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
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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE
February 26, 2024 at 12:30 p.m.
State Capitol, Room 308

In consideration of
H.B. 1763 HD1
RELATING TO HOUSING.

HHFDC has **comments** on HB 1763 HD1, which imposes various changes to HHFDC's Low-Income Housing Tax Credit (LIHTC) and Rental Housing Revolving Fund (RHRF) programs. The LIHTC Program is HHFDC's major rental housing development program, and projects utilizing LIHTC financing usually require RHRF funding to be financially feasible.

We believe that the changes to these incredibly important programs[1] will hamper the production of affordable rental housing by delaying the delivery of units and increasing development costs. Our three major concerns are discussed below.

1. HHFDC strives to maximize the effectiveness of its LIHTC and RHRF programs through a competitive annual application process to ensure that the State's resources are efficiently used. This bill interferes with that goal by requiring HHFDC to prioritize the allocation of LIHTC and award of RHRF financing to applicants seeking to develop certain types of projects (such as those on State-

[1] The LIHTC and RHRF programs, combined with HHFDC's Hula Mae Multi-Family (HMMF) Program, produce most new and rehabilitated affordable rental housing built in the state. (In fact, the U.S. Department of Housing and Urban Development calls the LIHTC Program "the most important resource for creating affordable housing in the United States today.") Most projects financed with LIHTC require RHRF funding in the form of second mortgage loans to make them financially feasible. Additionally, under the Internal Revenue Code (IRC), most LIHTC-financed projects are required to utilize tax-exempt bond financing, which is done through the HMMF Program. In 2022, funding awards from these programs totaled approximately **$572 million** combined (excluding RHRF Tier II awards).

or county-owned lands) without regard to project readiness[2], efficiency, or financial feasibility.

2. This bill requires HHFDC to adopt administrative rules governing the Qualified Allocation Plan (QAP) mandated by the IRC and which sets forth the criteria to evaluate and allocate LIHTC to projects which best meet the housing needs of the state. Specifically, this bill imposes permanent mandates on the QAP's criteria point system.

   Through a public process, HHFDC typically updates its QAP every two years based on the housing needs of the state. Codifying portions of the QAP's criteria point system would inhibit HHFDC's ability to adapt the QAP to the state's housing needs as required by the IRC.

3. This bill changes the LIHTC and RHRF programs to give preference to housing projects with perpetual affordability requirements.

   - As HHFDC confirmed during interviews with several local nonprofit housing developers, affordability terms should be tied to the expected useful life of the building improvements currently being financed. Requiring the use of real property to be limited to affordable-housing purposes in perpetuity due to a financing transaction for improvements that are only expected to last several decades until the property investment must be recapitalized to make new improvements is not reasonable.

   - We note that nonprofit developers pledge to keep their projects affordable on a long-term basis (typically 65 years). Restrictive land-use covenants, including the agreed-upon term of affordability, are recorded and run with the land.

   - LIHTC projects typically have rents that are affordable to households earning 60% of the area median income and below. At those levels, project net operating income is insufficient to build the capital reserve necessary to fund the inevitable rehabilitation that the property will require to remain in use as housing.

Thank you for the opportunity to testify on this bill.

[2] While the HD1 amends the bill to include language regarding project readiness, the reference inserted into the language regarding priority of RHRF funding is to applicant developer "record of project readiness." More relevant is the readiness of the applicant's housing project to begin construction, as may be demonstrated through issued permits and other regulatory approvals received.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

JOSH GREEN, M.D.
GOVERNOR

HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
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HONOLULU, HAWAII 96817

IN REPLY, PLEASE REFER TO:

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
HOUSE COMMITTEE ON FINANCE

Monday, February 26, 2024
12:30 PM – Room 308, Hawaii State Capitol

In consideration of
HB 1763, HD1
RELATING TO HOUSING

Honorable Chair Yamashita and members of the House Committee on Finance, thank you for the opportunity to provide testimony on House Bill (HB) 1763, HD1.

The Hawaii Public Housing Authority (HPHA) **strongly supports** HB 1763, HD1 which requires the allocation of Low-Income Housing Tax Credits be issued pursuant to a priority system. Amends the priority for which funds in the Rental Housing Revolving Fund are to be used. Requires the Hawaiʻi Housing Finance and Development Corporation to add new criteria and point allocations to the Qualified Allocation Plan.

