

# SB2337

Measure Title: RELATING TO LOW-INCOME HOUSING.

Report Title: Low-Income Housing Tax Credit Loan; GO Bonds; Construction Industry Task Force (\$)

Description: Authorizes the issuance and appropriate of general obligation bonds to fund low-income housing tax credit loans.

Companion:

Package: None

Current Referral: HMS, WAM

Introducer(s): KOUCHI (Introduced by request of another party)

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON HUMAN SERVICES  
ON  
SENATE BILL NO. 2337

January 25, 2014

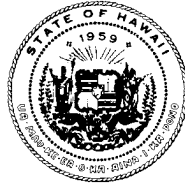
RELATING TO LOW INCOME HOUSING

Senate Bill No. 2337 authorizes the issuance of general obligation bonds and makes an appropriation to fund low-income housing tax credit loans.

The Department has technical comments on this bill. Federal tax law requires, among other things, that tax-exempt general obligation bond proceeds be used to finance projects/programs that serve public purposes. As private entities will derive the benefit from this legislation, tax-exempt general obligation bonds cannot be used for this purpose. The State would need to issue taxable general obligation bonds at a higher cost in order to fund the low-income housing tax credit loans.

In addition, as public funding for this project is not in the proposed Executive Budget, should this bill proceed or pass the Legislature, an amount for the corresponding annual debt service relative to the appropriation (once determined) will need to be included in the Legislature's version of proposed budget.

Thank you for the opportunity to provide our testimony on this bill.



**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
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IN REPLY REFER TO:

Statement of  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**SENATE COMMITTEE ON HUMAN SERVICES**

January 25, 2014 at 10:00 a.m.  
State Capitol, Room 229

In consideration of  
**S.B. 2337**  
**RELATING TO AFFORDABLE HOUSING.**

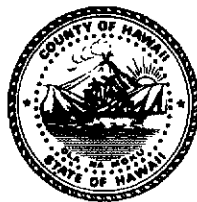
The HHFDC **supports** S.B. 2337, which appropriates an unspecified amount in General Obligation bond funds for the Low Income Housing Tax Credit (LIHTC) Loan program that we administer. We note that the Executive Supplemental Budget request includes \$7,832,000 in General Obligation Bond funds for the LIHTC Loan program.

The LIHTC Loan Program was created in 2011 to support the development and preservation of rental housing for households at or below 60% of the area median income. The LIHTC Loan Program allows LIHTC awardees to return State LIHTC when the market value of State tax credits is below 50 cents on the dollar in exchange for a loan of \$0.50 per dollar of LIHTC returned. This effectively creates a floor for the value of the State LIHTC, and provides more equity for the development of the affordable rental project. The Loan Program is budget-neutral. Any returned tax credits are not reissued. There is no double dipping.

To date, the LIHTC Loan program has awarded \$4,696,870 in LIHTC loans to 3 affordable rental housing projects totaling 187 units on Maui and Oahu. The Loan Program was initially funded by a CIP appropriation of \$7 million in FY 2012. The remainder of the appropriation will lapse on June 30, 2014, so a new appropriation is now needed.

Thank you for the opportunity to testify.

William P. Kenoi  
Mayor



Stephen J. Arnett  
Housing Administrator

Susan K. Akiyama  
Assistant Housing Administrator

## County of Hawai'i

### Office of Housing and Community Development

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January 25, 2012

The Honorable Suzanne Chun Oakland, Chair  
The Honorable Josh Green, M.D., Vice Chair  
and Committee Members  
Committee on Human Services

Twenty-Seventh Legislature  
Regular Session of 2014

**SUBJECT: Senate Bill 2337**  
**Hearing Date: 01/25/2014**  
**Time: 10:00 AM**  
**Conference Room: 229**

The Office of Housing and Community Development (OHCD) **supports** Senate Bill 2337.

The OHCD supports a low-income housing tax credit loan program to allow owners of qualified low-income buildings to receive a no interest loan from the State in lieu of claiming the low-income housing tax credit will provide greater financing opportunities for developers of affordable housing.

