



January 30, 2024

Representative Luke Evslin, Chair
Representative Micah Aiu, Vice Chair
Members of the Committee on Housing

RE: **HB 2214 – RELATING TO HOUSING**
Hearing date – January 31, 2024 at 10:00 AM

Aloha Chair Evslin, Vice Chair Aiu and Members of the Housing Committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **STRONG SUPPORT FOR HB 2214 – RELATING TO HOUSING**. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

HB 2214 creates an affordable housing credit program for 201H projects by requiring the counties to issue affordable housing credits for income-specified housing units. Specifically, HB 2214 seeks to resolve the potential concern that non-LIHTC 201H projects are no longer feasible by allowing for the issuance of affordable housing credits to eligible developers for residences required to be sold or rented to individuals within a specified income range. The credits are market based, issued on a one-to-one basis, and may be applied within the same county in which the credits were issued to satisfy county affordable housing obligations. Further, the measure allows HHFDC to enter into memorandums of agreements with certain counties to establish, modify, or clarify the condition for the issuance, transfer, and redemption of the affordable housing credits.

NAIOP strongly supports HB 2214 which ensures the continued production of affordable and workforce housing units under HRS 201H. Currently, Hawaii is in a housing crisis. In 2019, a study commissioned by DBEDT found that Hawaii will need an additional 50,156 homes by 2025. In order to meet this projection housing units will need to be developed in mass quantities. The affordable housing credit program seeks to assist in accomplishing this goal.

Furthermore, interest rates for 30 years fixed residential mortgages have significantly risen from 3.07% to 6.95% within the past 2 years representing a near 150% increase. This has led to a dramatic increase in monthly costs of owning a home in Hawaii. Moreover, the recent increases in interest rates have decreased the sales prices of income specified units built under HRS 201H due to the AMI pegged sales price limitations. In conjunction, the Secured Overnight Financing Rate (SOFR), a rate most

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construction loans are based upon, has increased from .05% to 5.32% representing a 105x increase, which dramatically increases the costs of building residential units.

The rising construction costs combined with the dramatic drop in sales prices due to AMI limitations has prevented projects from being feasible and rendered 201H nearly unusable by the home building community. Accordingly, NAIOP Hawaii is concerned that development of 201H projects has come to a halt and will remain so if policies are not implemented which further incentivize development and offset rising costs.

Ultimately, Hawaii residents need housing units to be produced to allow our local families to continue to thrive here. NAIOP Hawaii is supportive of all policies which encourage the production of much needed housing stock for our local residents. For instance, we similarly supported making the DHHL affordable housing credit program permanent in the 2023 legislative session as it would lead to the production of more affordable housing units.

Accordingly, NAIOP Hawaii strongly supports HB 2214 which will ensure the continued production of homes for our residents. Thank you for the opportunity to testify on this measure.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Reyn Tanaka', with a long horizontal flourish extending to the right.

Reyn Tanaka, President
NAIOP Hawaii



**HAWAII COMMUNITY
DEVELOPMENT AUTHORITY**

547 Queen Street, Honolulu, Hawaii 96813
Telephone: (808) 594-0300 Fax: (808) 587-0299
Web site: <http://dbedt.hawaii.gov/hcda/>

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

CHASON ISHII
CHAIRPERSON

CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

Statement of
CRAIG K. NAKAMOTO
Executive Director
Hawaii Community Development Authority
before the
HOUSE COMMITTEE ON HOUSING

Wednesday, January 31, 2024
10:00 a.m.
State Capitol, Conference Room 312

In consideration of
HB 2214
RELATING TO HOUSING.

Chair Evslin, Vice Chair Aiu, and members of the Committee. The Hawaii Community Development Authority (HCDA) has **concerns** about those parts of the bill that affect HCDA, and respectfully offers the following comments for the committee's consideration:

The intent of this bill is to increase the production and supply of affordable housing units by giving to the counties, the power to utilize Section 201H. We defer to the Hawaii Housing Finance & Development Corporation (HHFDC) to comment on those parts of the bill that purport to give the counties the powers under Section 201H.

