STANFORD CARR DEVELOPMENT, LLC

# LATE TESTIMONY

March 16, 2017

Hawaii State Senate
Committee on Housing
Senator Will Espero, Chair
Senator Breen Harimoto, Vice Chair

415 South Beretania Street
Honolulu, Hawaii 96813

RE: H.B. No. 488, H.D. 2 Related to Housing

Honorable Chair Espero, Vice Chair Harimoto and members of the Committee:

Stanford Carr Development, LLC submits this testimony in strong support of H.B. No. 488, H.D. 2 which authorizes the issuance of general obligation bonds for rental housing, mixed-use affordable rental housing, a multi-use juvenile services and shelter center, and public housing as well as appropriates funds for public housing security improvements, renovation, and repairs. As a private developer of affordable rental housing, SCD firmly backs the issuance of general obligations bonds for deposit into the Rental Housing Revolving Fund (RHRF).

As we are all too aware, Hawaii is in the midst of a housing crisis and urgently needs to produce additional rental housing units particularly for those cost-burdened local families earning 80 percent of the area median income (AMI) and below. As a private developer of workforce rental housing serving households earning at or below 60 percent AMI, we rely heavily on governmental subsidies to help finance a project's construction. In concert with other sources of financing available through the Hawaii Housing Finance Development Corporation (HHFDC), the RHRF is an essential tool for the creation of affordable rental housing.

When it created the RHTF (now referred to as the RHRF), the State Legislature understood that workforce housing units could only be developed if a source of monies was made available to provide "equity gap" low-interest loans or grants to qualified owners and developers. Since inception, the RHRF has helped financed the development of 78 affordable rental projects comprising a total of 6,232 units statewide. Although the RHRF is available to help subsidize development costs, the amount of funds available for project commitments is not sufficient to meet current demand levels. By authorizing the issuance of general obligation bonds to augment RHRF monies, developers such as ourselves can take advantage of the historically low interest rates and produce rental housing for Hawaii's workforce and lower income groups.

Developers of affordable workforce rental housing employ the use of HHFDC's 4 percent non-competitive low income housing tax credit (LIHTC) and tax exempt private activity bonds. Unlike 9 percent competitive LIHTCs, there is no ceiling or limit on the amount of 4 percent tax credits using tax-exempt bonds available to developers. Furthermore, the proceeds from the sale of 4 percent LIHTC and "new money" tax exempt bonds brings an influx of private investment dollars into the state that would otherwise be absent. However, the money secured through these sources falls short of the total dollars required to cover a project's development cost. Each rental unit requires between $100-125K in additional subsidies to be financially feasible. The RHRF plays a crucial role in providing the "gap equity" necessary to complete the capital stack to finance the construction of such affordable housing.

As a testament to the effectiveness of utilizing 4 percent non-volume cap LIHTC and private activity tax-exempt bonds, we were able to construct Halekauwila Place, a 204-unit apartment high rise comprised of studios, one, two, and three-bedroom units reserved for families earning at or below 60 percent AMI or below. That equates to a family of four earning approximately $60,000 a year paying $1,357 a month for a two-bedroom unit. In short, one-hundred percent of Halekauwila Place's residents represent 80% of Honolulu's workforce including hospitality workers, teachers, and police officers.

In addition, we are currently developing Hale Kewalo, a workforce rental apartment building with 128-units including one, two, and three-bedrooms reaching deeper affordability with units reserved for families earning at or below 30 percent of the AMI. Like Halekauwila Place, the project is using 4 percent LIHTC's coupled with tax-exempt private activity bonds as well as monies from the RHRF. Again, such a project would not be feasible without the use of the RHRF.

In closing, we at Stanford Carr Development commend the legislature in their efforts to facilitate the development of sorely needed affordable rental housing and appreciate the opportunity to provide testimony in full support of the aforementioned bill authorizing the issuance of general obligation bonds to augment the Rental Housing Revolving Fund. Although not a cure-all for Hawaii's housing crisis, passage of H.B. No. 448 would increase the amount of RHRF monies available for the construction of additional workforce rental housing and greatly help alleviate Hawaii's current housing predicament.

Sincerely,
STANFORD CARR DEVELOPMENT, LLC

Stanford S. Carr