Facing an aging public housing inventory with a capital improvement backlog upwards of $870M, the HPHA continues to work expeditiously towards redeveloping and replacing its functionally obsolete public housing units. By funding the development of additional affordable and for-sale housing units, the HPHA can make huge strides in addressing Hawaii's affordable housing crisis.

The HPHA will integrate all newly developed housing units into mixed-income, mixed-use communities. This will be in addition to the one-for-one replacement of public housing units which will adhere to low-income affordability requirements set by the U.S. Department of

Housing and Urban Development (HUD). Not only will this provide greater housing stability to our local families struggling to get by, but it will also benefit the overall social fabric of our neighborhoods. Through the reduction of poverty-concentration, low-income households are empowered through easier access to better schools, healthcare, and job opportunities.

In July 2023, the HPHA selected Highridge Costa Development Company (HCDC) as the Master Developer for its upcoming Ka Lei Momi Project. Ka Lei Momi stands for “The Pearl Garland”. For the past six months, a tremendous amount of progress has been achieved in this ambitious public-private partnership (PPP) that aims to construct over 10,000 new additional affordable units over the next decade in addition to replacing decades old public housing units statewide. With access to federal tools and programs like Rental Assistance Demonstration (RAD), Choice Neighborhood Initiative (CNI), Section 18 Demolition/Disposition, and Moving to Work (MTW), the HPHA is well-positioned to utilize mixed-finance strategies through our PPP with HCDC where these new affordable units are so desperately needed thereby increasing the housing stock in Hawaii, assuring affordability for life, deconcentrating poverty and creating vibrant mixed-income mixed-use communities for generations to come.

The HPHA’s upcoming redevelopment activities planned for the next couple of years include the second phase of the Kuhio Park Terrace Low-Rises and Kuhio Homes redevelopment project that includes 304 units anticipated to break ground at the end of this year, the first phase of the School Street Senior Affordable Rental project that consists of 250 units which broke ground earlier this month, the first phase of the Mayor Wright Homes redevelopment project that includes 916 units of mixed-income rentals and a 99-year lease for-sale tower that is anticipated to break ground in late 2025, and the Kapaa affordable housing project that includes 124 units. The Kuhio Park Terrace Low-Rises and Kuhio Homes redevelopment project will look to replace 174 public housing units with a total of 650 total units, School Street Senior Affordable Rental project will build a total of 800 units, Kapaa affordable housing project will look to replace 36 public housing units with a total of 124 units, and the Mayor Wright Homes redevelopment project will look to replace 364 public housing units with a total of 2,448 units. This essential support will expedite the delivery of much-needed affordable housing, addressing the pressing needs of Hawaii.

By providing projects that are or will be State-owned with greater priority in the award of RHRF and LIHTC, the Legislature can help to ensure that local housing development is less profit-motivated and more focused on providing Hawaii’s residents with a greater number of affordable housing options.

HPHA redevelopment projects will provide the State with the following benefits:

- Allows the State to rehabilitate functionally obsolete public housing units; eliminate expensive repair and maintenance. Built in the 50’s and 60’s, the existing housing portfolio has reached the end of its useful life and urgently requires revitalization.

- Supports the Administration's and Legislature's Policy priority of providing access to permanent housing from homelessness and will allow the Agency to make a meaningful impact in support of legislative goals of developing more affordable housing units with affordability for life, thereby expanding the existing supply of affordable and low-income housing in the State to urgently address the affordable housing crisis.
- HPHA redevelopment projects will be integrated into mixed-income, mixed-use communities. Not only does this provide greater housing stability to local families struggling to get by, but it also benefits the overall social fabric of our neighborhoods. By reducing poverty-concentration statewide, low-income households are empowered through easier access to better schools, healthcare, and job opportunities. The United State Department of Housing and Urban Development (HUD) encourages this approach through programs such as Rental Assistance Demonstration (RAD) and Mixed-Finance strategies through public private partnerships. This makes HPHA's potential redevelopment projects much more user-friendly in the private sector, better positioning HPHA properties to access the private capital and financing necessary to revitalize them.
- As the State's only Public Housing Agency with federal public housing, we can access greater federal support and funding to benefit the most disadvantaged populations in our State, using our Moving to Work designation and tools like RAD, Choice Neighborhood Initiative, and Section 18 Demolition/Disposition.
- As the proposed redevelopments will be located on parcels already owned by the HPHA, it excludes the cost of land from the development cost equation, creating an attractive incentivize for private developers to partner with the State in this endeavor.
- Allows the State to ensure that every new housing unit that's built will remain affordable in perpetuity.
- The scale of this proposal makes it possible to establish contract(s) directly with key suppliers nationally, or access government pricing, resulting in significant cost savings for Hawaii taxpayers.
- HPHA's development projects serve the largest demographic of housing needed of 20% AMI and below that private developers can't accommodate.
- Leveraging capital resources through public/private partnerships, Transit Oriented Development (TOD) incentives and underutilized State assets in prime PUC areas and TOD areas creates an exceptional opportunity to deliver desperately need affordable housing to the state and to create more livable, vibrant, and integrated communities for health and well-being of our residents and taxpayers that can be enjoyed for generations to come.
- Encourages developers to enter into public/private partnerships to lower costs.