HCDA prefers not to take on the responsibility of tracking such "affordable housing credits" and issuing the same to eligible developers. If the counties will be given the powers under Section 201H (HHFDC), the counties should be the entity that tracks and transfers the affordable housing credits contemplated by this bill. HCDA also does not have the capacity to serve in a recordkeeping capacity as contemplated by this bill.

HCDA's mission, as established by the State Legislature, is primarily the redevelopment of communities. HCDA's primary mission is not housing development. As part of the development that has occurred in our Kakaako and Kalaeloa community development districts, we have imposed a requirement for certain residential developments to reserve 20% of the units for those earning 140% and below of the area median income.

Thank you for the opportunity to provide our comments.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON
HOUSING
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 312
Wednesday, January 31, 2024 AT 10:00 A.M.

To The Honorable Luke A. Evslin, Chair
The Honorable Micah P.K. Aiu, Vice Chair
Members of the Committee on Housing

SUPPORT HB2214 RELATING TO HOUSING

The Maui Chamber of Commerce wholeheartedly **SUPPORTS HB2214** which requires the counties to issue affordable housing credits for affordable housing units that are constructed pursuant to chapter 201H, Hawaii Revised Statutes.

Housing is a top priority for the Maui Chamber of Commerce and continues to be so as the crisis escalates following the wildfires and it directly impacts businesses and our economic revitalization. Before the wildfires, we needed over 10,000 units by 2025, but that number has only increased as 3% of our housing was lost in Lahaina. Urgent funding and strong political support is critical to have units built expeditiously as prices to build are continuing to increase. We feel, and have said, it is important for the county 201H process to be consistent with the state 201H process.

This is an excellent tool in the toolbox and a bill that should be fast-tracked.

For these reasons, we **support HB2214**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



Hawai'i YIMBY
Honolulu, HI 96814
hawaiiyimby.com
admin@hawaiiyimby.com

Wednesday, January 31, 2024

House Committee on Housing
Hawai'i State Capitol
Honolulu, HI 96813

RE: SUPPORT for HB 2214 - RELATING TO HOUSING

Aloha Chair Evslin, Vice Chair Aiu, and Members of the Committee,

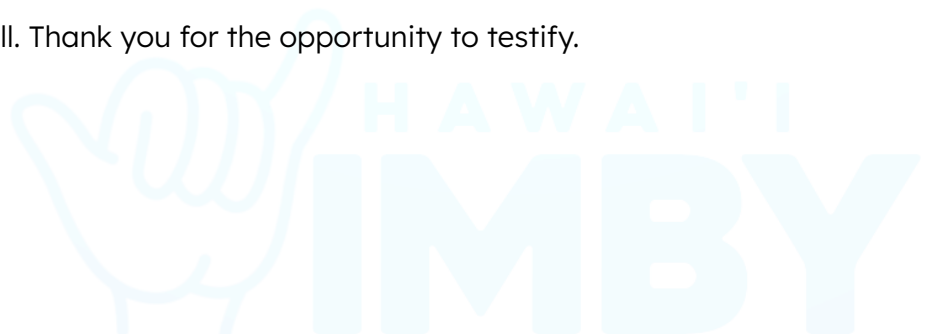
On behalf of Hawai'i YIMBY, I'm writing to support HB 2214, which could help maintain the production of affordable housing units despite the current difficult economic environment. The need for housing is so great that any additional slowing or stopping to our already hampered housing production pipeline has an outsized effect. We should continue to push for innovative ways to continue forward in housing production, not stagnating or going backwards.

We believe in fixing incentives. We believe that the existing 201H program is far from broken, however, under the current environment, its effectiveness could be forced to a minimum. Interim proposals such as those outlined in HB 2214, could help bridge a potential gap in housing production brought on by high interest rates.

Hawai'i YIMBY (*Yes In My Backyard*) is a volunteer-led grassroots advocacy organization dedicated to supporting bold and effective solutions for Hawai'i's devastating housing crisis. Our members are deeply concerned about Hawai'i's chronic and worsening housing shortage, which has caused home prices to rise much faster than incomes and pushes thousands of kama'āina out to the mainland or into homelessness every single year.

We ask your support for this bill. Thank you for the opportunity to testify.

