



## 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

### HOUSE COMMITTEE ON HOUSING

April 13, 2017 at 10:50 a.m.  
State Capitol, Room 423

In consideration of  
**S.C.R. 143**

**URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
TO WORK WITH HOUSING STAKEHOLDERS AND OTHER STATE AND COUNTY  
AGENCIES TO EVALUATE AND UPDATE THE RENTAL HOUSING REVOLVING  
FUND PROGRAM'S POLICIES AND PROCEDURES AND REINSTATE THE  
PREDEVELOPMENT LOAN PROGRAM.**

HHFDC appreciates and *supports the intent* of SCR 143, and the opportunity to apprise the Committee of the steps which have been taken to improve the effectiveness of the Rental Housing Revolving Fund (RHRF).

The Office of the Governor collaborated with housing stakeholders to develop a housing strategy to address the overall major housing needs. The HHFDC Board consequently established a Loan Subcommittee to investigate and recommend policies and parameters for making loans from the RHRF. The Loan Subcommittee reviewed various factors, including the intent of the RHRF, program requirements, terms and status of existing loans, funding rounds, and anticipated funding gaps. Findings and recommendations, and additional information, are summarized below.

1. The RHRF is an effective financing tool for the development/preservation of affordable rental housing.
  - As of December 31, 2016, loans for 73 projects totaling approximately \$365 million were made to support 5,880 rental units.

- As of February 28, 2017, the available RHRF cash balance is approximately \$2.6 million. With expected revenues from the conveyance tax and legislative appropriations for FY2016 and 2017, approximately \$125.5 million is projected to be available to make loans.
  - Projected loan requests total approximately \$334 million. This includes approximately \$181.5 million in pending FY 2017 applications.
2. Financing awards must be expedited and balanced with the responsible stewardship of the RHRF.
    - Given the substantial need for affordable rental housing and faced with rising construction costs, RHRF funds should be deployed expeditiously to increase the rental housing supply.
    - The RHRF is classified as a Revolving Fund and must meet the statutory criteria for revolving funds which are set forth in §37-52.4, Hawaii Revised Statutes (HRS); such as, demonstrates the capacity to be financially self-sustaining. Moreover, HHFDC has a statutory obligation to underwrite loans to protect the RHRF from inordinate risk pursuant to §201H-202(h), HRS.
    - To safeguard the RHRF, HHFDC staff shall continue to (1) monitor loans for compliance and (2) underwrite loan requests that evidence repayment of principal and interest. However, understanding that the purpose of the RHRF is to provide equity gap financing for the development of affordable rental housing, the RHRF loan should continue to be a loan of last resort with favorable terms.
  3. Consider an abbreviated application for projects that were previously awarded RHRF but may require additional funding due to downward pricing of LIHTC or increases in interest rates.
  4. Increase annual funding rounds from 2 to 3, if funds are available.

The Consolidated Application was revised to make it easier to complete, reduce errors, and minimize the need for staff to go back-and-forth with developers to clarify proposals. By shaving time off the review and award process, an additional funding round could be held, subject to the availability of funds.

HHFDC will continue to evaluate and update, as necessary, its RHRF financing policies and procedures. We will continue to work with housing stakeholders including the Act 127, Special Action Team, non-profit and for-profit developers, and federal, state and county agencies.

Thank you for the opportunity to testify.

## HSGtestimony

**LATE**

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, April 13, 2017 6:24 AM  
**To:** HSGtestimony  
**Cc:** darakawa@lurf.org  
**Subject:** Submitted testimony for SCR143 on Apr 13, 2017 10:50AM

**Categories:** Green Category

### SCR143

Submitted on: 4/13/2017

Testimony for HSG on Apr 13, 2017 10:50AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
David Z. Arakawa	Land Use Research Foundation of Hawaii	Support	No

Comments: The Land Use Research Foundation of Hawaii SUPPORTS the intent of SCR 143; commends HHFDC for its continuing to work cooperatively and in collaboration with all housing stakeholders and other government agencies to address Hawaii's affordable housing challenges and for its proven ability to facilitate the delivery affordable housing projects. LURF respectfully offers the following AMENDMENTS to SCR 143: BE IT RESOLVED by the Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017, the House of Representatives concurring, that the Hawaii Housing Finance and Development Corporation is commended for working in cooperation and collaboration with all housing stakeholders and other government agencies to address Hawaii's affordable housing challenges and for its proven ability to facilitate the delivery affordable housing projects. BE IT FURTHER RESOLVED that the Hawaii Housing Finance and Development corporation is urged to continue to work with housing stakeholders and other state and county agencies to evaluate and update its policies and procedures with respect to its administration of the rental housing revolving fund program... LURF appreciates the opportunity to submit testimony in support of SCR 143, and urges your favorable consideration of the PROPOSED AMENDMENTS.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, April 12, 2017 12:13 PM  
**To:** HSGtestimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for SCR143 on Apr 13, 2017 10:50AM\*

**SCR143**

Submitted on: 4/12/2017

Testimony for HSG on Apr 13, 2017 10:50AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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