The OHCD urges the Legislature to realize the need for the proposed funding that will support the availability of affordable housing development and construction in Hawaii. The OHCD supports the proposed funding in Senate Bill 2337 to address the increasing need of affordable housing.

The OHCD asks that you support affordable housing and support Senate Bill 2442.

Thank you for your careful consideration of the positive impacts of this bill.

  
Stephen J. Arnett  
Housing Administrator

January 25, 2014

**The Honorable Suzanne Chun Oakland, Chair**

Senate Committee on Human Services  
State Capitol, Room 229  
Honolulu, Hawaii 96813

**RE: S.B. 2337, Relating to Low-Income Housing**

**HEARING: Saturday, January 25, 2014, @ 10:00 a.m.**

Aloha Chair Chun Oakland, Vice Chair Green, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,300 members. HAR **supports** S.B. 2337, which authorizes the issuance and appropriation of GO bonds to fund low-income housing tax credit loans.

The Low Income Housing Tax Credit (LIHTC) will continue to support the development and preservation of rental housing for households at or below 60% of the area median income by providing equity for the development of the affordable rental project.

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 has and will continue to support initiatives that help increase the supply of low and moderate income affordable housing in Hawaii.

Mahalo for the opportunity to testify.

**TESTIMONY ON SB 2542 RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND, SB 2267 RELATING TO HOUSING, SB 2442 RELATING TO AFFORDABLE HOUSING, SB 2266 RELATING TO HOUSING, SB 2265 RELATING TO HOUSING, SB 2545 RELATING TO UNIVERSAL CHILDREN'S SAVING ACCOUNTS, SB 2544 RELATING TO THE HAWAII PUBLIC HOUSING AUTHORITY'S ADMINISTRATION OF THE FEDERAL HOUSING CHOICE VOUCHER PROGRAM, SB 2534 RELATING TO HOMELESSNESS, SB 2337 RELATING TO LOW-INCOME HOUSING, SB 2395 RELATING TO HOMELESS, AND SB 2286 RELATING TO HOMELESSNESS BEFORE THE SENATE COMMITTEE ON HUMAN SERVICES**

January 25, 2014

10:00 AM

Conference Rm. 229

Aloha Chair Chun Oakland, Vice-Chair Green, and members of the Senate Committee on Human Services, **my name is Stephen Morse. I am the Executive Director of Blueprint for Change (BFC) and am here today to support Senate Bills 2542, 2267, 2442, 2266, 2265, 2545, 2544, 2534, 2337, 2395, and 2286, all of which are part of the Housing and Homeless Legislative Package.**

Members, for the record, BFC is the fiscal, technical, and administrative support entity for five Neighborhood Place centers statewide that provide support and strengthening services to families at risk of child abuse and neglect under a POS contract with the Department of Human Services. Our Neighborhood Place programs are unique among CAN prevention programs for two reasons: (1) they are community-based and are located in communities where families are at high risk of child abuse and neglect; and (2) they are the only programs where children and families at risk of child abuse and neglect can get services without a referral or appointment and by simply knocking on the door.

We find that one of the biggest risk factors for child neglect in the families we serve is that they are homeless, homeless-at-risk, or living in unstable, overcrowded living conditions. In many cases, these families are also mired in other socioeconomic problems, such as unemployment and low incomes, substance abuse, and chronic health problems, but studies show that the key to helping these families break the cycle of poverty starts with providing them stable housing. Without stable housing, these families live transient lifestyles that make it hard for them to focus on problem-solving. It also makes it extremely difficult for prevention/diversion programs such as our Neighborhood Places to help provide the sustained, support services these families need to break the cycle, because they are always on the move.

If we are going to break the cycle and prevent the generational neglect of children within these families, we need to support housing programs and the development of low-income and affordable housing such as those proposed in the Senate Bills that are before this Committee today.

Aloha and Mahalo for allowing us the opportunity to testify this afternoon.