

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

SENATE COMMITTEE ON WAYS AND MEANS

March 3, 2022 at 10:10 a.m.
State Capitol, Room 211

In consideration of
S.B. 2812 SD1
RELATING TO BONDS.

HHFDC **strongly supports** S.B. 2812 SD1, which 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 and to leverage the 4% federal low-income housing tax credits (LIHTC). These credits would go unused if the bond ceiling were allocated towards non-housing uses.

The majority of rental housing projects in the state are financed by HHFDC's LIHTC program. HHFDC awards LIHTCs to developers to facilitate the construction and rehabilitation of affordable rentals. Under the Internal Revenue Code, the 4% LIHTCs must be used in conjunction with tax-exempt private activity bonds (PAB).

The PAB bond ceiling is set by the federal government. Insufficient allocation of bond ceiling limited HHFDC's ability to make financing awards during last year's financing cycle. During that cycle, developers requested over half a billion dollars of PAB that would have financed nearly 2,700 units. However, due to the bond cap constraints, we were only able to award \$151 million of PAB for 750 units. The demand for PAB was so great that it exceeded the available bond cap by a ratio of 4 to 1.

Currently, HHFDC is only able to receive an allocation of bond cap after each county and the state determine there is unused bond cap at the end of the year or at the beginning of the following year.

HHFDC suggests an **amendment** to specify the allocation be made to HHFDC instead of for "housing related projects," which is used throughout the bill. This would allow HHFDC to work with the counties to allocate specified percentage amounts for housing related projects.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

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

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

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

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2812, S.D. 1

MARCH 3, 2022
10:10 A.M.
Via Videoconference

RELATING TO BONDS.

Senate Bill No. 2812, S.D. 1: (1) specifies that the allocation of the state bond ceiling to the State shall be used entirely for housing related projects; (2) removes authorization for counties or issuers to request additional allocations of the state bond ceiling; (3) prioritize projects of counties that assign their allocation back to the State over projects of counties that have their own bond issuance program; (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) changes the dates for reverted or remaining allocations and require certain reverted or remaining allocations to be used for housing related projects. The Department of Budget and Finance (the "Department") opposes certain aspects of this bill and offers the following comments.

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 proposed changes to Section 39B-2(d) is unclear as to the intent and does not describe the priority that is given.

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

The Department would support a provision that requires a county or any issuer to 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.

In conclusion, this bill takes away the flexibility of the State and its ability to help ensure that state 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, principally for low income housing tax credit projects and federal mortgage credit certificates. Additionally, HHFDC currently holds \$361,891,436 in 2020 and 2021 carryforward bond cap and has the ability to request 2022 bond cap if it is needed to issue a housing bond.

Thank you for the opportunity to submit this testimony.



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

ON THE FOLLOWING MEASURE:

S.B. NO. 2812, S.D. 1, RELATING TO BONDS.

BEFORE THE:

SENATE COMMITTEE ON WAYS AND MEANS

DATE: Thursday, March 3, 2022 **TIME:** 10:10 a.m.

LOCATION: State Capitol, Room 211, Via Videoconference

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**
(For more information, contact Randall S. Nishiyama,
Deputy Attorney General, at (808) 586-1267)

Chair Dela Cruz 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 housing related projects, 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.

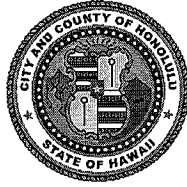
While the Internal Revenue Code permits the State to amend the allocation of the State's PAB cap and to specify its uses, we note that the bill's five-year restriction that the PABs be used exclusively by the State and none for the counties for housing related projects would prevent the issuance of PABs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

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honoluluodpp.org • CITY WEB SITE: www.honolulu.gov



RICK BLANGIARDI
MAYOR

DEAN UCHIDA
DIRECTOR

DAWN TAKEUCHI APUNA
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

March 3, 2022

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Committee on Ways and Means
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Dela Cruz, and Committee Members:

**Subject: Senate Bill No. 2812, SD 1
Relating to Bonds**

The Department of Planning and Permitting **supports** Senate Bill No. 2812, SD 1, which would do the following:

1. Specify that the allocation of the state bond ceiling to the State shall be used entirely for housing related projects.
2. Remove the authorization for counties or issuers to request additional allocations of the state bond ceiling.
3. Prioritize projects of counties that assign their allocation back to the State over projects of counties with their own private activity bond issuance program.
4. Require counties or issuers that retain their allocation to submit quarterly reports on the status or use of any allocation.
5. Require a project to first apply to the county in which the project is located, if the county has a private activity bond issuance program, before applying to the State.
6. Change the dates for reverted or remaining allocations and require certain reverted or remaining allocations to be used for housing related projects.
7. Sunset on December 31, 2027.

