

SB2113

WRITTEN TESTIMONY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON EDUCATION AND HOUSING
ON
SENATE BILL NO. 2113

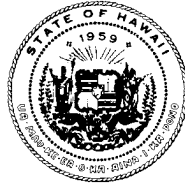
February 3, 2010

AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS AND MAKING
AN APPROPRIATION FOR INFUSION INTO THE RENTAL HOUSING TRUST FUND

Senate Bill No. 2113 authorizes the issuance of general obligation bonds in the sum of \$20,000,000 or so much thereof as maybe necessary, and appropriates the same sum or so much thereof as may be necessary for fiscal year 2010-2011, to be deposited into the rental housing trust fund established by section 201H-202, Hawaii Revised Statutes.

The Department has a technical comment on this bill. Federal tax law requires, among other things, that tax-exempt general obligation bond proceeds be used to finance projects that serve public purposes. As it appears that private entities will derive the benefit of the Rental Housing Trust Fund, tax-exempt general obligation bond proceeds cannot be used for this purpose. Financing through the Rental Housing Trust Fund may be provided to private entities through taxable general obligation bonds at a higher cost to the State.

Linda Lingle
GOVERNOR



KAREN SEDDON
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

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON EDUCATION AND HOUSING

February 3, 2010, 1:15 p.m.
Room 225, State Capitol

In consideration of
S.B. 2113
AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS
AND MAKING AN APPROPRIATION FOR INFUSION INTO
THE RENTAL HOUSING TRUST FUND.

The HHFDC ***has strong concerns*** with S.B. 2113 because it would adversely impact priorities as indicated in the Executive Supplemental Budget for FY2010-2011.

The Rental Housing Trust Fund (RHTF) provides "equity gap" low-interest loans or grants to qualified owners and developers constructing affordable rental housing units. Funds may be used to provide a loan for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. Permitted uses of the fund may include, but are not limited to: planning; design; land acquisition; costs of options; agreements of sale; downpayments; equity financing; or other housing development services or activities approved by the HHFDC. Most RHTF awards are made to projects affordable to families at or below 60 percent of the area median income.

The RHTF's sole dedicated financing source is a share of the conveyance tax. In FY 2008, the RHTF received approximately \$19,204,011 based on 50 percent of the conveyance tax. In FY 2009, the RHTF received 30 percent of the conveyance tax. In FY 2010, the RHTF will receive 25% of the conveyance tax. At the current rate, we anticipate that the RHTF will receive approximately \$6,000,000 in FY 2010. Unfortunately, it would take at least \$10,000,000 in available funds to fully leverage the State's annual per capita allocation of Federal Low-Income Housing Tax Credits.

Thank you for the opportunity to testify.

DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

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MUFI HANNEMANN
MAYOR

DEBORAH KIM MORIKAWA
DIRECTOR

ERNEST Y. MARTIN
DEPUTY DIRECTOR

January 29, 2010

Honorable Norman Sakamoto, Chair,
And Members of the Committee on
Education and Housing
The Senate, Hawaii State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Chair Sakamoto and Members:

Subject: Senate Bill 2113

Senate Bill 2113 authorizes the issuance of up to \$20,000,000 in General Obligation Bonds with proceeds being deposited into the State Rental Housing Trust Fund. The Department of Community Services strongly supports Senate Bill 2113.

The State Rental Housing Trust Fund (RHTF) is a principal source of financing for affordable rental housing projects in the State of Hawaii. The issuance of General Obligations bonds will provide a much need capital infusion to the RHTF which in turn will allow the RHTF to continue to support the development of affordable housing in the State of Hawaii. We further note that there are several projects in the City and County of Honolulu which will be applying for RHTF assistance in 2010. In addition to providing long term affordable housing, these projects represent opportunities to create much needed employment for our construction trades. Finally, we suggest that affordable housing is an issue that affects our entire community, and the use of General Obligation Bonds to support the development of affordable housing through the RHTF is an appropriate means to recognize the community-wide importance of affordable housing.

The Department of Community Services appreciates the opportunity to provide this testimony and we respectfully request your support of Senate Bill 2113.

Sincerely,


Deborah Kim Morikawa
Director

From: Kevin Carney [kcarney@eahhousing.org]
Sent: Thursday, January 28, 2010 8:10 AM
To: EDH Testimony
Subject: Committee Hearing of Feb 3, 2010, SB 2113 Support

Dear Chair Sakamoto, Vice Chair Kidani and Members of the Senate Committee on Education and Housing:

Thank you for this opportunity to submit testimony in support of SB 2113, the appropriation of \$20,000,000 in general obligation bonds in support of the rental housing trust fund for fiscal year 2010-2011. As you may know EAH Housing is a non-profit developer and manager of affordable rental housing. We typically serve families and seniors with incomes at or below sixty (60%) percent of the area median income. We depend upon the rental housing trust fund as a source of gap funding to support new affordable rental housing and the acquisition and preservation of existing affordable rental housing. Gap funding is the difference between the amount of debt the project is capable of supporting based on its rental income and the amount of equity or capital we are able to raise via the sale of low-income housing tax credits and grants. Because of the low rents, these types of projects require many layers of subsidy in order to make them feasible.

