



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 7, 2019 at 1:20 p.m.
State Capitol, Room 225

In consideration of
S.B. 1508
RELATING TO RENT TO BUILD EQUITY.

The HHFDC opposes S.B. 1508. This bill would require affordable rental housing developers using HHFDC's development tools – 201H expedited approvals, and the General Excise Tax exemption program – to set aside 20 percent of the sales price of a housing project for tenants on a pro rata share basis determined by tenants' tenure in the project.

Affordable rental housing financing relies upon a combination of government assistance programs because the revenue stream from affordable rents only supports the debt service on about 20 percent of the total development cost. HHFDC's financing and development tools are critical incentives to develop or acquire and rehabilitate existing housing for use as affordable rentals. Developers enter into regulatory agreements which impose affordability and other restrictions. During the term of the agreement (on average, 60 years), developers charge affordable rents which enable tenants to not only live in safe, quality and affordable homes, but to save for their futures.

This bill's requirement that project owners share 20 percent of the project sales price with tenants would be untenable. It would halt new affordable rental housing developments despite the pressing need for more units and runs contrary to the recommendations of the Special Action Team on Affordable Rental Housing.

Thank you for the opportunity to testify.