We strongly support the need to dedicate the State's bond allocation ceiling to qualified housing projects. In 2020, the prior administration chose to retain the City and County of Honolulu's bond allocation. When the Blangiardi Administration took office in 2021, the City lacked the capacity to analyze and process applications for Private Activity Bonds. 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

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Committee on Ways and Means
Hawaii State Senate
March 3, 2022
Senate Bill No. 2812, SD 1
Page 2

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 are in support of Senate Bill No. 2812, SD 1. Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dean Uchida". The signature is stylized and cursive.

Dean Uchida
Director

KAUA'I COUNTY HOUSING AGENCY

ADAM ROVERSI, DIRECTOR



DEREK S.K. KAWAKAMI, MAYOR
MICHAEL A. DAHLIG, MANAGING DIRECTOR

Testimony of Adam P. Roversi
Director, Kaua'i County Housing Agency

Before the
Senate Committee on Ways and Means
Thursday, March 3, 2022, at 10:10 a.m.
Conference Room 211 & Videoconference

In consideration of
Senate Bill 2812, SD1 Relating to Bonds

Honorable Donovan M. Dela Cruz and Vice Chair Gilbert S.C. Keith-Agaran of the Senate Committee on Ways and Means, and Members of the Committee:

The Kaua'i County Housing Agency **opposes** SB2812, SD1 in its current form, which specifies that the allocation of state bond ceiling to the State shall be used entirely for housing related projects, but at the same time penalizes affordable housing projects located in any County which seeks to use its respective allocation of bond ceiling for the exact same affordable housing purpose.

The Kaua'i County Housing Agency supports the idea of directing private activity bond proceeds to "housing related projects," however, we oppose some of the other provisions of this bill which would actually make affordable housing development on Kaua'i more difficult. For example, in the annual competition for funding administered through the Hawai'i Housing Finance Development Corporation, the proposed bill expressly discriminates against affordable housing projects located in any County that utilizes its own bond funds irrespective of the merits of the proposed project or whether County in fact has any funding available to support the development in that project year.

Kaua'i County, is allocated just 2.41% of the State's bond cap. In 2021, for the first time in decades, we elected to retain our bond capacity specifically to fund our own affordable housing development at Lima Ola, a 100% affordable, 600-unit project on the south shore. Our 2021 allocation is just \$7.8 million. Because this single year allocation is insufficient to support a bond issuance or a housing project, we of necessity need to roll this over and combine it with future year allocations for either two or three years. In either year two or three we will then be able to fund a single project with the cumulative bond allocation. In short, we will have sufficient funds to support one targeted project every two to three years. Yet under SB2812, it appears that any affordable housing project proposed on Kaua'i at any time will be "deprioritized" for all state administered funding simply because we have chosen to use our very limited bond allocation to support a Kaua'i affordable housing project.



We propose the following amendments to SB2812:

- Define “bond issuance program” to exclude the targeted use of County bond proceeds to fund County affordable housing projects outside of a competitive application process.
- Remove or reduce the quarterly reporting requirement.

Kaua’i County, like the state legislature, is committed to the production of affordable housing for our residents. As the largest affordable housing provider on Kaua’i we have demonstrated a track record of successfully completing award winning projects on budget and on time, and we have done so with very limited resources. We hope that our effort to utilize our statutory allocation of tax-exempt bond capacity to expand our ability to better address Kaua’i affordable housing needs does not result in all Kauai projects housing projects being deprioritized for state resources.

Thank for your consideration and the opportunity to submit testimony.



MUTUAL HOUSING
ASSOCIATION OF HAWAII

"Building our communities with respect, integrity, and aloha..."

Kekaulike Courtyards ♦ Kō'ololo'ula ♦ Lihue Court Townhomes ♦ Palolo Homes

March 1, 2022

The Honorable Donovan M. Dela Cruz, Chair
and the Members of the Committee on Ways and Means
Hawai'i State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

Dear Chair Dela Cruz and Committee Members:

Subject: Senate Bill 2812 Relating to Bonds

We are sharing testimony that we previously submitted to the Committee on Housing. **The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly supports Senate Bill 2812**, which specifies that the allocation of the state bond ceiling shall be used entirely for housing related projects. The bill also includes provisions that prioritizes projects of counties that assign their allocations back to the State over projects of counties with their own private activity bond issuance program.

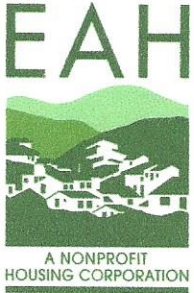
As Hawai'i faces an affordable housing crisis, we have seen our number of homeless growing, while even working families find it necessary to double or triple-up with family or friends. New rental housing production has not kept pace with the need for units for our local families.

