



LATE TESTIMONY

Via: FINTestimony@Capitol.hawaii.gov

March 26, 2010

House Committee on Finance
Hearing Date: Friday, March 26, 2010 at 11:00 a.m. in CR 308

Support of SB 2109 SD2, Relating to Low Income Housing
(Tax credit program LIHTC)

Honorable Chair Marcus Oshiro, Vice Chair Marilyn B. Lee and Members of the House Finance Committee,

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF **strongly support SB 2109 SD2**, which will establish a program for granting state low-income housing tax credit loans in lieu of state low-income housing tax credit allocations. This proposed program is an important step that will help our local economy by using our existing resources more effectively and allow many stalled affordable housing projects to commence construction. **These construction projects are important component to help stimulate the local economy and will create an important housing resource for our community.** In conjunction with the affordable housing industry, we understand that proposed changes are being recommended to SB 2109 SD2 to include non-volume cap (4% LIHTC) projects under IRC Section 42(h)(4) – we support these revisions.

SB 2109 SD2. The purpose of this bill is to jump start the development and construction of stalled affordable rental housing projects in the State. This bill establishes a program for granting low-income housing tax credit loans in lieu of low-income housing tax credits administered by the Hawaii housing finance and development corporation and authorizes issuance of general obligation bonds to fund the loans. This bill also applies to qualified low-income buildings placed in service after 12/31/2010.

LURF's Position. LURF **supports** SB 2109 SD2, which is similar to SB 2678, Relating to Low-Income Housing Tax Credits, an Administration bill. SB 2109 SD2 will provide needed flexibility to jump start the development and construction of stalled affordable rental housing projects for families at or below 60 percent of the area median income. The tax credit exchange program proposed in SB 2109 SD2 would allow eligible affordable rental housing developers to trade in competitive, 9% State Low-Income Housing Tax Credits (LIHTCs) for a loan, discounted to present day value of the total tax credit amount, and capitalized at the prevailing interest rate on taxable general obligation bonds. Further discounted to reflect the utilization rate of state tax credits as determined by the Department of Taxation, 70 percent, this proposal would be budget neutral.

The State LIHTC loan mechanism proposed in this bill mirrors similar provisions in the American Recovery and Reinvestment Act of 2009 meant to assist projects receiving competitive Federal LIHTCs. LURF supports creation of an analogous loan option for the State Credit to provide affordable rental housing developers with sufficient equity to finance construction of much-needed projects.

As we all are aware, the lack of affordable housing remains a significant problem affecting our community. Working families are finding it harder to purchase or rent a home – when one factors in other living expenses (i.e. healthcare expenses, food and clothing, transportation, education and retirement savings, etc.), something must give! Rising costs means working families have difficulty getting ahead, this means everyday sacrifices include multiple jobs, long commutes, less than ideal housing conditions, less involvement in family activities, community events and religious/cultural organizations. **Legislative changes that increase the supply the affordable housing and reduction of regulatory barriers to support the production of affordable housing is needed.**

Thank you for the opportunity to express our **strong support** for SB 2109 SD2.