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

HOUSE COMMITTEE ON HOUSING
February 09, 2024 at 10:00 a.m.
State Capitol, Room 312

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

HHFDC has **comments** on HB 1763, 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.

This bill requires HHFDC to prioritize the allocation of LIHTC and award of RHRF financing to certain types of projects (such as State- or county-owned projects).

HHFDC’s goal is to maximize the effectiveness of its financing programs through a competitive application process to ensure that the State’s resources are efficiently used, and therefore HHFDC disfavors prioritizing groups of applicants. This proposal prioritizes groups of applicants without regard to the merits, financial feasibility, or (most importantly) readiness of the projects proposed by the applicants.

Additionally, this bill requires HHFDC to adopt administrative rules governing the Qualified Allocation Plan (QAP) mandated by the Internal Revenue Code 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.

Notwithstanding the comments above, HHFDC suggests that the bill be amended to read as follows:

SECTION 1. Section 201H-15, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) The corporation is designated as a state housing credit agency to carry out section 42(h) (with respect to limitation on aggregate credit allowable with respect to a project located in a state) of the Internal Revenue Code of 1986, as amended. As a state housing credit agency, the corporation shall [~~determine~~]:

(1) Determine the eligibility basis for a qualified low-income building[~~, make~~];

(2) Make the allocation of housing credit dollar amounts within the State[~~, and determine~~]; provided that priority shall be given to the following:

(A) Projects on State- or county-owned land;

(B) Projects that are required to be conveyed to the State or a county at a definite time;

(C) Projects owned by an organization obliged to use all financial surplus generated by the project to construct, manage, or rehabilitate owner- or renter-occupied housing in the State of Hawaii;

(D) Projects with a perpetual affordability commitment; and

(E) Projects of applicant developers who:

(i) Demonstrate a record of project readiness and early loan repayment; or

(ii) Request a shorter repayment term; and

(3) Determine the portion of the State's housing credit ceiling set aside for projects involving qualified nonprofit organizations. The corporation shall file any certifications and annual reports required by section 42 (with respect to low-income housing credit) of the Internal Revenue Code of 1986, as amended."

SECTION 2. Section 201H-202, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) Moneys available in the fund shall be used for the purpose of providing, in whole or in part, loans or grants for rental housing projects[~~in the following order of priority:~~]; provided that priority shall be given to the following:

(1) In the following order of priority:

(A) State- or county-owned projects;

(B) Projects that are required to be conveyed to the State or a county at a definite time;

(C) Projects owned by an organization obliged to use all financial surplus generated by the project to construct, manage, or rehabilitate renter-occupied housing in the State of Hawaii ;

(D) Projects with a perpetual affordability commitment;

(E) Projects of developers who:

(i) Demonstrate a record of project readiness and early loan repayment; or

(ii) Request a shorter repayment term;

provided that the projects described in paragraphs (A) through (E) shall have been awarded low-income housing credits pursuant to subsection (e)(2);

(2) Projects or units in projects that are allocated low-income housing credits pursuant to the state housing credit ceiling under section 42(h) of the Internal Revenue Code of 1986, as amended, or projects or units in projects that are funded by programs of the United States Department of Housing and Urban Development and United States Department of Agriculture Rural Development wherein:

(A) At least fifty per cent of the available units are for persons and families with incomes at or below eighty per cent of the median family income of which at least five per cent of the available units are for persons and families with incomes at or below thirty per cent of the median family income; and

(B) The remaining units are for persons and families with incomes at or below one hundred per cent of the median family income;

provided that the corporation may establish rules to ensure project readiness and full occupancy of fund projects; and

[~~(2)~~] (3) Mixed-income rental projects or units in a mixed-income rental project wherein all of the available units are for persons and families with incomes at or below one hundred forty per cent of the median family income."

SECTION 3. With respect to the qualified allocation plan and the criteria point system therein developed by the Hawaii housing and finance development corporation in accordance with section 42 of the Internal Revenue Code of 1986, as amended, the corporation shall adopt rules pursuant to chapter 91, Hawaii Revised Statutes, to:

(1) Add a new criteria category that allows for up to:

(A) Twenty per cent of the maximum one hundred twenty points on the application criteria point system to be allocated to applications for projects offering to convey ownership of the finished project to the State, a county, or an organization obliged to use all financial surpluses generated by the project to construct, manage, or rehabilitate owner- or renter-occupied housing in the State of Hawaii; and

(B) Ten per cent of the maximum one hundred twenty points on the application criteria point system to be allocated to applicants that:

(i) Demonstrate a record of project readiness and early loan repayment into the rental housing revolving fund of past rental housing revolving fund loans; or

(ii) Request a shorter repayment term; and

(2) Allocate up to:

(A) An additional seven points to projects with a perpetual affordability commitment; and

(B) [~~even~~] Seven additional points for the ratio of the developer fees as a percentage of total project costs.

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.

Thank you for the opportunity to testify on this bill.

