

STAND. COM. REP. NO. 786

Honolulu, Hawaii

March 8, 2011

RE: H.B. No. 960
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 960
entitled:

"A BILL FOR AN ACT RELATING TO LOW-INCOME HOUSING,"

begs leave to report as follows:

The purpose of this bill is to encourage the development of
low-income housing by:

- (1) Providing affordable housing developers with sufficient
equity to finance construction; and
- (2) Decreasing the funding uncertainty inherent in the
current tax syndication system.

To this end, the bill establishes a program for granting low-
income housing tax credit loans administered by the Hawaii Housing
Finance and Development Corporation (HHFDC), in lieu of low-income
housing tax credits, and authorizes the issuance of general
obligation bonds to fund the low-income housing tax credit loans.

HHFDC; the City and County of Honolulu Department of
Community Services; the Roman Catholic Diocese of Honolulu;
Catholic Charities Hawaii; Hawaii Association of REALTORS; Land
Use Research Foundation of Hawaii; Stanford Carr Development, LLC;
Miyabara Associates LLC; Master Sheet Metal, Inc.; and Albert C.
Kobayashi, Inc., submitted testimony in support of this bill. The

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Tax Foundation of Hawaii and Department of Taxation offered comments on this measure.

At the State level, interest in the low-income housing tax credit waned when other more generous credits became available. To reinvigorate the use of these low-income housing tax credits, this measure attempts to provide a state subsidy in the form of a loan program equal to an unspecified amount of the cash value of the credits. However, creating loans based on credits may lead to a situation where many of the smaller developers of low-income housing this bill seeks to assist may find themselves out of business for the next ten years, as the Kuhio Park Terrace housing project will use most of the State's volume-capped low-income housing tax credits during that period. Thus, the loans proposed by this measure will go toward the renovation of Kuhio Park Terrace rather than developing privately held affordable housing. Therefore, as this bill continues in the legislative process, interested stakeholders may wish to consider a move similar to the one at the federal level to provide cash grants given out for the volume capped 9% credits.

Your Committee amended this measure by making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 960, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 960, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



