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# A BILL FOR AN ACT

RELATING TO HOUSING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the United States  
2 Department of Housing and Urban Development encourages the  
3 development of affordable housing through multiple programs,  
4 making state-owned development projects more user-friendly to  
5 the private sector. In general, because state-owned development  
6 projects are located on parcels already owned by the state, it  
7 excludes the cost of land from the development cost equation,  
8 creating an attractive incentive for private developers to  
9 partner with the state to develop and redevelop state-owned  
10 projects. This incentive better positions public housing  
11 agencies to access the private capital and financing necessary  
12 to revitalize state-owned development projects, deliver more  
13 affordable housing to satisfy current demand, and benefit the  
14 most disadvantaged residents of the state. More importantly,  
15 this also allows the state to ensure that every new affordable  
16 housing unit that is built will remain affordable in perpetuity.



1           The legislature further finds that there is a nationwide  
2 precedence for states to prioritize the allocation of federal  
3 housing incentives to government agencies. Many housing finance  
4 agencies give priority, provide set-asides, and award nine and  
5 four per cent low-income housing tax credits to state-owned  
6 development projects. For example, the Alaska housing finance  
7 agency has allocated all the state's nine per cent low-income  
8 housing tax credits to its public housing agency for a  
9 prioritized redevelopment project in Anchorage.

10           The legislature notes that Hawaii housing finance and  
11 development corporation has been designated as the agency  
12 responsible for the administration of the federal and state low-  
13 income housing tax credit program in the State. The regulations  
14 that govern this program are contained in section 42 of the  
15 Internal Revenue Code. The low-income housing tax credit  
16 program uses a point system to facilitate project ranking based  
17 on the established evaluation criteria. States have discretion  
18 over the point system and rating criteria used to score and  
19 evaluate applications of projects for allocation of the tax  
20 credit.



1 Tax credits are grants, not loans. When the State  
2 allocates the tax credit to a developer, it does not receive an  
3 ownership interest in return. Any profits generated by a  
4 housing project stay with the developer, who is not required to  
5 use the profits to build additional housing. In addition, the  
6 State often purchases low-income housing development projects  
7 from the developer after the affordability period ends to  
8 guarantee tenant stability. In these cases, taxpayers have paid  
9 for the project twice.

10 The legislature additionally finds that it would be in the  
11 best interest of the State to consider Vienna's Limited-Profit  
12 Housing Act of 1979 as a model to sustainably finance the  
13 construction of affordable housing in the State. Currently,  
14 over sixty per cent of the city's population lives in income  
15 blind, well-maintained, innovatively constructed and designed  
16 public housing that has no income restrictions. Limited-profit  
17 housing operates on a cost-recovery as opposed to a subsidized  
18 basis. Any profits generated are used to build more housing,  
19 which means that each new public housing project built enables  
20 the creation of more housing. As a result of this system, there  
21 is an annual production of over seventeen thousand units, which



1 comprises thirty per cent of their national total, with little  
2 to no new taxpayer money added.

3 Accordingly, the purpose of this Act is to require the  
4 Hawaii housing finance and development corporation to:

- 5 (1) Prioritize the allocation of low-income housing tax  
6 credits to state-owned development projects;
- 7 (2) Award additional points to developers that convey  
8 ownership of the proposed housing to the State or an  
9 organization that is obligated to use all financial  
10 surpluses generated by the project to construct more  
11 housing;
- 12 (3) Not award additional points projects with developer  
13 fees that are under twelve per cent; and
- 14 (4) Prioritize applicants who have demonstrated  
15 accelerated full repayment into the rental housing  
16 revolving fund of past rental housing revolving fund  
17 loans.

18 SECTION 2. Section 201H-15, Hawaii Revised Statutes, is  
19 amended by amending subsection (a) to read as follows:

20 "(a) The corporation is designated as a state housing  
21 credit agency to carry out section 42(h) (with respect to



1 limitation on aggregate credit allowable with respect to a  
2 project located in a state) of the Internal Revenue Code of  
3 1986, as amended. As a state housing credit agency, the  
4 corporation shall [~~determine~~]:

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

7 (2) Make the allocation of housing credit dollar amounts  
8 within the State [~~, and determine~~]; provided that  
9 priority be given to development projects that will be  
10 owned by the State, whether outright or through a  
11 right of first refusal and purchase option; and

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

18 SECTION 3. With respect to the qualified allocation plan  
19 and the criteria point system therein developed by the Hawaii  
20 housing and finance development corporation in accordance with



1 section 42 of the Internal Revenue Code of 1986, as amended,  
2 beginning with calendar year 2024, the corporation shall:

3 (1) Add a new criteria category that allows for up to  
4 twenty per cent of the maximum one hundred twenty  
5 points on the application criteria point system to be  
6 allocated to projects offering to convey ownership of  
7 the finished project to the State or an organization  
8 obliged to use all financial surpluses generated by  
9 the project to construct more housing;

10 (2) Not award additional points for developer fees that  
11 are under twelve per cent; and

12 (3) Prioritize applicants who have demonstrated  
13 accelerated full repayment into the rental housing  
14 revolving fund of past rental housing revolving fund  
15 loans.

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

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



**Report Title:**

Hawaii Housing Finance and Development Corporation; Low-Income Housing Tax Credit Program; Qualified Allocation Plan

**Description:**

Requires the Hawaii Housing Finance and Development Corporation to: prioritize the allocation of low-income housing tax credits to state-owned development projects; amend the Low-Income Housing Tax Credit Qualified Allocation Plan to allow up to twenty per cent of the maximum one hundred twenty points on the application criteria point system to be allocated to projects offering to convey ownership of the completed project to the State or an organization obliged to use all financial surpluses generated by the project to construct more housing; not award additional points for developer fees that are under twelve per cent; and prioritize applicants who have demonstrated accelerated full repayment into the rental housing revolving fund of past rental housing revolving fund loans. (SD1)

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