THE SENATE
THIRTY-SECOND LEGISLATURE, 2024
STATE OF HAWAII

S.R. NO. 31 S.D. 1

SENATE RESOLUTION

URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO AMEND THE PRIORITY FOR WHICH LOW-INCOME HOUSING TAX CREDITS ARE ALLOCATED AND MONEYS IN THE RENTAL HOUSING REVOLVING FUND ARE USED AND TO ADOPT CERTAIN ADMINISTRATIVE RULES THAT INCENTIVIZE THE DEVELOPMENT OF AFFORDABLE HOUSING IN THE STATE.

WHEREAS, the federal Low-Income Housing Tax Credit (LIHTC) Program is intended to encourage the construction or rehabilitation of low-income rental units and has been the backbone of new affordable housing construction nationwide for nearly forty years; and

WHEREAS, the Program provides federal LIHTC to qualified project owners who agree to maintain all or a portion of the project's units for low-income individuals or families for a certain affordability period; and

WHEREAS, the State created its own LIHTC, which is equal to fifty percent of the federal LIHTC allocated to a project, and the Hawaii Housing Finance and Development Corporation (HHFDC) is the designated agency responsible for the administration of both the federal and state LIHTC programs; and

WHEREAS, HHFDC developed a Qualified Allocation Plan (QAP), which sets forth the criteria to evaluate and allocate LIHTC to projects and preferences that best meet the housing needs of the State and the procedures to monitor compliance with the provisions of the LIHTC Program; and

WHEREAS, the State's Rental Housing Revolving Fund provides equity gap low-interest loans to qualified owners and developers constructing affordable housing units and moneys in the fund are prioritized for projects or units in projects that are allocated LIHTC; and

WHEREAS, these loans are very long-term (fifty-five years) and low-interest (0.25 percent); and

WHEREAS, LIHTC is an affordable housing program that both rewards private sector developers and produces housing for low-income residents, however, the reality is that LIHTC funding is currently a handout of taxpayer dollars to developers, as the tax credits themselves are not loans and are never repaid; and

WHEREAS, developers who receive LIHTC financing are paid twice: they collect a developer fee and they own the project; and

WHEREAS, developers are only required to make a certain portion of the units available to low-income tenants for a certain period of time, at which point developers can raise rents to market rates, resulting in the State being unable to leverage any capital gain in the project to develop more housing in the future because those gains are solely realized by the developer; and

WHEREAS, as a result, LIHTC requires billions of dollars in federal funding annually, creating buildings that offer low rents only in the short-term and unjustly enrich developer-owners in the long-term; and

WHEREAS, existing LIHTC incentives do not ensure that profits be recycled to build more housing; and

WHEREAS, if LIHTC funds created projects that recycled their profits into building more housing, LIHTC would create a system that results in more housing, thereby helping the State address its ongoing housing crisis without additional expenditure of taxpayer funds; and

WHEREAS, furthermore, private banks are eager to refinance Rental Housing Revolving Fund loans after fifteen years to enable developers to repay the Rental Housing Revolving Fund in full, however, developers rarely do so because there is no incentive or priority given to developers who commit to repaying the loans; and

WHEREAS, if priority were given to developers who have a record of early loan repayment, or those who request a shorter repayment term, developers would be incentivized to refinance after fifteen years, repay the Rental Housing Revolving Fund early, and free up funds to enable more housing creation in the future; and

WHEREAS, HHFDC's 2024 QAP fails to account for these concerns and should be amended to ensure that the State will more efficiently and effectively utilize its resources by subsidizing housing developments that can grow in value and are required to recycle financing to keep developing more housing to guarantee long-term affordability for project residents, as well as fairness in how taxpayer dollars as spent; now, therefore,

BE IT RESOLVED by the Senate of the Thirty-second Legislature of the State of Hawaii, Regular Session of 2024, that the Hawaii Housing Finance and Development Corporation is urged to amend the priority for which Low-Income Housing Tax Credits are allocated and moneys in the Rental Housing Revolving Fund are used and to adopt certain administrative rules that incentivize the development of affordable housing in the State; and

BE IT FURTHER RESOLVED that the Hawaii Housing Finance and Development Corporation is urged to amend the Qualified Allocation Plan to prioritize the allocation of federal and state Low-Income Housing Tax Credits, the administrative rules governing loans from the Rental Housing Revolving Fund, and the administrative rules or policies governing all financial support from the Hawaii Housing Finance and Development Corporation to the following:

(1) Projects on state- or county-owned land;

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

(3) 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;

(4) Projects with a perpetual affordability commitment; and

(5) Projects of applicant developers who:

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

(B) Request a shorter repayment term; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Governor; Director of Business, Economic Development, and Tourism; Executive Director of the Hawaii Housing Finance and Development Corporation; and each member of the Board of Directors of the Hawaii Housing Finance and Development Corporation.