JOSH GREEN, M.D.
GOVERNOR

DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
PHONE: (808) 587-0620
FAX: (808) 587-0600

IN REPLY PLEASE REFER TO:

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

HOUSE COMMITTEE ON HOUSING
March 22, 2023 at 10:00 a.m.
State Capitol, Room 312

In consideration of
H.C.R. 184/ H.R. 189
URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO REVISE THE PRIORITIZATION AND EVALUATION AND RANKING CRITERIA FOR ITS ALLOCATION OF LOW-INCOME HOUSING TAX CREDITS (LIHTC) AND AWARDS FROM THE RENTAL HOUSING REVOLVING FUND (RHRF).

HHFDC **offers the following comments** on H.C.R. 184/ H.R. 189.

While HHFDC supports incentivizing the development of affordable housing on state-owned land, we are concerned about the impacts on our competitive process and, consequently, the quality of the projects awarded RHRF and LIHTC.

LIHTC-allocating agencies such as HHFDC are responsible for allocating tax credits to qualifying projects that meet the Qualified Allocation Plan (QAP)'s criteria. Under IRS rules, an allocating agency is to provide no more credit than deemed necessary to ensure a project's financial feasibility throughout the 15-year compliance period. *In order for HHFDC to fulfill this responsibility, it needs to award its limited resources to projects that utilize them in the most efficient manner*. Awarding such a high number of points to a project because it conveys ownership to the State draws serious concerns that this will disincentivize private sector participation in not only generating affordable rentals but also in operating them.

Because of the long delays and added costs attributed to procurement, rental projects financed by the LIHTC program tend to be more efficiently owned and operated by the private sector. State-owned projects cannot be completed in as timely of a manner.

With respect to accelerated repayment of RHRF loans, none of the RHRF loans have come to term yet; these loans could be refinanced to be paid in full at the end of the term. The relatively long loan term is necessary to allow the projects to pencil out and be feasible. By requiring an accelerated rate of repayment, projects would either need to charge higher rents (which may put them out of meeting affordability criteria and also become non-affordable) or not use the fund at all, which would remove affordable gap funding as an option.

As a matter of policy, HHFDC does not generally support “earmarking” funds for specific projects as it allows projects to circumvent HHFDC’s competitive evaluation process used to award financing. Additionally, “earmarking” funds for a specific project does not promote the highest and best use of limited resources, nor the use of cost-saving measures or value-engineering approaches to contain costs while developing affordable housing.

Collectively, the resolution would disincentivize investing in affordable housing by the private sector and reduce the pool of developers the State can partner with to reach its affordable housing goals.

Thank you for the opportunity to provide testimony.