The HPHA believes that having priority for projects that are ready and are on state- or county-owned land is good public policy that is sorely needed to combat our housing crisis. The HPHA values its strong partnership with the Hawaii Housing Finance and Development Corporation (HHFDC) and deeply acknowledges their unwavering support for our organization. We commit to maintaining our strong partnership with the HHFDC, ensuring that any concerns related to future HPHA State-owned projects are addressed amicably and effectively.

The HPHA appreciates the opportunity to provide testimony to the Committee in strong support of this measure. We thank you very much for your dedicated efforts.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
Ke Kiaʻāina o ka Mokuʻāina ʻo Hawaiʻi

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
Ka Hope Kiaʻāina o ka Mokuʻāina ʻo Hawaiʻi

KALI WATSON
CHAIRMAN, HHC
Ka Luna Hoʻokele

KATIE L. DUCATT
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DEPARTMENT OF HAWAIIAN HOME LANDS
Ka ʻOihana ʻĀina Hoʻopulapula Hawaiʻi
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TESTIMONY OF KALI WATSON, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON FINANCE
HEARING ON FEBRUARY 26, 2024 AT 12:30PM IN CR 308

HB 1763, HD 1, RELATING TO HOUSING

February 26, 2024

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) supports this bill, which would 1) require the allocation of Low-Income Housing Tax Credits be issued pursuant to a priority system; 2) amend the priority for which funds in the Rental Housing Revolving Fund are to be used; and 3) require the Hawaii Housing Finance and Development Corporation (HHFDC) to add new criteria and point allocations to the Qualified Allocation Plan, effective 7/1/3000.

Application for HHFDC administered LIHTC Program funds is a highly competitive process and every priority that DHHL is eligible to benefit from by virtue of being a State agency, is a step toward DHHL's ability to use LIHTC funds to provide affordable housing in the form of rent-to-own projects for beneficiaries of the Hawaiian Homes Commission Act, 1920, as amended, who are 60% AMI and below. Hawaiian Home Land areas where DHHL has successfully used LIHTC funds include Hoʻolimalima on the leeward side of Oʻahu, Laʻīʻōpua on Hawaiʻi island and the Waimānalo Kupuna Housing Project.

Thank you for your consideration of our testimony.

CATHOLIC CHARITIES HAWAIʻI

COMMENTS on HB 1763 HD1: RELATING TO HOUSING

TO: House Committee on Finance
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaiʻi
Hearing: Monday, 2/26/24; 12:30 pm; CR 308 and Videoconference

Chair Yamashita, Vice Chair Kitagawa, and Members, Committee on Finance:

Thank you for the opportunity to provide **Comments on HB 1763 HD1,** which requires the allocation of Low-Income Housing Tax Credits (LIHTC) based on a priority system and amends the priority for using funds in the Rental Housing Revolving Fund. It requires the Hawai`i Housing Finance and Development Corporation to add new criteria and points to the Qualified Allocation Plan (QAP). I am Rob Van Tassell with Catholic Charities Hawai`i.

Catholic Charities Hawai`i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai`i for over 75 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai`i. We have a long history of working in affordable housing and homelessness.

Catholic Charities Hawaii strongly supports the intent of this bill to provide permanent affordability for LIHTC/RHRF funded rental housing projects. However, we urge the Legislature to **take a wide view of affordable housing and how to address permanent affordability, <u>along with giving choices to the many local communities across the state who need affordable rentals</u>. We respectfully urge you to amend this bill to:**

- Provide overall general priorities to create permanent affordability. We urge you to focus on the goal of permanent affordability, whether the housing is owned by the State, County, a for-profit or a non-profit organization.

