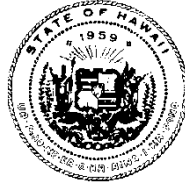


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
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

Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS

Thursday, March 28, 2024 at 9:50 a.m.
State Capitol, Room 211

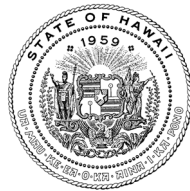
In consideration of
H.B. 1760 HD1
RELATING TO STATE FINANCES.

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee.

HHFDC **supports** HB 1760 HD1, which would allow, among other things, HHFDC or a county to establish a bond recycling program as a subaccount within the Rental Housing Revolving Fund (RHRF), authorized by federal law for affordable rental housing and ensure the exclusion of any bond debt incurred for the program from the State's total outstanding debt limit.

This program is designed to preserve and recycle prior years' tax-exempt private activity bond volume cap whose proceeds are needed only for a short time, such as only during construction, that would otherwise expire upon repayment. This would support and expand affordable housing development in the State.

Thank you for the opportunity to testify on this bill.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
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
Ka 'Oihana Mālama Mo'ohelu a Kālā
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

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1760, H.D. 1

March 28, 2024
9:50 A.M.
Room 211 and Videoconference

RELATING TO STATE FINANCES.

The Department of Budget and Finance (B&F) offers the following comments on House Bill (H.B.) No. 1760, H.D. 1, which 1) allows the Hawaii Housing Finance and Development Corporation (HHFDC) or a county to establish a bond recycling program; 2) allows HHFDC or a county to secure a line of credit or other instrument of indebtedness for the bond recycling program; 3) requires HHFDC to maintain a separate subaccount of the rental housing revolving fund, a reserve in an amount in reasonable proportion to the outstanding balance of the instrument of indebtedness for the bond recycling program; 4) requires a county to maintain in a separate fund, a reserve in an amount in reasonable proportion to the outstanding balance of the instrument of indebtedness for the bond recycling program; 5) allows B&F and HHFDC to enter into an agreement with a county to facilitate and coordinate the establishment and implementation of a bond recycling program; and 6) requires the county or any issuer to report to B&F and HHFDC on the status or use of its portion of the private activity volume cap that is being recycled.

Concerns with H.B. No. 1760, H.D. 1:

- 1) Appears to imply that the establishment of the reserve fund for any unsecured portion of the debt used for the bond recycling program will ensure the exclusion of any bond debt incurred for the bond recycling program from the total outstanding debt limit for the State; a review of the debt incurred would be needed to determine whether it can be excluded; including the debt could affect the amount of General Obligation Bonds issued by the State;
- 2) It is not clear how the recycled bond cap bonds would leverage low-housing tax credits without the use of volume cap as stated on page 2.

Additionally, B&F recommends the following:

- 1) Revise all references to “bond recycling program” to “bond volume cap recycling program”;
- 2) Delete lines 12-21 on page 2 and lines 1-9 on page 3; the reserve would apply if there is a guarantee by the State;
- 3) Delete “and ensure the exclusion of any bond debt incurred for the program from the State’s total outstanding debt limit” from lines 13-15 on page 3; review of the debt will be required to determine if it will be excludable under the State’s total outstanding debt limit;
- 4) Delete the proposed language, page 7, lines 4-6; the existing language does not provide actual authorization to secure a line of credit or other indebtedness; Item 4 below, proposes language to 201H, HRS and Item 5 addresses the authorization;

- 5) Add the following language on page 9:

Section 4: Chapter 201H, Hawaii Revised Statutes, is amended by adding a new section to Subpart A, Part III to be appropriately designated and to read as follows:

“§201H- The legislature may authorize the corporation to secure a line of credit or other instrument of indebtedness for a total amount not to exceed \$150,000,000 and a term that corresponds to each biennium budget period to be used to meet the requirements of the federal tax law for the bond recycling program.

- 6) If an actual authorization is needed at this time, pursuant to Item 4, a section providing an authorization should be added to H.B, 1760, H.D. 1;
- 7) Delete lines 7-20 on page 7 as lines 4-7 on page 10 amends Section 201H.

