



February 29, 2016

Senator Jill N. Tokuda, Chair  
Senator Donovan M. Dela Cruz, Vice Chair  
Senate Committee on Ways and Means

**Opposition to SB 2563 Relating to Rental Housing. (Makes the projects of the Hawaii Public Housing Authority eligible for grants from the Rental Housing Revolving Fund. Makes the Hawaii Public Housing Authority eligible for the lease of land from the Hawaii Housing Finance and Development Corporation at token lease rent. Revises the preferences and priorities for the funding of projects from the Rental Housing Revolving Fund.)**

**WAM Hearing: Tuesday, March 1, 2016, 1:45 p.m., Conf. Rm. 211**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF and its members have built the majority of the affordable housing units in the State and strongly support affordable housing built by nonprofit housing developers, including sale or lease for persons with eight per cent (80%) Area Median Income (AMI) and below, as determined by the United States Department of Housing and Urban Development (HUD).

**SB 2563.** This bill makes the projects of the Hawaii Public Housing Authority (HPHA) eligible for grants from the Rental Housing Revolving Fund; makes the HPHA eligible for the lease of land from the Hawaii Housing Finance and Development Corporation (HHFDC) at token lease rent; and revises the preferences and priorities for the funding of projects from the Rental Housing Revolving Fund.

**LURF's Position.** LURF understands that this measure may be well intended, however, it must **oppose SB 2563**, and respectfully recommends that this measure be **held** by your Committee, based on, among other things, the following:

- **SB 2563 should not change the funding priorities of the RHRF.** According to HHFDC, Subsection 201H-202(e), HRS, authorizes the RHRF to provide loans or grants for rental housing projects in order of the following priorities: First priority are projects which are allocated Low-Income Housing Tax Credits (LIHTCs) or funded by HUD or USDA-Rural Development Programs; and second priority are mixed-income rental projects. However, SB 2563 would change the existing priorities, and would 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).
- **This measure would allow the use of the RHRF for grants to HPHA, which would reduce the extent to which funds could be efficiently leveraged for HPHA projects that utilize LIHTCs.** According to HHFDC, “grants” reduce the eligible basis of the project, and therefore will adversely 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
- **This bill lacks reasonable justification for the deletion of attached single family units and townhouses as preferred types of housing for RHRF funding.** LURF strongly objects to Section 5 of the current version of this bill, which amends subsection 201H-204(b), HRS, by deleting “*attached single family units and townhouses*” from the preferred types of projects that may be funded by the RHRF. LURF understands that HHFDC has utilized the RHRF to successfully assist a number of recent attached single family units and townhouse projects, including, but not limited to:
  - ✓ 70-attached single family units at *Kapolei Ho’olimalima*, under the Department of Hawaiian Home Lands’ *Rent to Own Program*;
  - ✓ 192-townhouse units at *Villages of Moa’e Ku*;
  - ✓ 150-townhouse units at *Franciscan Vistas Ewa*;
  - ✓ 308-townhouse units at Ko’oloa’ula; and
  - ✓ 48-townhouse units Hale Makana O Waianae.
- **HHFDC should be allowed the flexibility to consider different housing types, and should not be restricted, as proposed in this bill.** It appears that this measure intends to increase unit production, however, HHFDC should be allowed to retain its flexibility to consider different housing types depending upon the needs of the specific community in which the projects are located. Further refinements to modernize housing types can then be made in administrative rule amendments to HHFDC’s programs.

For the reasons stated above, LURF **must oppose SB 2563** and respectfully requests that this bill be **held** in your Committee.

Thank you for the opportunity to present testimony regarding this matter.