JOSH GREEN, M.D.
GOVERNOR

HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII

HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

IN REPLY, PLEASE REFER TO:

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
HOUSE COMMITTEE ON HOUSING

Friday, February 9, 2024
10:00 AM – Room 312, Hawaii State Capitol

In consideration of
HB 1763
RELATING TO HOUSING

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

The Hawaii Public Housing Authority (HPHA) **strongly supports** HB 1763 which amends the priority for which moneys in the Rental Housing Revolving Fund (RHRF) are to be used. Requires the Hawaiʻi Housing Finance and Development Corporation (HHFDC) to: (1) prioritize the allocation of low-income housing tax credits (LIHTC) to certain projects and (2) adopt administrative rules regarding the awarding of: (A) points when evaluating and ranking low-income housing tax credit applications and (B) Rental Housing Revolving Fund moneys to certain housing projects.

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 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.

AARP Hawai'i

1001 Bishop Street | Suite 625 | Honolulu, HI 96813-2830
1-866-295-7282 | Fax: 808-536-2882
aarp.org/hi | aarphi@aarp.org | twitter.com/AARPHawaii
facebook.com/AARPHawaii

The State Legislature
House Committee on Housing
Friday, February 9, 2024
Conference Room 312, 10:00 a.m.

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

Aloha Chair Evslin, and Members of the Committee:
My name is Keali'i Lopez and I am the State Director for AARP Hawai'i. 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 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.**

Affordable Housing Connections LLC
dba AHC Hawaii RB-23812
735 Pahumele Place
Kailua, Hawaii 96734

February 7, 2024
Hawaii State House of Representatives
Attn: Committee on Housing

Subject: **H.B. 1763 – Relating to Rental Housing Revolving Fund Priorities - Testimony in Opposition,** Friday, February 9, 2024, at 10:00 AM, Conf. Rm. 321

Dear Chair Evslin, Vice Chair Aiu and members of the Committees on Housing:

Aloha Kakou! I am submitting testimony in **STRONG Opposition to H.B. 1763**, which essentially would establish a priority for the award of funds to government owned properties.

I am opposed to this bill for so many reasons I am not sure where to start. The current process for awarding RHRFs is not perfect but is intended to be an objective process, treating all applicants on an equal basis on the merits of the application. Bill 1763 proposes a subjective process giving priority to any project with some form of governmental ownership, partnership, etc. A potential conflict within government would be created as the RHRF is mostly funded with capital appropriations from the legislature, essentially then funding projects approved by the legislature.

Historically, the RHRF has been oversubscribed every year, meaning there is never enough funds available for projects that request this gap financing. Approving this bill will mean competition for funds will reduce, independent developers will cease to build the products that currently qualify for this funding and government will become the primary producer for the foreseeable future. Perhaps that is the intent, to rely on government as our housing provider?

There is nothing in this Bill 1763 that I can support, and I urge your committee to oppose its passage. Mahalo for the opportunity to share my mana`o on this subject.

Sincerely yours,

Kevin R. Carney

Kevin R. Carney, (PB-16444), NAHP-E
President, Affordable Housing Connections LLC
808-221-0205
Kevin.Carney23@outlook.com

CATHOLIC CHARITIES HAWAIʻI

COMMENTS on HB 1763: RELATING TO HOUSING

TO: House Committee on Housing

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaiʻi

Hearing: Friday, 2/9/24; 10:00 AM; CR 312 and Videoconference

Chair Evslin, Vice Chair Aiu, and Members, Committee on Housing:

Thank you for the opportunity to provide **Comments on HB 1763,** which amends the priorities for the Rental Housing Revolving Fund (RHRF), requires the Hawai`i Housing Finance and Development Corporation to prioritize the allocation of low-income housing tax credits (LIHTC) to certain projects, and to adopt administrative rules to award points when evaluating and ranking LIHTC applications and RHRF monies to certain projects. 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.

In Section 1, (a) (2), **we support these priorities as long as they are not in priority order**. 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.

We also **support priority (E): projects with a perpetual affordability commitment**. These could include straightforward commitments such as deed restrictions or covenants that run with the land. For example, a LIHTC project built for families at 60% AMI or below could have a deed restriction that permanently targets this project for housing for families at 60% AMI or below. **Catholic Charities Hawai`i is very concerned about what will happen to our affordable housing inventory when the affordability requirements expire for thousands of existing LIHTC projects.** The state needs to prioritize solutions that could make these valuable affordable projects permanently affordable in the future.

We have concerns about priority (D) which seems to be open to loopholes or may need a rather complex system to monitor and ensure these commitments are kept, 50 or 60 years in the future, etc.

Section 3 mandates changes to the qualified allocation plan (QAP) and its criteria. We suggest that HHFDC should have flexibility in applying these priorities. For example, a project that requests a shorter repayment term, should probably receive fewer points in the evaluation process than a project that makes a perpetual affordability commitment. That affordability commitment is much more valuable to the State to solve its ongoing and long-term housing crisis than the early return of some money.

We urge that the Legislature give HHFDC the flexibility to implement needed changes to the priorities. <u>We also suggest that HHFDC not only consider the developers who apply for these funds as “stakeholders” when looking at QAP changes</u>. If HHFDC were to convene a wider group of organizations including legislators to consider how to solve our overall housing crisis, more long term solutions may arise. These could include groups concerned about affordable rentals for our young working families, for the elderly population, for the homeless, for the ALICE population, for frail persons or those with developmental disabilities who want to remain living in the community, etc.

LIHTC projects are heavily government subsidized. Many good projects have resulted from the public/private partnerships created over the past 30 years. Now we urge the Legislature to **continue to take a wide view of affordable housing and how to address affordability in perpetuity, along with giving choices to the many local communities across the state who need affordable rentals.**