As an owner and developer of affordable rental housing, we can attest to the critical need for permanent and dedicated sources of funding to build new rental housing. The Hawai'i Housing Finance and Development Corporation's ("HHFDC") Hula Mae Multifamily bond program ("HMMF") has proven to be a critical financing tool to develop and rehabilitate affordable rental housing in Hawai'i over the past decade. Our team has over 25 year's experience with the program. Unfortunately, HMMF is currently oversubscribed by four times its current allocation of private activity bonds. Without the maximum amount of private activity bond allocation, HHFDC and local developers are severely hamstrung to finance all the housing possible that are currently ready to be built. HMMF allows developers to leverage other funding programs such as Low-Income Housing Tax Credits, the Rental Housing Revolving Fund, the Dwelling Unit Revolving Fund, HOME program and conventional bank loans to make affordable projects financially feasible. Without HMMF bonds, future construction of affordable rental housing is in clear jeopardy, and Hawai'i will fall further behind in addressing its shortage of rental housing units for our families.

It will take years to develop the projects to meet all of the need in the state. HHFDC's permanent allocation and access to the State's bond ceiling is the most critical tool needed right now to help organizations like Mutual Housing address our affordable rental shortage. Thank you for the opportunity to provide this testimony

Sincerely,

David M. Nakamura
Executive Director



March 1, 2022

Hawaii State Legislature
Senate Committee on Ways and Means
Attn: Chair Donovan M. Dela Cruz, Vice Chair Gilbert S.C. Keith-Agaran

Subject: Testimony in Support - SB 2812 SD1 Relating to Bonds, Hearing March 3, 2022, at 10:10am, State Capitol, Room 211

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means. I am Kevin Carney, Vice President for EAH Housing a non-profit developer and manager of low-income rental housing serving those with incomes at or below 60% of the area median income (AMI). Our managed inventory currently consists of 2,278 apartment units on Kauai, Maui, and Oahu with another 272 units in our development pipeline, a portion of which will extend our operations to the Big Island.

EAH Housing is in **strong support of SB 2812 SD1** which specifies that the allocation of the state bond ceiling to the State shall be used entirely for housing related projects. For EAH and for developers like us, it is all about certainty and reducing risk. Knowing the amount of Private Activity Bonds (PABs) to be allocated to HHFDC enables us to plan better and better planning reduces the cost of production.

To serve those at 60% and below of the AMI we utilize LIHTCs, PABs and Rental Housing Revolving Funds (RHRF) administered by HHFDC. The RHRF, our primary source of "gap" funding, is in constant need of funding to meet demand. Recently we have experienced the same problem with the allocation of State Bond Cap for HHFDC's use. PABs are currently over-subscribed by a ratio of 4:1. Which is unfortunate because those bonds can be leveraged with LIHTCs whereas their use in programs other than housing do not have that value enhanced capability.

A backlog of potential projects at HHFDC now exists, projects that would serve those most in need of housing. A funding backlog increases risk and causes developers to question their project's viability. While we understand that counties may have set their own goals for use of their PAB allocation, we believe that if all the counties were to return their allocations to the State for HHFDC use then more housing would be created in a timelier manner. SB 2812 SD1 is a big step forward in helping to expedite production – please give it your unanimous support. Mahalo.

Sincerely,

Kevin R. Carney, RB-16444
(PB), NAHP-E
Vice President, Special Projects, Hawaii



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 2812 SD1: RELATING TO BONDS

TO: Senate Committee on Ways and Means

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaii

Hearing: **Thursday, March 3, 2022; 10:10 am; via videoconference**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members, Committee on Ways and Means:

Thank you for the opportunity to provide testimony **in Strong Support of SB 2812 SD1**, which specifies that the entire allocation of the state bond ceiling would go to the State be used for housing related projects, and other provisions. I am Rob Van Tassell, with Catholic Charities Hawaii.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii 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 Hawaii. Catholic Charities Hawaii has a long history of working in the areas of affordable housing and homelessness.

Catholic Charities Hawaii has built six affordable housing projects to serve low income people on Oahu (300 units) and Maui (165 units). 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 alohabettylou@hotmail.com or (808) 373-0356 if you have any questions.





STANFORD CARR DEVELOPMENT, LLC

*March 1, 2022

Honorable Donovan M. Dela Cruz, Chair
Honorable Gilbert S.C. Keith-Agaran, Vice Chair
and Members of the Senate Committee on Ways and Means

Re: Testimony in Support – SB2812, SD1 Relating to Bonds
Hearing: March 3, 2022 at 10:10 A.M.
State Capitol, Senate Conference Room 211 via Videoconference

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means:

Stanford Carr Development submits testimony in **support** of SB 2812, SD1 which, among its key provisions, specifies that the allocation of the state bond ceiling shall be used entirely for housing related projects; and prioritizes projects of counties that assign their allocations back to the State over projects of counties with their own private activity bond issuance program. The passage of this measure will increase the availability of an important permanent and dedicated source of funding to build much needed new affordable rental housing for our local residents.