Thank you for your consideration of our comments.



March 28, 2024

Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair
Committee on Ways and Means

RE: **HB 1760 HD1 – RELATING TO STATE FINANCES**
Hearing date – March 28, 2024 at 9:50 AM

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **SUPPORT** of **HB 1760 HD1 – RELATING TO STATE FINANCES**. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

HB 1760 HD1 allows the Hawaii Housing Finance and Development Corporation (HHFDC) or a county to establish a bond recycling program authorized by federal law. Allows HHFDC or a county to secure a line of credit or other instrument of indebtedness for the bond recycling program. Allows the Department of Budget and Finance and HHFDC to enter into an agreement with a county for bond recycling.

NAIOP supports this measure which seeks to allow for bond recycling to assist with the development of affordable housing. Specifically, bond recycling is a valuable tool that allows the state and counties to efficiently utilize previous years' tax-exempt private activity bond volume while preserving the current volume cap. Authorizing this practice will greatly assist in supporting and expanding affordable housing development.

Similar programs in other jurisdictions, such as California and New York, have been implemented with great success, demonstrating the positive impact of bond recycling on affordable housing initiatives.

Affordable housing must remain a top priority to retain our residents, workforce, and quality of life. By working together and leveraging all available resources, we can find ways to expand housing opportunities. This measure, which enables the development of much-needed rental housing, represents a significant step forward in achieving that goal.

Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair
March 28, 2024
Page 2

Accordingly, NAIOP Hawaii supports the intent of HB 1760 HD1 which will ensure the continued production of homes for our residents. Thank you for the opportunity to testify on this measure.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Reyn Tanaka', with a long horizontal flourish extending to the right.

Reyn Tanaka, President
NAIOP Hawaii



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
Thursday, March 28, 2024 AT 9:50 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Sharon Y. Moriwaki, Vice Chair
Members of the committee on Ways and Means

SUPPORT HB1760 HD1 RELATING TO STATE FINANCES

The Maui Chamber of Commerce wholeheartedly **SUPPORTS HB1760 HD1** which allows HHFDC or a county to establish a bond recycling program authorized by federal law, allows HHFDC or a county to secure a line of credit or other instrument of indebtedness for the bond recycling program, allows the Department of Budget and Finance and HHFDC to enter into an agreement with a county for bond recycling, requires a county or issuer to submit a report to the Department of Budget and Finance and HHFDC on the status or use of its portion of the volume cap that is being recycled, and requires a reserve to be maintained for the unsecured portion of debt incurred for the bond recycling program and establishes a reserve for HHFDC as a subaccount of the rental housing revolving fund.

Housing is a top priority for the Maui Chamber of Commerce and continues to be so as the crisis escalates following the wildfires and it directly impacts businesses and our economic revitalization. Before the wildfires, we needed over 10,000 units by 2025, but that number has only increased as 3% of our housing was lost in Lahaina. Urgent funding and strong political support are critical to have units built expeditiously as prices to build are continuing to increase. This bill will help encourage the development of more rental and affordable housing.

This is another excellent tool in the toolbox and a bill that should be fast-tracked.

For these reasons, we **support HB1760 HD1**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

LATE

▪ March 27, 2024

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair
and Members of the Senate Committee on Ways and Means

Re: Testimony – HB 1760, HD1 Relating to State Finances
Hearing: March 28, 2024 at 9:50 AM
Conference Room 211 & Videoconference

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members:

Stanford Carr Development submits testimony in **support** of House Bill 1760, which proposes to statutorily establish authorization for the Hawaii Housing Finance and Development Corporation and the counties to implement a bond recycling program for affordable housing.

The 2019 study commissioned by the Department of Business, Economic Development, and Tourism found that the State will require an additional 46,573 homes by the year 2030. Given our tremendous need for housing units, the practicality of recycling or further leveraging the existing bond cap for affordable housing is an obvious solution. California and New York have implemented bond recycling programs to preserve and more efficiently utilize the tax-exempt bonds required for the Low-Income Housing Tax Credit program.

We strongly encourage you to consider implementation of this valuable program to further the State's goal of building affordable housing.

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

Respectfully,



Stanford S. Carr