

DAVID Y. IGE  
GOVERNOR



DENISE ISERI-MATSUBARA  
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

February 8, 2022 at 9:30 a.m.  
State Capitol, Room 423

In consideration of  
**H.B. 1829**  
**RELATING TO BONDS.**

HHFDC strongly supports H.B. 1829 with amendments. This bill would statutorily establish an allocation of bond ceiling for housing projects. This bill is critical in order to continue financing the production of affordable rental housing projects in the state.

The majority of rental housing projects in the state are financed by HHFDC's Low Income Housing Tax Credit (LIHTC) program. HHFDC is the only agency authorized to issue LIHTCs in the state of Hawaii. HHFDC awards LIHTCs to developers to facilitate the construction and rehabilitation of affordable rentals. The 4% LIHTC credit must be used in conjunction with tax-exempt private activity bonds (PAB) under the Internal Revenue Code.

The bond cap is set by the federal government. The 2021 bond cap for the state was approximately \$325 million. The state retains 50% of this bond cap while the remaining 50% is allocated amongst the counties. There currently is no specific allocation to support the development of affordable housing. Housing and HHFDC is only able to receive bond cap after each county and the state determines there is unused bond cap at the end of the year or the beginning of the following year.

The bond cap has seriously limited our ability to make further financing awards during the financing cycle last year. Last year, we received over half a billion dollars' worth of requests for bonds that would have financed nearly 2,700 units. Because of the constraints, we were only able to make awards up to \$151 million for 750 units. The demand for bonds was so great, it exceeded the available bond cap by a ratio of 4 to 1.

This measure allows for the state portion of the bond ceiling to be used entirely for housing related project and makes it easier for the counties to assign their allocation back to the State.

Allocating PAB bonds to housing is the only use that can leverage another huge federal subsidy – the 4% Low-income housing tax credits.

A reasonable example is that in a typical affordable rental housing financing, the tax-exempt private activity bonds might fund about 55% of total development cost, with tax credit equity and other sources providing the balance.

This suggests that \$55 million of private activity bond volume might be associated with roughly \$100 million of affordable rental housing. If the 4% LIHTC can be syndicated for, say, 35% – 40% of total development cost, then the expiration of \$55 million of bond volume might be associated with the loss of roughly \$35 or \$40 million of the federal 4% LIHTC subsidy for rental housing in the state.

To say the same thing a different way, for every dollar of private activity bond volume which is used for any other purpose, a potential additional federal housing subsidy equal to 65 to 70% of that dollar amount of private activity cap is lost.

HHFDC suggests an **amendment** to specify the allocation be made to HHFDC instead of for “housing related projects,” which is used throughout the bill.

When these PAB are allocated to other uses, the state loses out on the federal subsidies that are tied to housing.

Thank you for the opportunity to testify on this measure.

**LATE**

**HB-1829**

Submitted on: 2/7/2022 10:54:14 AM

Testimony for HSG on 2/8/2022 9:30:00 AM

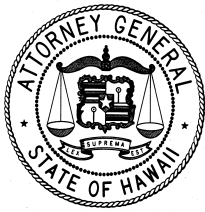
<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Christopher Oakes	Hawaii Housing Finance & Development Corporation	Support	Yes

Comments:

Aloha All,

I'm available for comments.

Much Mahalo.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTY-FIRST LEGISLATURE, 2022**

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**ON THE FOLLOWING MEASURE:**  
H.B. NO. 1829, RELATING TO BONDS.

**BEFORE THE:**  
HOUSE COMMITTEE ON HOUSING

**DATE:** Tuesday, February 8, 2022      **TIME:** 9:30 a.m.

**LOCATION:** State Capitol, Room 423, Via Videoconference

**TESTIFIER(S):** Holly T. Shikada, Attorney General, or  
Randall S. Nishiyama, Deputy Attorney General

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Chair Nakamura and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

One of the purposes of this bill is to limit, for the period July 1, 2022 to December 31, 2027, the entire amount of the State's allocation of the private activity bond (PAB) cap to be used exclusively for housing related projects.

