

**SB 2109, SD1**



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February 23, 2010

**The Honorable Donna Mercado Kim, Chair**  
Senate Committee on Ways and Means  
State Capitol, Room 211  
Honolulu, Hawaii 96813

**RE: S.B. 2109, S.D. 1, Relating To Low-Income Housing**

**DECISION MAKING: Wednesday, February 24, 2010 at 10:00 a.m.**

Aloha Chair Kim, Vice Chair Tsutsui and Members of the Committee:

I am Craig Hirai, the chair of the Subcommittee on Affordable Housing, submitting comments on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,800 members in Hawai'i. HAR **supports** S.B. 2109, S.D. 1, which 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 ("HHFDC") and authorizes the issuance of taxable general obligation bonds to fund the loans.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program, which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

HAR believes that it may be difficult for a qualified low-income building to sell State Low-Income Housing Credits at a reasonable price if it receives a subaward from the HHFDC under Sections 1602 and 1404 of the American Recovery and Reinvestment Tax Act of 2009 and has no Federal Low-Income Housing Tax Credits to sell.

The intent of S.B. 2109, S.D.1, is to give owners of qualified low-income buildings an election to "monetize" the State Low-Income Housing Tax Credits which are subject to the state housing tax credit ceiling under IRC §42(h)(3)(C) in a manner similar to what the federal government has done with the "exchange program" for subawards under Sections 1602 and 1404 of the American Recovery and Reinvestment Tax Act of 2009. Like the federal election, this election would be in lieu of receiving State Low-Income Housing Tax Credits under HRS §235-110.8.



Because the State cannot afford to fund an up-front award like the federal government, and because the State cannot generally appropriate funds for a period as long as the 10-year credit period for the federal and Hawaii Low-Income Housing Tax Credits, S.B. 2109, S.D.1, uses taxable general obligation bond proceeds in an amount equal to 70% of the present value of the annual State Low-Income Housing Tax Credits a qualified low-income building would currently receive under HRS §235-110.8 discounted at the rate of interest the State pays on the taxable general obligation bonds.

HAR believes that S.B. 2109, S.D. 1, is or can be made to be budget neutral. S.B. 2109, S.D.1, could therefore help both the State and the property owner by setting a floor for a qualified low-income building's State Low-Income Housing Tax Credits, thus making it unnecessary to sell credits at an unreasonable discount.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to submit comments.



CATHOLIC CHARITIES HAWAII

**TESTIMONY IN SUPPORT OF SB 2109, SD1: RELATING TO LOW-INCOME HOUSING**

TO: **Senator Donna Mercado Kim, Chair**, Senator Shan S. Tsutsui, Vice Chair, and Members, Committee on Ways and Means

FROM: Betty Lou Larson, Housing Programs Director, Catholic Charities Hawai'i

HEARING: **Wednesday, 2/24/10, 10:00 am; CR 211**

Chair Kim, Vice Chair Tsutsui, and Members, Committee on Ways and Means::

Thank you for the opportunity to provide written testimony on this housing bill. I am Betty Lou Larson, Housing Programs Director at Catholic Charities Hawai'i. Catholic Charities Hawai'i supports this bill which would establish a program for granting low-income housing tax credits loans in lieu of low-income housing tax credits administered by the Hawaii Housing Finance and Development Corporation (HHFDC). It would also authorize general obligation bonds fund the loans.

This bill would add one tool to the tool chest that developers could use to create more affordable housing. With the critical shortage of affordable rentals, this measure could promote more production and possibly assist some projects to begin construction since they have been stalled due to the downturn in the revenues generated from the existing tax credits.

With the dramatic decrease in the revenues generated from both federal and state tax credits, other resources are essential to keep the production of housing projects flowing. **This measure creates a win win situation, since it appears to be budget neutral, yet creates resources for affordable housing.**

Construction is an economic driver. This bill is one step to stimulate the economy and create permanent housing for the future of Hawaii.

Catholic Charities Hawai'i receives thousands of calls each year from families who need affordable housing. We strongly support measures that can serve the people of Hawaii by creating housing. In tough economic times, we urge you to efficiently utilize State resources for programs that result in long-term benefits. Affordable rental projects will continue to serve Hawaii's people for generations to come.

Thank you for your support to create more tools to continue the production of affordable housing, as well as promote growth in Hawaii's economy.



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