

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:

LATE

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

February 8, 2022 at 9:30 a.m.
State Capitol, Room 423

In consideration of
H.B. 2019
RELATING TO BONDS.

HHFDC **strongly supports** H.B. 2019 **with amendments**. This bill 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.

Allocating PAB bonds to housing is the only use that can leverage another huge federal subsidy – the 4% Low-income housing tax credits.

A reasonable example is that in a typical affordable rental housing financing, the tax-exempt private activity bonds might fund about 55% of total development cost, with tax credit equity and other sources providing the balance.

This suggests that \$55 million of private activity bond volume might be associated with roughly \$100 million of affordable rental housing. If the 4% LIHTC can be syndicated for, say, 35% – 40% of total development cost, then the expiration of \$55 million of bond volume might be associated with the loss of roughly \$35 or \$40 million of the federal 4% LIHTC subsidy for rental housing in the state.

To say the same thing a different way, for every dollar of private activity bond volume which is used for any other purpose, a potential additional federal housing subsidy equal to 65 to 70% of that dollar amount of private activity cap is lost.

HHFDC suggests an **amendment** to specify the allocation be made to HHFDC instead of for “housing related projects,” which is used throughout the bill.

When these PAB are allocated to other uses, the state loses out on the federal subsidies that are tied to housing.

Thank you for the opportunity to testify on this measure.

LATE

HB-2019

Submitted on: 2/7/2022 10:52:53 AM

Testimony for HSG on 2/8/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Christopher Oakes	Hawaii Housing Finance & Development Corporation	Support	Yes

Comments:

Aloha,

Available for comments.

Much Mahalo.

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 HOUSE COMMITTEE ON HOUSING
ON
HOUSE BILL NO. 2019**

**FEBRUARY 8, 2022
9:30 A.M.
Via Videoconference**

RELATING TO BONDS.

The Department of Budget and Finance (the "Department") offers the following concerns on House Bill No. 2019 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.

KAUA'I COUNTY HOUSING AGENCY

ADAM ROVERSI, DIRECTOR



DEREK S.K. KAWAKAMI, MAYOR
MICHAEL A. DAHLIG, MANAGING DIRECTOR

Testimony of Adam P. Roversi
Director, Kaua'i County Housing Agency

Before the
House Committee on Housing
Tuesday, February 8, 2022, at 9:30 a.m.
Conference Room 423 & Videoconference

In consideration of
House Bill 2019 Relating to Bonds

Honorable Chair Nadine K. Nakamura, Vice Chair Troy N. Hashimoto, and Members of the Committee:

The Kaua'i County Housing Agency **opposes** HB2019 in its current form, which specifies that the allocation of state bond ceiling to the State shall be used entirely for housing related projects, but at the same time penalizes affordable housing projects located in any County which seeks to use its respective allocation of bond ceiling for the exact same affordable housing purpose.

The Kaua'i County Housing Agency supports the idea of directing private activity bond proceeds to "housing related projects," however, we oppose some of the other provisions of this bill which would actually make affordable housing development on Kaua'i more difficult. For example, in the annual competition for funding administered through the Hawai'i Housing Finance Development Corporation, the proposed bill expressly discriminates against affordable housing projects located in any County that utilizes its own bond funds irrespective of the merits of the proposed project or whether the County in fact has any funding available to support the development in that project year.

Kaua'i County, is allocated just 2.41% of the State's bond cap. In 2021, for the first time in decades, we elected to retain our bond capacity specifically to fund our own affordable housing development at Lima Ola, a 100% affordable, 600-unit project on the south shore. Our 2021 allocation is just \$7.8 million. Because this single year allocation is insufficient to support a bond issuance or a housing project, we of necessity need to roll this over and combine it with future year allocations for either two or three years. In either year two or three we will then be able to fund a single project with the cumulative bond allocation. In short, we will have sufficient funds to support one targeted project every two to three years. Yet under HB2019, it appears that any affordable housing project proposed on Kaua'i at any time will be "deprioritized" for state administered funding simply because we have chosen to use our very limited bond allocation to support a Kaua'i affordable housing project.

We propose the following amendments to HB2019:

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- Define “bond issuance program” to exclude the targeted use of County bond proceeds to fund County affordable housing projects outside of a competitive application process.
- Remove or reduce the quarterly reporting requirement.

