

STAND. COM. REP. NO. 186

Honolulu, Hawaii

FEB 13 2023

RE: S.B. No. 859
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 859
entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HOUSING FINANCE AND
DEVELOPMENT CORPORATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish priority for projects that are awarded funds from the Rental Housing Revolving Fund that are owned by the State or an organization obliged to reinvest financial surplus generated by a completed project into a newly constructed housing project; and
- (2) Require the Hawaii Housing Finance and Development Corporation (HHFDC) to amend Hawaii Administrative Rules to award application criteria points to projects that fulfill certain criteria and prioritize applications based on timing and loan amounts repaid early.

Your Committee received testimony in support of this measure from the Hawaii Public Housing Authority. Your Committee received comments on this measure from Hawaii Housing Finance and Development Corporation and NAIOP Commercial Real Estate Development Association, Hawaii Chapter.



Your Committee finds that any profits generated by a low-income housing development project that was constructed with federal or state housing incentives stay with the developer, who is not obligated to use the profits to construct more housing. In contrast, your Committee finds that Vienna's Limited-Profit Housing Act of 1979 should be considered as a model to sustainably finance the construction of housing in the State. The concept of limited-profit housing operates on a cost-recovery basis and any profits generated from a project are continually recycled to construct more housing. This measure would incentivize developers that are awarded a loan or grant from the Rental Housing Revolving Fund, or are allocated federal low-income housing tax credits, to use the profits from their project to build additional housing.

Your Committee has amended this measure by:

- (1) Increasing the priority for projects that are awarded funds from the Rental Housing Revolving Fund that are owned by the State or an organization obliged to reinvest the financial surplus generated by a completed project to construct new housing;
- (2) Requiring HHFDC to prioritize applicants who have demonstrated accelerated full repayment of past State housing loans;
- (3) Amending section 1 to reflect its amended purpose; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 859, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 859, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Housing,



STANLEY CHANG, Chair



