



STANFORD CARR DEVELOPMENT, LLC

LATE TESTIMONY

January 31, 2017

Hawaii State Senate
Committee on Housing
Senator Will Espero, Chair
Senator Breene Harimoto, Vice Chair
State Capital
415 South Beretania Street
Honolulu, Hawaii 96813

RE: S.B. No. 255, Real Estate Conveyance Tax; Rate; Disposition
S.B. No. 581, Conveyance Tax; Rental Housing Revolving Fund; Disposition

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

My name is Christopher Oakes and I am here today on behalf of Stanford Carr Development to voice our strong support of SB 255 and SB 581. We support an increase in the percentage of the conveyance tax allocated to the RHRF as well as the removal of the \$38 million cap on the conveyance tax support of the RHRF.

Plain and simple... passage of SB 255 and SB 581 will result in the development of much needed workforce housing for the families of Hawaii.

Each and every day, countless families throughout our beautiful state are forced to deal with the grim reality that there are not enough opportunities to rent quality affordable housing. To address such a shortage, developers look to the tools on offer through the Hawaii Housing Finance and Development Corporation to facilitate the construction of such rental housing

Two of the most important financing tools employed by developers of affordable workforce rental housing are the 4 percent non-competitive low income housing tax credit (LIHTC) and tax exempt private activity bonds. 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. One such tool is the Rental Housing Revolving Fund.

When it created the RHTF (now referred to as the RHRF), the State Legislature understood the need for a source of monies to provide "equity gap" low-interest loans or grants to qualified owners and developers constructing workforce housing units. Although the RHRF is available to subsidize development costs, the level of available funds for project commitments is not sufficient to meet current demand levels. By increasing the amount of monies currently available, developers such as ourselves can take advantage of the historically low interest rates we may never again witness.

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 of the area median income (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. Furthermore, the development of Halekauwila Place resulted in private investment monies to the tune of \$50 million.

In addition, we are currently developing Hale Kewalo, a 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 with units for as low as \$565 a month. The project is using 4 percent LIHTC's coupled with tax exempt private activities as well as monies from the RIIRF. Such a project would not be feasible without the use of the RIIRF.

In closing, we at Stanford Carr Development appreciate the opportunity to provide testimony in full support of the aforementioned bills to increase monies allocated to the RIIRF. Although not a panacea for Hawaii's housing crisis, passage of SB 255 and SB 581 would greatly augment one of HHFDC's essential tools for the construction and development of additional workforce rental housing units. Such an increase will go a long way to help alleviate Hawaii's current housing crisis by providing much needed workforce rental housing for those families who are in sore need of a place to call home.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a long horizontal line that tapers to the right.

Christopher Oakes, Project Manager
Stanford Carr Development, LLC