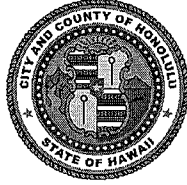
Kaua’i County, like the state legislature, is committed to the production of affordable housing for our residents. As the largest affordable housing provider on Kaua’i we have demonstrated a track record of successfully completing award winning projects on budget and on time, and we have done so with very limited resources. We hope that our effort to utilize our statutory allocation of tax-exempt bond capacity to expand our ability to better address Kaua’i affordable housing needs does not result in all Kaua’i affordable housing projects being deprioritized for state resources.

Thank for your consideration and the opportunity to submit testimony.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honolulu.gov • CITY WEB SITE: www.honolulu.gov

RICK BLANGIARDI
MAYOR



DEAN UCHIDA
DIRECTOR

DAWN TAKEUCHI APUNA
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

February 8, 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: House Bill No. 2019
Relating to Bonds**

The Department of Planning and Permitting **supports** House Bill No. 2019,
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.

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

The Honorable Nadine K. Nakamura, Chair
and Members of the Committee on Housing
Hawaii House of Representatives
February 8, 2022
House Bill No. 2019
Page 2

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 House Bill No. 2019 with our proposed amendment and appreciate the opportunity to provide our comments.

Very truly yours,



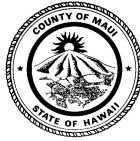
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Director

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Traci N. T. Fujita, Esq.

Deputy Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

February 5, 2022

TO: Honorable Nadine K. Nakamura, Chair
House Committee on Housing

FROM: Alice L. Lee
Council Chair

DATE: February 5, 2022

SUBJECT: **OPPOSE HB 2019, RELATING TO BONDS**

Thank you for the opportunity to testify in **OPPOSITION** to this measure. The purpose of this measure is to restrict the allocation of the State bond ceiling and impose on the Counties an array of requirements relating to their requested allocations.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **OPPOSE** this measure for the following reasons:

1. The measure unduly imposes on the counties an array of requirements relating to allocations from the State bond ceiling.
2. This measure unnecessarily removes the authorization for counties to request additional allocations of the State bond ceiling.
3. The measure further imposes on counties the requirement of burdensome reports not directly related to the provision of public services.

For the foregoing reasons, I **OPPOSE** this measure.

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CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 2019: REALTING TO BONDS

TO: House Committee on Housing

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i

Hearing: Tuesday, February 8, 2022; 9:30 am; via videoconference

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

Thank you for the opportunity to provide testimony **in Strong Support of HB 2019**, which specifies that the allocation of the state bond ceiling to the State be used entirely for housing related projects. I am Rob Van Tassell, with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i 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 Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

Catholic Charities Hawai'i has built affordable housing projects to serve low income people on Oahu and Maui. 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 are in **strong support** of this bill since it will provide more predictability and more reliable and stable bond financing for housing.

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, bond financing is experiencing a similar problem. HHFDC testified to the legislature that the demand for bond financing is so great, last year it exceed the available bond cap by a ratio of 4 to 1. Allowing the state portion of the bond ceiling to focus entirely on affordable rental housing and making it easier for the counties to assign their allocation back to the state would be a huge step forward.

We urge your support for this bill to give HHFDC an additional tool to address our State's crisis in affordable housing. Please contact our Legislative Liaison, Betty Lou Larson at bettylou.larson@catholiccharitieshawaii.org or (808) 373-0356 if you have any questions.





STANFORD CARR DEVELOPMENT, LLC

LATE

*February 7, 2022

Honorable Nadine K. Nakamura, Chair
Honorable Troy N. Hashimoto, Vice Chair
and Members of the House Committee on Housing

Re: Testimony in Support - HB 2019 Relating to Bonds
Hearing: February 8, 2022 at 9:30 AM
State Capitol, House Conference Room 423 via Videoconference

Dear Chair Nakamura, Vice Chair Hashimoto and Members of the Committee on Housing:

I am submitting testimony in strong **support** of HB 2019 which, among its key provisions, specifies that the allocation of the state bond ceiling shall be used entirely for housing related projects; and prioritizes projects of counties that assign their allocations back to the State over projects of counties with their own private activity bond issuance program. The passage of this measure will increase the availability of an important permanent and dedicated source of funding to build much needed new affordable rental housing for our local residents.