Sincerely,
Damien Waikoloa
Co-Lead, Hawai'i YIMBY



201H Affordable Housing Credit (HB 2214 / SB 2840)

BILL SUMMARY – CREATE A PRIVATELY FUNDED SUBSIDY TO BREATHE LIFE BACK INTO THE 201H-38 PROGRAM. BASED ON DHHL'S AFFORDABLE HOUSING PROGRAM, HRS 46-15.1(b).

HOW IS THE MAXIMUM UNIT SALE PRICE CALCULATED?

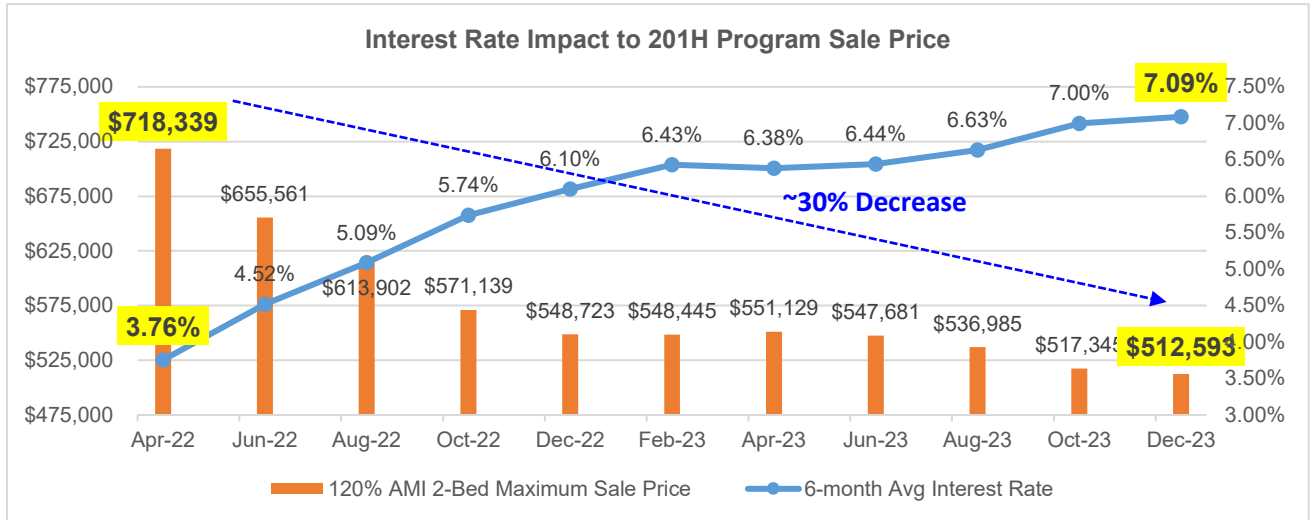
The 201H Program's **maximum unit sale price** is based on a household spending **33% of its income on Housing Expenses** within a specified AMI range

Housing Expenses: Mortgage Interest & Principal Payments, Mortgage Insurance, Maintenance Fees, Real Property Tax and Homeowner's Insurance. Mortgage based on 6-month average interest rate.

Household Size - Honolulu County	1 Person	2 Person	3 Person	4 Person	5 Person
120% AMI Household Income	\$110,040	\$125,760	\$141,480	\$157,200	\$169,800
33% of Household Income - Monthly	\$3,026	\$3,458	\$3,891	\$4,323	\$4,670

*AMI = Area Median Income; 120% AMI Household income is based on HHDFC published AMI Household Income by Family Size for 2023

201H HAS BEEN RENDERED UNUSABLE DUE TO THE SIGNIFICANT INCREASE IN HOME MORTGAGE RATES CAUSING HOUSING PROJECTS TO NOT BE FEASIBLE



OVER 5,600 AFFORDABLE HOMES WERE APPROVED USING 201H IN THE PAST 7 YEARS (2015-2022)

201H PROJECTS - PAST 7 YEARS	60-140% AMI	Market	Total
TOTAL 2015-2022*	4,642	1,015	5,657

*Provided by HHFDC

NOTE: ALL PREVIOUSLY APPROVED 201H PROJECTS HAVE SET UNIT PRICING AND ARE NOT AS IMPACTED BY THE RECENT MORTGAGE RATE INCREASES. UPDATED 2023 INFORMATION FROM HHFDC REQUESTED.