The decline of our national economy over the past 2 years has had a huge negative impact on the sale of low-income housing taxes. The number of investors has declined and the value of the credits has decreased. This, in turn, has placed more demand on the local sources of gap financing. Affordable rental housing is an economic stimulus. The production and preservation of affordable rental housing creates jobs! These jobs are not just short term construction jobs but also permanent jobs related to the ongoing management and operation of these properties. However, without the continued funding to the rental housing trust fund, the projects that are in the pipeline now will not be able to proceed and new projects will not be able to get off the ground without the knowledge that the gap funding will be available when it is needed.

EAH Housing strongly urges your support of SB 2113 in addition to the continued funding of the rental housing trust fund via its 30% share of the state conveyance tax. Without these funds many Hawaii families will to continue to live without the affordable rental housing they deserve.

Sincerely,

Kevin R. Carney, (PB)
Vice President, Hawaii
EAH Housing
841 Bishop Street, Suite 2208
Honolulu, Hawaii 96813

Phone: 808-523-8826

Webpage: <http://www.eahhousing.org>

February 2, 2010

The Honorable Norman Sakamoto, Chair
Senate Committee on Education and Housing
State Capitol, Room 225
Honolulu, Hawaii 96813

RE: S.B. 2113 Relating to Authorizing the Issuance of General Obligation Bonds and Making an Appropriation for Infusion into the Rental Housing Trust Fund

HEARING: Wednesday, February 3, 2010 at 1:15 p.m.

Aloha Chair Sakamoto, Vice Chair Kidani and Members of the Committee:

I am Craig Hirai, the chair of the Subcommittee on Affordable Housing, here to testify 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. 2113, which authorizes the issuance of general obligation bonds and makes an appropriation for infusion into the Rental Housing Trust Fund

We believe that Smart Growth is our road map to sustaining and enhancing the quality of life in our communities and we believe that this bill aligns with our core principle of providing housing opportunities.

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 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 testify.



STANFORD CARR DEVELOPMENT, LLC

February 1, 2010

Committee on Education and Housing
State Capitol, Conference Room 225
415 South Beretania Street
Honolulu, Hawaii 96813

RE: Testimony Supporting SB2113: Authorizing the Issuance of General Obligation Bonds and Making an Appropriation for Infusion into the Rental Housing Trust Fund.
Hearing date Wednesday, February 3, 2010 at 1:15 PM
via Capitol website: <http://www.capitol.hawaii.gov/emailtestimony/>

Dear Honorable Chair Senator Norman Sakamoto:

We are writing in **SUPPORT** of SB2113 which authorizes the Director of Finance to issue General Obligation Bonds and make an appropriation of such amount into the Rental Housing Trust Fund. The Rental Housing Trust Fund ("RHTF") is an integral financial resource used to develop affordable housing development throughout the state. Funds from RHTF are leverage with the low-income housing tax credit (Section 42 of the Internal Revenue Code) to develop and construct affordable housing projects throughout the state. These developments target housing households earning up to 60% of the Area Median Income and will serve many residents in our community.

Thank you for considering our testimony. Please contact Jesse Wu (808-990-5678) with any questions.

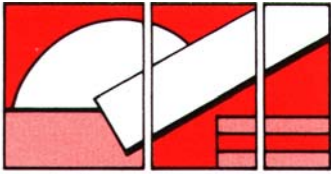
Sincerely,

A handwritten signature in black ink, appearing to read "Stanford S. Carr", written in a cursive style.

Stanford S. Carr, President

A handwritten signature in black ink, appearing to read "Jesse Wu", written in a cursive style.

Jesse Wu, Vice President | Special Projects



PACIFIC HOUSING ASSISTANCE CORPORATION

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**TESTIMONY ON S.B. 2113, AUTHORIZING THE ISSUANCE OF
GENERAL OBLIGATION BONDS AND MAKING AN APPROPRIATION
FOR INFUSION INTO THE RENTAL HOUSING TRUST FUND
Before the Senate Committee on Education and Housing
February 3, 2010, 1:15 pm; CONFERENCE ROOM 225
Submitted By: Marvin Awaya, Executive Director**

The Pacific Housing Assistance Corporation supports the appropriation of tax-exempt General Obligation bonds to the Hawaii Rental Housing Trust Fund. This infusion will be extremely helpful as “gap financing” of projects funded by project revenue bonds and 4% Low Income Housing Tax Credits. Because the bonds are tax exempt they cannot be used for the 9% tax credit allocation but because this type of tax credit is so competitive, the revenue bond/4% tax credit program is being used more often for affordable housing projects.

The Hawaii Rental Housing Trust Fund has been extremely successful in leveraging its funding by providing “gap financing” to produce affordable rental housing through out the State. Without the Rental Housing Trust Fund, it is fair to say that many of the projects occupied today would not have otherwise been produced.