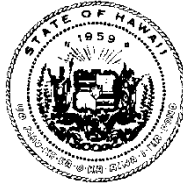
Rental Housing

Description:

Clarifies that the projects of the Hawaii public housing authority are eligible for rental housing revolving fund program awards. Makes the Hawaii public housing authority eligible for the lease of land from the Hawaii housing finance and development corporation at token lease rent. Amends the preferences and priorities for the funding of projects from the rental housing revolving fund.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

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Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON WAYS AND MEANS

February 29, 2016 9:15 A.M.
Room 211, Hawaii State Capitol

In consideration of
SB 2563
RELATING TO RENTAL HOUSING.

Honorable Chair Tokuda and Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide testimony regarding Senate Bill (SB) 2563, relating to rental housing.

The HPHA supports this measure that proposes to make the projects of the Hawaii Public Housing Authority (HPHA) eligible for grants from the rental housing revolving fund; make the HPHA eligible for the release of land from the Hawaii Housing Finance and Development Corporation (HHFDC) at token lease; and revise the preferences and priorities for the funding of projects from the rental housing revolving fund.

Without this proposed bill, Hawaii Revised Statute (HRS) Section 201H-204(c) provides that a nonprofit is given preference over an equally ranked project, including the HPHA: "If the corporation, after applying the process described in this subsection, finds a nonprofit project equally ranked with a for-profit or government project, the corporation shall give preference to the nonprofit project in allotting fund moneys."

The HPHA is currently negotiating public-private partnerships to redevelop Mayor Wright Homes, the HPHA School Street Administrative Offices, and Kuhio Park Terrace Phase II. The HPHA is also endeavoring to redevelop several of its other properties within the transit-oriented development (TOD) zones of the Honolulu Rail line, envisioning the creation of vibrant, walkable, accessible and diverse communities. This measure would greatly assist the HPHA with these and other projects that are anticipated to substantially increase the number of affordable housing units.

Hawaii Public Housing Authority

February 29, 2016

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The HPHA appreciates the opportunity to provide the Senate Committee on Ways and Means with the HPHA's position regarding SB 2563. We thank you very much for your dedicated support in addressing the affordable housing crisis in Hawaii.