



**Via: EDHTestimony@Capitol.hawaii.gov**

**February 3, 2010**

**Support of SB 2109 Relating to Low Income Housing**

Honorable Chair Norman Sakamoto, Vice Chair Michelle Kidani and Members  
Senate Education and Housing 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**, 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 to include non-volume cap (4% LIHTC) projects under IRC Section 42(h)(4) – we support these revisions.

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.**

**Senate Committee on Education and Housing  
Testimony Regarding SB 2109**

**Relating to Low-Income Housing**

Testimony Submitted by: Joelle Chiu on behalf of Makani Maeva, Director of Pacific Housing Advisors  
Hearing Date: February 3, 2010  
Time: 1:15 p.m.  
Room: Conference Room 225

Dear Honorable Chair Sakamoto, Vice Chair Kidani & Committee members:

Thank you for this opportunity to submit testimony in support of SB 2109 that provides for low-income housing tax credit loans in lieu of low-income housing tax credits (LIHTCs) administered by HHFDC. My name is Joelle Chiu and I am submitting this testimony on behalf of Makani Maeva, the Director of Pacific Housing Advisors ("PHA"), a private affordable housing developer. Ms. Maeva apologizes for not being able to testify in person this afternoon, as she is off-island.

PHA strongly supports SB 2109 and believes that establishing a program for granting no-interest low-income housing tax credit loans in-lieu of state low-income housing tax credits will ultimately increase the quality and supply of affordable rental housing in Hawaii.

PHA is a private affordable housing developer that owns and manages over 4,600 affordable housing rental units nationwide, including 36 units at Kekaha Elderly Plantation on the island of Kauai. We are a few months away from completing construction on Lokahi Apartments, which will add 306 new affordable rental units to the Kailua-Kona area. Lokahi Apartments is being constructed in phases and we already have 85 affordable units completed and occupied. We expect the project to be fully-occupied by the end of summer, 2010. In the end, all 306 of the units will be rented only to individuals and families that earn 60% or less of the area median income.

Construction of these 306 new units was financed, in part, by the sale of federal and state LIHTCs. In recent years, the ability of developers to sell state LIHTCs has been severely impacted by the decline of our national economy. The value of state and federal LIHTCs has decreased dramatically. To illustrate this point, when we closed on our Kauai project in 2007, the value of the federal LIHTCs was \$1.00 and the value of the state LIHTCs was \$0.50. In contrast, when we closed on the Lokahi Apartments project in November 2008, the price for federal LIHTCs had deteriorated to \$.88 and state LIHTCs to \$0.39 (NOTE: current sizing in the

LIHTC market is \$0.70 for federal and \$0.20 for state). What this decrease meant to Lokahi Apartments in November 2008 was that we were left with a \$11.75 million financing gap that we were fortunate enough to fill with funds from the Rental Housing Trust Fund.

If SB 2109 is adopted, it will serve as a relief valve should a developer be unable to find an investor for its state LIHTCs. Developers will still have to work hard and compete for other sources of funds to finance their projects, however, this bill would increase the available financing options at a difficult time.

Developing affordable rental housing should be encouraged because housing development not only provides shelter to needy residents, it is also an economic stimulus. The production and preservation of affordable rental housing creates jobs and generates state tax revenue. According to the Department of Business, Economic Development & Tourism's ("DBET") econometric model, the construction of Lokahi Apartments created 337 direct jobs and 818 indirect jobs. These jobs were not limited to short term construction jobs but also included permanent jobs relating to the ongoing management and operation of the project. According to DBET, Lokahi Apartments generated income of \$39,370,000, which resulted in state income tax revenue of \$7,175,500. Thus, \$11,750,000 of RHTF monies that will be returned to the state over time will have generated \$7,175,500 and provided housing in the first two years since the loan was made. The state will benefit by ensuring that financing options are available so the projects that are in the pipeline now will be able to proceed and new projects will be able to get off the ground.

We thank the Committee for considering this bill and urge you to give it your full support.