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IN REPLY PLEASE REFER TO:

Statement of
DELMOND WON
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING
March 30, 2023 at 1:00 p.m.
State Capitol, Room 225

In consideration of
S.C.R. 130/ S.R. 132
URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO REVISE THE PRIORITIZATION AND EVALUATION AND RANKING CRITERIA FOR ITS ALLOCATION OF LOW-INCOME HOUSING TAX CREDITS (LIHTC) AND AWARDS FROM THE RENTAL HOUSING REVOLVING FUND (RHRF).

HHFDC **offers the following comments** on S.C.R. 130/ S.R. 132.

While HHFDC supports incentivizing the development of affordable housing on state owned land, we are concerned about the impacts on our competitive process and projects awarded RHRF and LIHTC.

LIHTC-allocating agencies such as HHFDC are responsible for allocating tax credits to qualifying projects that meet the Qualified Allocation Plan (QAP)'s criteria. Under IRS rules, an allocating agency is to provide no more credit than deemed necessary to ensure a project's financial feasibility throughout the 15-year compliance period. *In order for HHFDC to fulfill this responsibility, it needs to award its limited resources to projects that utilize them in the most efficient manner.* Awarding such a high number of points to a project because it conveys ownership to the State draws serious concerns that this will disincentivize private sector participation in not only generating affordable rentals but also in operating them.

Because of the long delays and added costs attributed to procurement, rental projects financed by the LIHTC program tend to be more efficiently owned and operated by the private sector. State-owned projects cannot be completed in as timely of a manner.

With respect to accelerated repayment of RHRF loans, we note that the relatively long loan term is necessary to allow the projects to be both financially feasible and affordable. By requiring an accelerated rate of repayment, projects would either need to charge higher rents (which may put them out of meeting affordability criteria and also become non-affordable) or not use the fund at all, which would remove affordable gap funding as an option.

Collectively, the resolution could disincentivize investing in affordable housing by the private sector and may reduce the pool of developers the State can partner with to reach its affordable housing goals. The QAP is updated every two years and we will discuss this proposal with stakeholders during the next review period.

Thank you for the opportunity to provide testimony.