

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
INTERIM EXECUTIVE DIRECTOR

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
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

January 30, 2020 at 9:45 a.m.
State Capitol, Room 423

In consideration of
H.B. 2262
RELATING TO AFFORDABLE HOUSING.

HHFDC opposes H.B. 2262, which would mandate that HHFDC use the Rental Housing Revolving Fund or the Dwelling Unit Revolving fund to reimburse all predevelopment costs for affordable rental housing projects that are certified or approved for exemption from General Excise Taxes under section 201H-36. Predevelopment costs as defined in the bill include an array of costs from drafting plans and specifications to property taxes, costs for security services, and the costs of environmental review and various consultant fees.

Predevelopment or soft costs generally represent 20 percent of a project budget. For a typical \$50,000,000 rental project, that 20 percent equals \$10,000,000 that would be paid to a developer and not recouped by the Rental Housing Revolving Fund or the Dwelling Unit Revolving Fund. Presently, recognized eligible costs incurred prior to the financing closing of a project can be recovered after closing as part of the project loan.

The HHFDC generally uses the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund for loans that are repaid, because to continue to meet the definition of revolving funds, funds must eventually return back to them. The reimbursement proposed in this bill would deplete these fund balances without revolving.

Thank you for the opportunity to testify.



January 29, 2020

To: **Rep. Tom Brower, Chair**
Rep. Scot Matayoshi, Vice Chair & Members of the
Committee on Housing

From: **Kali Watson**
Executive Director
Hawaiian Community Development Board
Honolulu, Hawaii 96813

Re: **Hearing on HBs 2261, 2262, 2263, 2447, 2448, 2449 Relating to Affordable**
Housing Development
January 30, 2020 at 9:45 am
Conference Room 423, State Capitol

President
Richard Soo

Secretary/Treasurer
Jackie Burke

Board Members
Linda Ahue
Duane Hewlen
Puni Kekauoha
Alfred "Bobby" Willing
Helen O'Connor

President/CEO
Kali Watson

Senior VP
Patti Barbee

TESTIMONY IN SUPPORT

Dear Chairperson Brower & Vice Chair Matayoshi of the Housing Committee, and Members:

Thank you for the opportunity to provide testimony in support to HBs **2261, 2262, 2263, 2447, 2448, 2449** relating to affordable housing development. These bills would all address various hurdles to the process of developing affordable housing for the people of Hawaii.

House Bill 2261 makes permanent the low-income housing tax credit program administered by the Hawaii Housing Finance and Development Corporation and removes the 5-year limitation on claiming the tax credit.

House Bill 2262 authorizes the Hawaii Housing Finance and Development Corporation to reimburse any qualified person or firm for any predevelopment costs of certain affordable rental housing projects. Includes reimbursement for predevelopment costs for certain affordable rental housing projects among the permissible uses of Dwelling Unit Revolving Fund and Rental Housing Revolving Fund moneys.

House Bill 2263 authorizes expenditures from the dwelling unit revolving fund for pre-development fees associated with affordable housing development.

House Bill 2447 temporarily exempts affordable housing projects from all state fees related to discretionary approval or ministerial permitting. Sunsets on January 1, 2032.

House Bill 2448 provides that an exemption from the general excise tax established by section 201H-36, Hawaii Revised Statutes, that has been approved by the Hawaii Housing Finance and Development Corporation shall be provided once the qualified person or firm has received approval for project funding and begun to spend money on the project.

House Bill 2449 requires that when developers make cash payments in lieu of providing the required reserved housing units in the development of residential projects for the Hawaii Community Development Authority, the cash payments shall be deposited into the rental housing revolving fund.

As a nonprofit developer it is pretty clear that it takes significant time and money to obtain the necessary entitlement and then develop such projects. These bills which makes a key funding source permanent, provides reimbursement of predevelopment costs, expands the use of a funding source (DURF), reduces the costs of permitting fees, quickens the timing access to GET exemption, and creates an additional funding source to the gap funding for developers from the cash payments to HCDA, all help make affordable housing more possible. Most importantly, the end users, people needing affordable housing, are the true beneficiaries.

Hawaiian Community Development Board is a nonprofit developer focusing primarily on beneficiaries of the Hawaiian Homes Commission Act of 1921, but also works with non-beneficiaries.

I urge you to please pass these measures, HBs **2261, 2262, 2263, 2447, 2448, 2449.**

Pupuka I Holomua,

A handwritten signature in black ink that reads "Kali Watson". The signature is written in a cursive, flowing style.

Kali Watson
President/CEO
Hawaiian Community
Development Board (HCDB)

January 29, 2020

Honorable Tom Brower, Chair
Honorable Scot Matayoshi, Vice Chair
House Committee on Housing
415 South Beretania Street Room 438
State Capitol
Honolulu, HI 96813

LATE

RE: HB2262
Hearing of January 30, 2020 Testimony in Support
Relating to Affordable Housing

Chair Brower, Vice Chair Matayoshi and Committee Members,

Thank you for the opportunity to testify in **support** of this important measure. In order to address Hawai'i's affordable housing shortage, drastic actions must be taken. The Joint Economic Package of bills made it clear that affordable housing is one of the State's priorities. According to the 2018 affordable rental housing report and ten-year plan, Hawai'i will need an additional 64,693 housing units by 2025 with nearly seventy percent of those units designated as low-income households. This bill will incentivize developers to construct affordable housing within the state and therefore address the affordable housing crisis.

Sincerely,

Bert Kobayashi
Senior Advisor
Kobayashi Group, LLC.

LATE

HB-2262

Submitted on: 1/30/2020 8:35:30 AM

Testimony for HSG on 1/30/2020 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elton Wong	Individual	Support	No

Comments:

TO: The Honorable Tom Brower, Chair
House Committee on Housing

FROM: Elton Wong
Kobayashi Group, LLC

SUBJECT: HEARING OF JANUARY 30, 2020; TESTIMONY IN SUPPORT OF HB ---
RELATING TO AFFORDABLE HOUSING

Thank you for the opportunity to testify in support of this important measure. In order to address Hawai'i's affordable housing shortage, drastic actions must be taken. The Joint Economic Package of bills made it clear that affordable housing is one of the State's priorities. According to the 2018 affordable rental housing report and ten-year plan, Hawai'i will need an additional 64,693 housing units by 2025 with nearly seventy percent of those units designated as low-income households. This bill will incentivize developers to construct affordable housing within the state and therefore address the affordable housing crisis.

January 30, 2020

Honorable Tom Brower, Chair
Honorable Scot Matayoshi, Vice Chair
House Committee on Housing
415 South Beretania Street Room 438
State Capitol
Honolulu, HI 96813

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RE: HB2262
Hearing of January 30, 2020 Testimony in Support
Relating to Affordable Housing

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Sincerely,


Paul McElroy
Vice President
Development & Construction
Kobayashi Group, LLC

January 30, 2020

Honorable Tom Brower, Chair
Honorable Scot Matayoshi, Vice Chair
House Committee on Housing
415 South Beretania Street Room 438
State Capitol
Honolulu, HI 96813

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RE: **HB2262**
Hearing of January 30,2020 Testimony in Support
Relating to Affordable Housing

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Sincerely,



Alana Kobayashi Pakkala
Chief Operating Officer
Kobayashi Group, LLC.