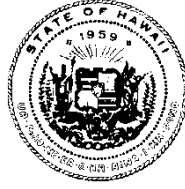


JOSH GREEN, M.D.
GOVERNOR

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LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

April 10, 2024 at 10:00 a.m.
State Capitol, Room 312

In consideration of
SCR 61 SD1

REQUESTING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION (HHFDC) TO ADOPT ADMINISTRATIVE RULES TO ENABLE CREDIT ENHANCEMENT FOR CONSTRUCTION LOANS UNDER ANY FUNDS ADMINISTERED BY THE CORPORATION.

Chair Evslin, Vice Chair Aiu, and members of the Committee:

HHFDC **supports the intent of** SCR 61 SD1, which requests that HHFDC adopt administrative rules to enable credit enhancement for construction loans under any funds administered by the corporation.

In the current high interest-rate environment, the increased cost of construction financing has placed additional stress on Hawaii's already high housing development costs. In most cases, allowing HHFDC-administered funds to provide credit enhancement for construction loans will reduce the related financing costs (and therefore total project development costs) at very little risk to the fund, given that HHFDC is usually involved in the underwriting and funding of the construction-loan takeout financing through its Hula Mae Multi-Family Program.

Enabling HHFDC-administered funds to provide credit enhancement for construction loans may not be possible through the adoption of administrative rules due to statutory restrictions on the use of those funds.

For example, Hawaii Revised Statutes Section (HRS) 201H-202(d) states in part, “The [Rental Housing Revolving Fund, or RHRF] shall be used to provide **loans or grants** [emphasis added] for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units.”

Construction loan credit enhancement provided by any HHFDC-administered fund would need to take the form of a loan guaranty, which is not a loan or a grant. In the case of RHRF, the Department of the Attorney General has confirmed that authorization for that particular use of fund would need to be provided in statute before HHFDC could adopt enabling rules. We expect to find this to be true for all other HHFDC-administered funds once legal consultation is complete.

We believe that the proper way to enable HHFDC to offer credit enhancement to reduce construction loan interest costs is to amend HRS Section 201H-202(d) to allow RHRF funds to be used for that purpose. In the next legislative session, HHFDC can propose a bill based on SB 2469, which did just that.

Thank you for the opportunity to testify on this resolution.