

STAND. COM. REP. NO.

1496

Honolulu, Hawaii

APR 03 2023

RE: S.R. No. 204
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.R. No. 204
entitled:

"SENATE RESOLUTION URGING THE HAWAII HOUSING FINANCE AND
DEVELOPMENT CORPORATION TO PRIORITIZE THE ALLOCATION OF FUNDS
FROM THE RENTAL HOUSING REVOLVING FUND AND DWELLING UNIT
REVOLVING FUND TO BE USED TO ENHANCE CREDIT AND GUARANTEE AND
INSURE LOANS THAT PRIVATE FINANCIAL INSTITUTIONS MAKE TO
DEVELOPERS OF HOUSING THAT IS EXCLUSIVELY FOR HAWAII
RESIDENTS WHO ARE OWNER- OR RENTER-OCCUPANTS AND WHO OWN NO
OTHER REAL PROPERTY, "

begs leave to report as follows:

The purpose and intent of this measure is to urge the Hawaii
Housing Finance and Development Corporation to prioritize the
allocation of funds from the Rental Housing Revolving Fund and
Dwelling Unit Revolving Fund to be used to enhance credit and
guarantee and insure loans that private financial institutions
make to developers of housing that is exclusively for Hawaii
residents who are owner- or renter-occupants and who own no other
property.

Your Committee received comments on this measure from the
Hawaii Housing Finance and Development Corporation and one
individual.



Your Committee finds that the State is experiencing a housing crisis and unique solutions are urgently needed to increase the supply of housing. Due to the current structure of certain tax incentives and financing programs administered by the Hawaii Housing Finance and Development Corporation, most developers of affordable rental housing projects that rely on federal and state low-income housing tax credits can experience challenges in obtaining long-term private loans for certain development costs, which hinders the rate of housing development in the State. This measure seeks to increase the inventory of affordable housing for Hawaii residents who will be owner- or renter-occupants and who own no other real property by facilitating the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund to help cover "gap" costs for developers of certain affordable housing projects.

Your Committee further finds that land acquisition represents a considerable factor in the development cost equation for many affordable housing projects. Additionally, despite the State's allocation of tax credits to affordable housing project developers, the State does not receive an ownership interest in the development and any profits generated by a housing project stay with the developer. Furthermore, developers can often take decades to repay loans made from the Rental Housing Revolving Fund, resulting in an unsustainable reliance on legislative appropriations. Your Committee therefore finds it is in the State's best interest to amend the priority for which moneys in the Rental Housing Revolving Fund are to be used and to amend the Low-Income Housing Tax Credit Program's Qualified Allocation Plan to prioritize the development of projects that will be owned by the State or an organization obliged to use all profits generated by a project to construct additional housing, and prioritize applicants who have demonstrated accelerated full repayment of past loans into Rental Housing Revolving Fund.

Your Committee additionally finds that supportive housing has been demonstrated to decrease homelessness, reduce burdens on emergency services and other public systems, and reduce crime rates. Your Committee believes that public financing should be made available for supportive housing projects, as the free market is not generating the essential inventory for vulnerable special-needs populations, and the Qualified Allocation Plan should be further amended to encourage developers to build supportive



housing for special-needs populations and individuals in other high-priority categories.

Your Committee notes S.C.R. No. 130 and S.C.R. No. 54, introduced in the Regular Session of 2023, which appropriately address the foregoing issues. Amendments to this measure are therefore necessary to incorporate these important solutions to further the State's efforts to meet urgent housing demands.

Accordingly, your Committee has amended this measure by:

- (1) Inserting the contents of S.C.R. No. 130 (2023), which urges 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;
- (2) Inserting the contents of S.C.R. No. 54 (2023), which urges the Hawaii Housing Finance and Development Corporation to promote supportive housing in the State's Low-Income Housing Tax Credit Program, and further including language to promote the development of housing for individuals in other high-priority categories, including but not limited to individuals on the waitlist for Department of Hawaiian Home Lands and public employees;
- (3) Amending the title 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 concurs with the intent and purpose of S.R. No. 204, as amended herein, and recommends its adoption in the form attached hereto as S.R. No. 204, S.D. 1.



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


STANLEY CHANG, Chair