PABs are tax-exempt bonds issued by or on behalf of the State or local government for the purpose of providing financing benefits for qualified projects of a private user. 26 U.S.C. section 141. For example, such PABs may include financing for industrial enterprises, manufacturing enterprises, and utilities.

The PAB cap is "the principal amount of private activity bonds which may be issued in each calendar year by all issuers and counties in the State under the Internal Revenue Code of 1986, as the same may be amended." Section 39B-1, Hawaii Revised Statutes.

While the Internal Revenue Code permits the State to amend the allocation of the State's PAB cap and to specify its uses, we note that the bill's five-year restriction that the PABs be used exclusively by the State and none for the counties for housing related projects would prevent the issuance of PABs previously authorized, but not yet issued, for PAB projects that require some allocation of the PAB cap, such as projects to assist industrial enterprises, manufacturing enterprises, and utilities.

To permit the issuance of PABs previously authorized but unissued for PAB projects, we suggest that the five-year limitation for the entire allocation of the State's PAB cap to be used exclusively for housing purposes be deleted. This action will allow previously authorized but unissued PABs to be issued during the July 1, 2022 to December 31, 2027 period.

Thank you for the opportunity to present this testimony.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY CRAIG K. HIRAI**  
**DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE**  
**TO THE HOUSE COMMITTEE ON HOUSING**  
**ON**  
**HOUSE BILL NO. 1829**

**February 8, 2022**  
**9:30 A.M.**  
**Via Videoconference**

**RELATING TO BONDS.**

The Department of Budget and Finance (the "Department") offers the following concerns on House Bill No. 1829 which (1) specifies that for five years, the entire allocation of the state bond ceiling shall be allocated to the State to be used entirely for housing related projects; (2) removes authorization for counties or issuers to request additional allocations of the state bond ceiling; (3) requires counties or issuers that retain their allocation to submit quarterly reports on the status or use of any allocation; (4) requires a project to first apply in the county in which the project is located, if the county has a private activity bond issuance program, before applying to the State; and (5) for five years, change the dates for reverted or remaining allocations and require certain reverted or remaining allocations to be used for housing related projects.

This bill will prohibit the issuance of non-housing related Special Purpose Revenue Bonds (SPRB) by the Department that have been authorized and unissued and are subject to State's Volume Cap Ceiling for the next five years. As of July 1, 2021, \$1,515,200,000 in non-housing SPRB has been authorized and unissued and is subject to the State's Volume Cap Ceiling.

The amendment in Section 39B-2 nullifies Section 39(B)-4 as the counties will not be allocated a percentage of the state bond ceiling.

The Department recommends that the reporting requirement be revised to include information on carry forward PAB allocations and consider an amendment to the proposed Section 39B-2(d) (deleted language striked through; new language underlined):

~~(d) A county or any issuer that does not assign all or any part its portion of the allocation of the annual state ceiling to the State pursuant to subsection (d) during a calendar year shall submit a quarterly report to the department on the status or use of that portion of the allocation.~~

A county or any issuer shall submit a quarterly report to the department on the status or use of its portion of the allocation of the annual state ceiling, including any carryforward allocation, that has not been applied to an issuance of a qualified private bond, as evidenced by a certificate of the issuer or the director of finance of a county, as applicable.

The proposed changes to Section 39B-2(e) is unclear as to the intent, specifically as to applying to the State for the state allocation.

In conclusion, this bill takes away the flexibility of the State and its ability to help ensure that private activity bond cap is not wasted. The Department notes that 96.8 percent, or \$2.964 billion out of \$3.063 billion, of allocations to issuers made by the State in the past 12 years have gone to HHFDC and have been used for housing related purposes.

Thank you for your consideration of our concerns.

Council Chair  
Alice L. Lee

Vice-Chair  
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore  
Tasha Kama

Councilmembers  
Gabe Johnson  
Kelly Takaya King  
Michael J. Molina  
Tamara Paltin  
Shane M. Sinenci  
Yuki Lei K. Sugimura



Director of Council Services  
Traci N. T. Fujita, Esq.

Deputy Director of Council Services  
David M. Raatz, Jr., Esq.

