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IN REPLY REFER TO

Statement of
Orlando "Dan" Davidson
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HUMAN SERVICES AND HOUSING

February 14, 2008, 9:25 a.m.
Room 329, State Capitol

In consideration of
H.B. 2548
RELATING TO HOUSING.

The HHFDC believes that the existing definition in section 201H-57, 140 percent or below of the area median income, remains appropriate. We therefore do not support H.B. 2548, which amends the definition of "affordable housing" for purposes of section 201H-57, to mean 80 percent or below of the area median income as determined by the U.S. Department of Housing and Urban Development.

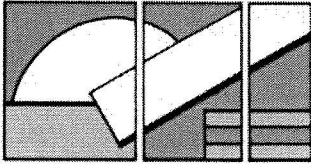
Section 201H-57 authorizes the HHFDC to lease state lands to nonprofit organizations for eligible affordable housing projects for terms of 99 years at a lease rent of \$1 per year. The proposed amendment would restrict the ability of affordable housing developers to develop mixed income projects on State lands. As the economy slows, this type of flexibility is especially important. The units at 140 percent in a mixed income development will help to subsidize the costs of development of lower cost units. Also, a mix of households of different income levels in a single affordable housing project is preferable for socio-economic reasons.

The 2006 Joint Legislative Housing and Homeless Task Force made several recommendations supporting retaining this flexibility, including:

1. Building more housing product for all income groups;
2. Promoting creative mixed-use and mixed-income solutions to housing;
3. Making more land available for affordable housing development;
4. Developing affordable rental housing units under leasehold tenure with buyback restrictions to preserve affordability indefinitely into the future; and
5. Inventorying public lands that may be used for housing.

Section 201H-57 was adopted to help implement these Task Force recommendations. We believe that amending this definition would be counterproductive to the goal of developing more affordable housing. Accordingly, we do not support H.B. 2548.

Thank you for the opportunity to testify.



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TESTIMONY ON H. B. 2548, RELATING TO HOUSING
Before the House Committee on Human Services & Housing
February 14, 2008, 9:25 am; CONFERENCE ROOM 329
Submitted By: Marvin Awaya, Executive Director

Pacific Housing Assistance Corporation opposes enactment of this bill. This bill is well intentioned but it will not result in more housing being built for households of less than 80% median income.

The method of directing affordable housing toward a particular target income group is by directing financial resources to development programs that sets forth a maximum income.

The definition that this bill seeks to change relates to land leased by the Hawaii Housing Finance & Development Corporation. Section 201H-57, H.R.S. allows land to be leased to a non-profit entity for a period of 99 years at a rate of \$1.00 per year.

Housing for households of less than 80% of median income are especially hard to develop because of the lower rents restricted to this income group and Federal, State, and county financial resources are very limited. The lower the rent the lower the mortgage amounts because we cannot pay greater payments to retire the debt. We are finding that in order to increase the private financing for affordable rental projects we must consider developing mixed income projects so that greater income is derived to pay off the development cost.

We must have the opportunity to create mixed income housing for the sake of providing rental housing opportunities for workforce housing as well as housing for the lower income households. Enacting this bill could inhibit our ability to service the very income group that this bill purports to help by limiting our ability to increase project revenue and financial feasibility.

The 140% income limitation was selected because it is the maximum income limit of the Hawaii Rental Housing Trust Fund and the maximum allowed by the Internal Revenue Service for single-family mortgage revenue bonds ("Hula Mae").

Restricting our ability to develop affordable rental housing on long term lease HHFDC lands for mixed income projects servicing lower, workforce and gap income households will increase our reliance on State financial resources and diminishes our ability to achieve greater leverage of what limited public resources we have.

We respectfully request that this bill be held in committee.