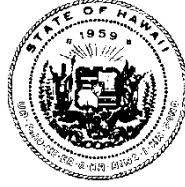


JOSH GREEN, M.D.
GOVERNOR

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

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

In consideration of
SCR 43 SD1

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

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

HHFDC **offers the following comments** on SCR 43 SD1.

HHFDC strives to maximize the effectiveness of its LIHTC and RHRF programs through a competitive annual application process to ensure that the State's resources are efficiently used. LIHTC-allocating agencies such as HHFDC are responsible for allocating tax credits to qualifying projects according to the Qualified Allocation Plan's (QAP) criteria.

Under IRS rules, an allocating agency is to provide no more credits than deemed necessary to ensure a project's financial feasibility throughout the 15-year compliance period. To fulfill this responsibility, HHFDC needs to allocate this limited resource to projects that utilize them in the most efficient manner. Prioritizing certain projects before considering key factors such as project readiness may contravene the objective of economical resource allocation.

Nevertheless, the HHFDC Board of Directors has established a Permitted Interaction Group (PIG) to guide the next update of the QAP, and staff will seek the PIG's input on each of the items in the resolution. Changes to the QAP resulting from this process may require that the existing RHRF program administrative rules be amended accordingly.

Thank you for the opportunity to provide testimony on this resolution.

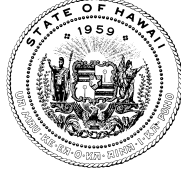
3/21 HOU's amendments:

Removed- "Be it further resolved" clause that applies solely to LIHTC awards- because it's duplicative.

Certified copies of the reso will go to the entire BOD, not just the Chair.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawai'i*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawai'i*



KALI WATSON
CHAIRMAN, HHC
Ka Luna Ho'okele

KATIE L. DUCATT
DEPUTY TO THE CHAIRMAN
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawai'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON HOUSING
HEARING ON APRIL 10, 2024 AT 10:00AM IN CR 312
WRITTEN ONLY

SCR 43, SD 1, RELATING TO HOUSING

April 10, 2024

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

The Department of Hawaiian Home Lands (DHHL) supports this concurrent 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.

Application for HHFDC administered LIHTC Program funds is a highly competitive process and every priority that DHHL is eligible to benefit from by virtue of being a State agency, is a step toward DHHL's ability to use LIHTC funds to provide affordable housing in the form of rent-to-own projects for beneficiaries of the Hawaiian Homes Commission Act, 1920, as amended. Hawaiian Home Land areas where DHHL has successfully used LIHTC funds include Ho'olimalima on the leeward side of O'ahu, Laī 'Ōpua on Hawai'i island and the Waimānalo Kupuna Housing Project.

Thank you for your consideration of our testimony.



CATHOLIC CHARITIES HAWAII

COMMENTS on SCR 43: 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.

TO: House Committee on Housing
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i
Hearing: **Wednesday, 4/10/24; 10:00 am, Room 312 and Videoconference**

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

Thank you for the opportunity to provide **Comments on SCR 43**, which urges the Housing Finance and Development Corporation (HHFDC) to amend the priority allocating LIHTC and RHRF moneys and to adopt certain rules that incentivize the development of affordable housing in the state. 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.

Catholic Charities Hawai'i supports making permanently affordable housing a priority for LIHTC/RHRF funded rental projects. However, we urge that all of the first 4 priorities listed in this resolution should have the same priority. It should not matter if the owner is the State, County, a non-profit or a for-profit organization, as long as they guarantee permanent affordability. This is the key issue. We also strongly believe **there must be choices in location to serve the needs of the many different local communities across the state.** Establishing State/County projects only as the first priority may have the unintended consequence of locking some communities out of much needed affordable rentals. It also could disrupt the current pipeline for housing where many diverse organizations are applying for these funds. Many high need locations are considered and the competition incentivizes the most efficient proposals for funding.

Second, we oppose priority #5 which basically suggests that developers should pay back the RHRF loan early by refinancing with a bank loan. We urge you to delete this as a priority.

The RHRF system was set up to make sure that affordable projects, even with rent restricted, would be financially feasible. After the initial 15 years, a project will need to re-finance to pay off the existing mortgage (for example, a 35/15 permanent loan is a mortgage with a 15-year term and a 35-year amortization period with a balloon payment due as the 15 year term ends). To add a second bank loan to pay back RHRF at year 15, with potentially much higher interest rate, would only put even greater stress on the project and its tenants. Annual rent increases are already a reality due to increasing costs, more maintenance needed as the building ages, etc.

Tenants, especially elders on limited incomes, are put at risk. Additionally, RHRF is paid annually based on an agreed upon percentage of the project cash flow; instead of a bank loan which is a monthly expense that must be met or risk the project getting foreclosed on. I believe the goal of this discussion, although well intended, is to create as much affordable housing as possible, at a much robust pace, and to keep them affordable for perpetuity, not to take away such a valuable source of funding since 1992 that has made reality of so many projects across the entire state. We urge you to continue the conversation with all perspectives considered and come up with impactful solutions that will benefit those who are most in need of these housing opportunities for many years to come.

Catholic Charities Hawai`i is deeply concerned about what will happen to our affordable housing inventory when the affordability requirements expire for thousands of existing LIHTC and other subsidized projects. However, we have to be careful not to create unintended consequences which will affect our communities for years to come.

We deeply appreciate your attention to this slow-moving crisis. **We urge you to give the first 4 priorities listed in this resolution the same weight in determining funding and to delete #5 priority (faster repayment of the loan).**

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.



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
Wednesday, April 10, 2024
Conference Room 312, 10:00 a.m.**

TO: The Honorable Luke Evslin, Chair

FROM: Keali'i Lopez, State Director, AARP Hawaii

RE: Support for SCR 43 – Amending the Priorities for Low Income Housing Tax Credit

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 respectfully is submitting comments on SCR 43 which amends Hawaii Housing Finance and Development Corporation prioritization on the allocation of low income housing tax credits in the Rental Housing Revolving Fund (RHRF).

Hawaii's limited supply of affordable housing continues to be a major issue for the state. AARP Hawaii supports incentivizing the development of affordable housing for Low-Income Housing Tax Credit (LIHTC)/RHRF funded rental project. We urge that the first 4 priorities listed in this SCR 43 resolution should have equal weight. Having the State/County only as the first priority for example, may not always be in the best interest since it may limit some communities out of much needed rentals. As long as there is guaranteed permanent affordability, it should not matter whether the owner is the public sector (State/County) or a nonprofit organization. There must be choices and flexibility to serve the needs of the local communities throughout Hawaii.

AARP has concerns about Priority # 5 – which prioritizes developers who can pay back the RHRF loan early. We recommend that this priority be deleted. The RHRF system was set up to make sure that affordable projects, even with rent restricted, would be financially feasible. If priority is given to developers who can commit to early repayment and demonstrate early repayment, it is indirectly prioritizing large private developers and will not allow diverse candidates to apply for the tax credits. In the end the tax credits will remain the bastion of a small group of developers who can afford to repay loans faster because of deep pockets.

Thank you very much for the opportunity to comment on SCR 43.