

MAR 10 2023

SENATE RESOLUTION

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 AND AWARDS FROM THE RENTAL HOUSING REVOLVING FUND.

1 WHEREAS, the Hawaii Housing Finance and Development
2 Corporation has been designated as the agency responsible for
3 the administration of the federal and state Low-Income Housing
4 Tax Credit Program; and

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6 WHEREAS, the Low-Income Housing Tax Credit Program uses a
7 point system to facilitate project rankings based on established
8 evaluation criteria; and

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10 WHEREAS, states have discretion over the point system and
11 rating criteria used to score and evaluate project applications
12 for allocation of the tax credits; and

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14 WHEREAS, when the State allocates the tax credit to a
15 developer, the State does not, in return, receive an ownership
16 interest in the development; and

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18 WHEREAS, the State often purchases low-income housing
19 development projects from developers after the required
20 affordability period ends to guarantee tenant stability,
21 resulting in taxpayers paying for projects twice; and

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23 WHEREAS, any profits generated by a housing project stay
24 with the project's developer; and

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26 WHEREAS, unlike certain models similar to Vienna's Limited-
27 Profit Housing Act of 1979, developers in Hawaii are not
28 required to use profits generated by a housing project to build
29 additional housing, and no appropriate incentive exists to
30 require developers to construct additional projects after the
31 completion of a housing project; and

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33 WHEREAS, the development of affordable housing on land
34 already owned by the State creates attractive incentives for



1 private developers to partner with the State to develop or
2 redevelop the state-owned projects, as they exclude the high
3 cost of land from the development cost equation; and

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5 WHEREAS, affordable housing projects on state-owned land
6 also allow the State to ensure that every new affordable housing
7 unit remains affordable in perpetuity, thus increasing the
8 supply of affordable housing; and

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10 WHEREAS, it is in the best interests of the State to modify
11 the evaluation criteria for the Low-Income Housing Tax Credit
12 Program to prioritize the allocation of credits to state-owned
13 development projects and award additional points to developers
14 obligated to use all financial surpluses generated by the
15 project to construct more housing to help the State meet its
16 existing and future housing supply demands; and

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18 WHEREAS, the Rental Housing Revolving Fund is a fund
19 administered by the Hawaii Housing Finance and Development
20 Corporation to provide loans or grants for the development,
21 construction, and rehabilitation of rental housing units; and

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23 WHEREAS, developers often take decades to repay loans, and
24 grants do not have be repaid, resulting in the Rental Housing
25 Revolving Fund relying upon legislative appropriations to
26 replenish the Fund; and

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28 WHEREAS, the Legislature appropriates millions of dollars
29 to the Rental Housing Revolving Fund annually, which is an
30 unsustainable burden for the State to shoulder; and

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32 WHEREAS, the Rental Housing Revolving Fund also uses a
33 point system to facilitate project ranking of applicants based
34 on established evaluation criteria, and the State has discretion
35 over the point system and rating criteria used to score and
36 evaluate applications used to award funds; and

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38 WHEREAS, it is further in the State's best interest to
39 amend the priority for which moneys in the Rental Housing
40 Revolving Fund are to be used, to incentivize developers that
41 are awarded a loan or grant to use the profits to build



1 additional housing to ensure the necessary future supply of
2 housing in the State; now, therefore,

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4 BE IT RESOLVED by the Senate of the Thirty-second
5 Legislature of the State of Hawaii, Regular Session of 2023,
6 that the Hawaii Housing Finance and Development Corporation is
7 urged to revise the Low-Income Housing Tax Credit Program's
8 Qualified Allocation Plan to prioritize the development of
9 projects that will be owned by the State, whether outright or
10 through a right of first refusal and purchase option; and

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12 BE IT FURTHER RESOLVED that, with respect to the Qualified
13 Allocation Plan and the criteria point system developed by the
14 Hawaii Housing Finance and Development Corporation, the
15 Corporation is further urged to:

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17 (1) Add a new criteria category that allows for up to
18 twenty percent of the maximum one hundred twenty
19 points on the application criteria point system to be
20 allocated to projects offering to convey ownership of
21 the finished project to the State or an organization
22 obliged to use all financial surpluses generated by
23 the project to construct housing;
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25 (2) Not award additional points for developer fees that
26 are under twelve percent; and
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28 (3) Prioritize applicants who have demonstrated
29 accelerated full repayment into the Rental Housing
30 Revolving Fund of past Rental Housing Revolving Fund
31 loans; and
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33 BE IT FURTHER RESOLVED that the Hawaii Housing Finance and
34 Development Corporation, in its awarding of funds from the
35 Rental Housing Revolving Fund, is urged to prioritize projects
36 that are owned by the State or an organization obliged to use
37 all financial surpluses generated by the project to construct
38 additional housing; and
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40 BE IT FURTHER RESOLVED that the Hawaii Housing Finance and
41 Development Corporation is requested to amend its administrative
42 rules relating to the Rental Housing Revolving Fund to:



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- (1) Add a new criteria category that allows for up to twenty percent of the maximum two hundred fifty points on the application criteria point system to be allocated to proposed projects owned by the State or an organization obliged to use all financial surplus generated by the project to construct housing; and
- (2) Prioritize applicants who have demonstrated accelerated full repayment of past state housing loans; and

BE IT FURTHER RESOLVED that a certified copy of this Resolution be transmitted to the Executive Director of the Hawaii Housing Finance and Development Corporation.

OFFERED BY: _____

A handwritten signature in black ink, appearing to be 'JBL', is written over a horizontal line that serves as a signature line.