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

February 5, 2022

TO: Honorable Nadine K. Nakamura, Chair  
House Committee on Housing

FROM: Alice L. Lee  
Council Chair

DATE: February 5, 2022

SUBJECT: **HB 1829, RELATING TO BONDS**

Thank you for the opportunity to testify in **OPPOSITION** to this measure. The purpose of this measure is to impose on the counties an array of requirements relating to allocations from the State bond ceiling.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **OPPOSE** this measure for the following reasons:

1. The measure imposes on the counties an array of requirements relating to allocations from the State bond ceiling.
2. This measure removes the ability for a county to request additional allocations of the annual State ceiling if needed.
3. This measure unfairly imposes burdensome report requirements that put a county's allocation at risk of being reverted back to the State.

For the foregoing reasons, I **OPPOSE** this measure.

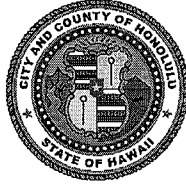
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DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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RICK BLANGIARDI  
MAYOR



DEAN UCHIDA  
DIRECTOR  
DAWN TAKEUCHI APUNA  
DEPUTY DIRECTOR  
EUGENE H. TAKAHASHI  
DEPUTY DIRECTOR

February 8, 2022

The Honorable Nadine K. Nakamura, Chair  
and Members of the Committee on Housing  
Hawaii House of Representatives  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Nakamura and Committee Members:

**Subject: House Bill No. 1829  
Relating to Bonds**

The Department of Planning and Permitting **opposes** House Bill No. 1829, which would specify that the entire allocation of the state bond ceiling shall go to the State to be used for housing-related projects.

We strongly support the need to dedicate the State's bond allocation ceiling to qualified housing projects. However, removing the county's ability to tap into this vital source of funding for five years runs counter to the Blangiardi administration's effort to encourage developers to provide much-needed affordable housing.

The City's Private Activity Bond Administrative Rules were adopted on January 24, 2022. We are in the process of building capacity within the Department of Planning and Permitting to analyze and process applications for projects eligible for Private Activity Bond allocation. Because we lack the capacity to process these applications, we allowed the State (HHFDC) to use our allocation for 2021. We anticipate being able to process applications well within the five-year restricted period stated in this Bill, which, as drafted, would have a negative impact on the City's affordable housing program.

For these reasons, we ask that House Bill No. 1829 be held in Committee.

Thank you for this opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "D. Uchida".

Dean Uchida  
Director



## CATHOLIC CHARITIES HAWAI'I

### TESTIMONY IN SUPPORT OF HB 1829: REALTING TO BONDS

TO: House Committee on Housing

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i

**Hearing: Tuesday, February 8, 2022; 9:30 am; via videoconference**

Chair Nakamura, Chair Hashimoto, and Members, Committee on Housing:

Thank you for the opportunity to provide testimony **in Strong Support of HB 1829**, which specifies that the entire allocation of the state bond ceiling would go to the State be used for housing related projects. I am Rob Van Tassell, with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

Catholic Charities Hawai'i has built affordable housing projects to serve low income people on Oahu and Maui. We serve many homeless, elderly and families that are in desperate need of an affordable rental unit. We must partner with the State on our new projects for Low Income Housing Tax Credits, which also require use of Private Activity Bonds (PAB). The State needs to use any tool available to promote the construction of new units. We are in **strong support** of this bill since it will provide more predictability and more reliable and stable bond financing for housing.

The Hawaii Housing Finance and Development Corporation (HHFDC) receives a high number of applications to build new affordable housing. However, there has not been enough money to allocate funding for many projects. Now, for the first time last year, bond financing is experiencing a similar problem. HHFDC testified to the legislature that the demand for bond financing is so great, last year it exceed the available bond cap by a ratio of 4 to 1. Allowing the state portion of the bond ceiling to focus entirely on affordable rental housing and making it easier for the counties to assign their allocation back to the state would be a huge step forward.

We urge your support for this bill to give HHFDC an additional tool to address our State's crisis in affordable housing. Please contact our Legislative Liaison, Betty Lou Larson at [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) or (808) 373-0356 if you have any questions.

