

SB2566

Measure Title: RELATING TO HOUSING.
Report Title: Rental Housing Revolving Fund; Transfers
Description: Transfers excess moneys from the dwelling unit revolving fund and rental assistance revolving fund to the rental housing revolving fund.
Companion:
Package: None
Current Referral: HOU, WAM
Introducer(s): TOKUDA, DELA CRUZ, ENGLISH, GALUTERIA, INOUYE, KOUCHI, NISHIHARA, Baker, Kidani



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

SENATE COMMITTEE ON HOUSING

February 11, 2016 at 3:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 2566
RELATING TO HOUSING.

The HHFDC **opposes Section 2** of S.B. 2566, which would transfer \$20 million from the Dwelling Unit Revolving Fund (DURF) into the Rental Housing Revolving Fund (RHRF). However, we **support the intent of Section 3**, which would transfer \$9.5 million from the Rental Assistance Revolving Fund (RARF) into the RHRF.

This measure is contrary to the Executive Supplemental Budget request, which includes \$75 million in General Obligation bond funds for infusion into the RHRF, and \$25 million in General Obligation bond funds for infusion into the DURF for on-site and off-site infrastructure improvements. These requested infusions will facilitate the development of at least 1,400 affordable homes.

The RARF was established in 1987 to provide shallow project-based rental assistance subsidies for eligible households with incomes not exceeding 80 percent of the HUD area median income. RARF was amended in 1992 to provide interim construction financing for rental projects. Up to \$9.5 million from RARF may be used for interim construction financing. The RARF has provided construction loans totaling approximately \$44,848,965 million for 10 rental housing projects consisting of 846 units. RARF loan activity has decreased over time with developers opting for more flexible loans from the RHRF. As such, the transfer of \$9.5 million from RARF to the RHRF would enable the HHFDC to continue to finance rental housing for lower income households.

Please note that RARF continues to provide project-based rental assistance payments to 13 projects throughout the State. The Legislative Auditor, in the December 2014 report (Report No. 14-13), found that "[RARF's] rental subsidy program is not self-sustaining and will require additional funding in future years." If this bill is passed, an appropriation will be required to help sustain the project-based rental assistance payment commitments in future years.

Thank you for the opportunity to testify.