- We urge that this bill be amended to include **only the following three priorities**, **<u>and delete the provision in Section 2 (2) that "priority shall be given in the following order":</u>**
    - Projects on state- or county-owned land
    - Projects that are required to be conveyed to the State or a county at a definite time.
    - Projects with a permanent affordability commitment.

- **<u>Delete Section 3, which would mandate new criteria categories and points in the Qualified Allocation Plan (QAP)</u>** which is used by the Hawaii Housing Finance and Development Corporation (HHFDC) to award funding to projects.

- **<u>Task HHFDC to identify, evaluate, and implement effective methods to create permanently affordable rental projects.</u>** More discussion is needed to identify a range of strategies and how to implement those which are most effective and doable for Hawai`i.

We support LIHTC awards to state- or county- owned projects since these would be permanently affordable. **We also feel that the residents of Hawaii should have affordable housing choices in other areas.** Our workforce needs to find affordable housing based on their jobs, family situations, etc. Housing priorities need to reflect a wider scope of locations than may be offered by state or county projects.

RE: Section 2 (2) (C): We suggest that the priority included om HD1 for "projects owned by an organization obliged to use all financial surplus generate by the project to construct, manage, or rehabilitate renter-occupied housing", should be considered by HHFDC in their review of options. The HHFDC should consider a range of options that to determine which would be most effective for Hawai`i, including this one.

RE: Section 2 (2) (E) (i) and (ii): We are very concerned that this high priority would lead to higher rents for the tenants of these projects. After buildings are built, the only way to repay loans faster is to charge more rent. For many Hawai`i residents, "affordable" buildings are not affordable to them! These buildings offer fixed rents to tenants who often will pay up to 50% of their income (e.g. in senior projects") to have a chance for stable housing. Higher rents mean that more seniors and families will be locked out of these units, just when they need them the most.

The current system for LIHTC awards has brought together many partners who have created thousands of units of rental housing. These units are heavily government subsidized. Hawaii will be spending hundreds of millions of dollars in the near future to create affordable rentals. **We must ensure that the projects selected will continue to be permanently affordable to our local population.**

Catholic Charities Hawai`i is deeply concerned about what will happen to our affordable housing inventory when the affordability requirements expire for thousands of existing LIHTC projects. We urge the Legislature and HHFDC to take action to prioritize solutions that would make these valuable projects permanently affordable in the future.

We deeply appreciate your attention to this slow-moving crisis.

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.

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The State Legislature
House Committee on Finance
Monday, February 26, 2024
Conference Room 309, 12:30 p.m.

TO: The Honorable Kyle Yamashita, Chair
FROM: Keali'i S. López, State Director, AARP Hawaii
RE: Support for HB 1763, HD1 -Relating to Housing

Aloha Chair Yamashita and Members of the Committee:
My name is Keali'i Lopez and I am the State Director for AARP Hawaiʻi. AARP is a nonpartisan, social impact organization that advocates for individuals age 50 and older. We have a membership of nearly 38 million nationwide and nearly 140,000 in Hawaii.

AARP supports H.B. 1763, HD1 which requires the Hawaii Housing Finance and Development Corporation to prioritizes the allocation of low income housing tax credits and adopt administration rules for evaluating and awarding applicants and projects.

Hawaii's limited supply of affordable housing continues to be a major issue for the state. As the State seeks funds to increase the housing inventory, it is important for the State to incentivize developers to help address and increase the affordable housing inventory. In addition, Hawaii must preserve and increase the Low-Income Housing Tax Credit (LIHTC) properties so that they are part of the affordable housing market. As some LIHTC properties terms are approaching expiration, the State will need to assist households residing in such properties by offering appropriate and affordable alternatives before they experience homelessness. The Habitat for Humanity's 2022 State of Home Affordability in Hawaii reports that 1 in 6 households spend half or more of their income on housing. According to the same report, in total, 80% of renters and 63% of homeowners are cost-burdened, paying more than 30% of their income on housing. AARP is keenly concerned about Hawaii's older residents. According to AARP/Statista analysis, close to 970 older adults (age 55+) are expected to be evicted in 2024 and more than 1500 older (55+) may experience homelessness in Hawaii this year.

Thank you very much for the opportunity to testify in support **H.B. 1763, HD1.**

HB-1763-HD-1
Submitted on: 2/25/2024 6:31:30 AM
Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

SUPPORT