

Testimony to the Senate Committee on Ways and Means
March 29, 2016
State Capital – Conference Room 211

Re: House Bill No. 2744, HD1, SD1 - Relating to Housing

Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
Senate Committee on Ways and Means

Stanford Carr Development, LLC (SCD) strongly supports House Bill No. 2744, HD1, SD1, which bases the amount of the state low-income housing tax credit (LIHTC) on whether or not a building is financed by tax-exempt bonds and increases funding for affordable rental housing development by making the state LIHTC more valuable by reducing the term over which the state LIHTC may be taken from ten to five years. The proposed reduction in term will increase the value of such credits and reduce the amount of debt financing required to construct much needed affordable rental housing.

This bill will expand Hawaii's LIHTC program, the most effective tool in the production and preservation of affordable rental housing. Established as part of the Tax Reform Act of 1986, the LIHTC program provides tax incentives to encourage investment in the development, acquisition and rehabilitation of affordable rental housing serving households earning 60% of the Area Medium Income (AMI) and below. The tax credit is most often sold to qualified investors in exchange for an equity investment in a project. H.B. No. 2744, HD1, SD1 will incentivize the purchase of state LIHTC's and provide greater equity to aid in the financing of affordable rental housing projects.

SCD employed the use of LIHTC's to help finance the construction of Halekauwila Place, an affordable rental housing project located in the heart of Kakaako. Comprised of 204 units, Halekauwila Place provides rental housing to those families earning 60% AMI and below. This equates to monthly rent of \$1,294 for a two-bedroom unit. Had H.B. 2744 been enacted at the time of Halekauwila Place's construction, less mortgage debt would have been required to finance the project and perhaps more units could have been built.

In closing, enactment of H.B. No. 2744 will help facilitate the production of more affordable rental housing by reducing the amount of gap financing required to construct a project. In turn, this will permit owners to charge lower rents to Hawaii's workforce residents.

Thank you for the opportunity to present testimony regarding this important matter.

From: mailinglist@capitol.hawaii.gov
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Cc: tabraham08@gmail.com
Subject: *Submitted testimony for HB2744 on Mar 30, 2016 09:00AM*
Date: Tuesday, March 29, 2016 5:21:02 PM

HB2744

Submitted on: 3/29/2016

Testimony for WAM on Mar 30, 2016 09:00AM in Conference Room 211

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Troy Abraham | Individual | Support | No |

Comments:

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