Affordable housing developers utilize a mix of funding mechanisms to finance affordable rental projects. One of the important financing tools for the development and rehabilitation of affordable rental housing in Hawai'i has been the private activity bond program administered by the Hawai'i Housing Finance and Development Corporation ("HHFDC"). The availability of this program has helped to make affordable projects financially feasible by allowing developers to utilize bond financing to leverage other funding programs such as Low-Income Housing Tax Credits, the Rental Housing Revolving Fund, the Dwelling Unit Revolving Fund, and the HOME program. Without this critical financing tool, affordable housing developers have a difficult time making their projects "pencil out".

Unfortunately, the demand for this popular and effective funding program has been so huge that it has exceeded the current allocation of bonds for HHFDC's use by a ratio of 4:1. This financial constraint has significantly hampered the ability of developers to build more affordable rental units that our local residents need.

The provisions of HB 2019 will help to address this problem by allowing the entire State portion of the private activity bond cap to be used for housing related projects and facilitating the ability of the counties to assign their allocation back to the State for HHFDC bond issuances. This change in the allocation of the bond cap will help to boost the inventory of low-income rental projects for our local residents.

Thank you for the opportunity to offer testimony on this important measure.

Respectfully,

A handwritten signature in black ink, appearing to read "Stanford S. Carr".

Stanford S. Carr



LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

LATE

COMMITTEE ON HOUSING
Representative Nadine K Nakamura, Chair
Representative Troy N. Hashimoto, Vice Chair
Tuesday, February 9, 2022 @ 9:30am

TESTIMONY IN STRONG SUPPORT OF HB 2019 w/amendments

Aloha Chair Nakamura, Vice Chair Hashimoto, and Members of the House Committee on Housing Thank you for the opportunity to testify. HB 2019 requires that the allocation of the State bond ceiling be used entirely for housing related projects.

HOUSING A CLEAR PRIORITY

We all understand the huge housing shortages numbering over 50,000 needed units. Any efforts to improve this process and facilitate development are a step in the right direction. HHFDC is the State agency charged with executing the Private Activity Bond and 4% Low Income Housing Tax Credit program for the State of Hawaii. HHFDC's mission is to increase and preserve the supply of workforce and affordable housing statewide by providing leadership, tools, and resources to facilitate housing development. Yet, this agency is unclear what resources are available to them each year. **HB 2019 will prioritize the States bond allocation be used for housing.**

OFFER MANY OPTIONS TO APPLY FOR PRIVATE ACTIVITY BONDS

HHFDC is not the only agency that can issue bonds. I ask that language within the bill that requires a project to first apply to the County in which the project is located be stricken. Many paths to production should be the rallying call. **HHFDC only accepts applications for Tax Exempt Private Activity bonds once a year. The most efficient method of housing production offers many opportunities to access this scarce resource.** Requiring a Developer to apply first to the County and then to HHFDC will only delay the production of housing. Prioritizing projects from counties that assign their allocation back to the State over projects from counties with a bond program is punitive and undercuts the efforts of many. We all know that many hands make light work. **Give the Counties the opportunity to start bond programs and don't hamper those efforts by requiring a resolution and additional administrative and reporting burdens.**

HOUSING IS THE BEST USE PRIVATE ACTIVITY BONDS

Utilizing Private Activity Bonds specifically for housing, offers the benefit of low interest rate debt but **also allows triggers an allocation of 4% Low Income Housing Tax Credits.** These 4% credits are then syndicated to raise equity for a housing project. NO other use of private activity bonds (i.e. infrastructure, power facilities etc) leverages equity as housing does.

To say the same thing a different way, for every dollar of private activity bond volume which is used for any other purpose, the State of Hawaii is forgoing additional federal housing subsidy equal to 65%- \$70%. So, if \$100 million of private activity bond volume is diverted to any use other than affordable multifamily rental housing, **the State is giving up a direct federal subsidy of \$60-\$65 million.**

As an affordable housing developer for the past 27 years, operating on the islands of Oahu, Maui, Kauai, and Hawaii Island, I have worked with HHFDC and their predecessor entities. To execute their mission, HHFDC needs support and resources. **For that reason, we URGE YOU TO SUPPORT HB 2019 with amendments**

157 Makawao Street Kailua, HI 96734

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808.381.5958

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