Affordable housing developers utilize a mix of funding mechanisms to finance affordable rental projects. One of the important financing tools for the development and rehabilitation of affordable rental housing in Hawai'i has been the private activity bonds program administered by the Hawai'i Housing Finance and Development Corporation ("HHFDC"). The availability of this program has helped to make affordable projects financially feasible by allowing developers to utilize bond financing to leverage other funding programs such as Low-Income Housing Tax Credits, the Rental Housing Revolving Fund, the Dwelling Unit Revolving Fund, and the HOME program. Without this critical financing tool, affordable housing developers have a difficult time making their projects "pencil out".

Unfortunately, the demand for this popular and effective funding program has been so huge that it has exceeded the current allocation of bonds for HHFDC's use by a ratio of 4:1. This financial constraint has significantly hampered the ability of developers to build more affordable rental units that our local residents need.

The provisions of SB 2812, SD1 will help to address this problem by allowing the entire State portion of the private activity bond cap to be used for housing related projects and facilitating the ability of the counties to assign their allocation back to the State for HHFDC

Honorable Donovan M. Dela Cruz, Chair
Honorable Gilbert S.C. Keith-Agaran, Vice Chair
And Members of the Senate Committee on Ways and Means

Page 2

bond issuances. This change in the allocation of the bond cap will help to boost the inventory of low-income rental projects for our local residents.

Thank you for the opportunity to offer testimony on this important measure.

Respectfully,

A handwritten signature in black ink, appearing to read 'Stanford S. Carr', with a stylized, cursive script.

Stanford S. Carr

Testimony of
Pacific Resource Partnership

Senate Committee On Ways and Means

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

SB 2812—Relating To Bonds
Thursday, March 3, 2022
10:10 A.M.

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee:

Pacific Resource Partnership (PRP) is a non-profit market recovery trust fund which represents approximately 7,000 men and women union carpenters and 240 large and small contractors. With our expertise in research, compliance, marketing, and project advocacy, we are committed to building a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs, and enhances the quality of life for all residents of Hawaii.

PRP **strongly supports** SB 2812, which would statutorily establish an allocation of bond ceiling for housing projects.

SB 2812 allows for the state portion of the bond ceiling to be used entirely for housing related projects and makes it easier for the counties to assign their allocation back to the State. This bill will provide a consistent source of dedicated funding for projects at 60% AMI and below. Additionally, this allocation of private activity bonds to housing will allow the State to leverage additional Federal subsidies in the form of tax credits to build more housing units.

The State cannot afford to miss another opportunity to build more affordable housing for Hawaii's residents. According to the HHFDC's written testimony, during the financing cycle last year, the department received over half a billion dollars' worth of requests for bonds that would have financed about 2,700 units. Due to existing constraints the department was only able to make awards up to \$151 million for 750 units.

As such, we respectfully request your favorable decision on this measure. Thank you for this opportunity to submit written testimony.





Mobile: 808.428.8717
Email: lindaschatz@schatzcollaborative.com
Schatzcollaborative.com

March 1, 2022

Senate Committee on Ways and Means
The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S. C. Keith-Agaran, Vice Chair
State Capitol
Honolulu, HI 96813

SUBJECT: Strong Support for S.B. 2812, SD1

Dear Chair Dela Cruz, Vice Chair Keith-Agaran and Committee Members,

My name is Linda Schatz and I am the principal of Schatz Collaborative LLC, a real estate development company. Schatz Collaborative LLC has been developing in Hawaii since 2016 with financial and development partners from the Western United States. We focus on multi-family workforce and market rate rentals and specialize in retail development. Our company has also consulted and managed the planning of many master planned communities on Oahu and Hawaii Island for land developers to ensure the redevelopment of mixed income communities and synergistic commercial uses.

Schatz Collaborative LLC is submitting written testimony in strong support of SB 2812.

We believe that the State of Hawaii needs to make strong financial policy commitments to supporting housing and SB 2812 is one tool in this effort. It will enable a consistent source of dedicated funding for projects at 60%AMI and below. When private activity bonds are allocated to housing the State of Hawaii will also be able to leverage additional Federal subsidies in the form of tax credits to build more housing units. When these private activity bonds (PAB) are allocated to other uses we lose out on the Federal subsidies that are tied to housing.

Thank you again for the opportunity to submit this testimony. If there are any questions, or if additional information is needed, please do not hesitate to contact me at (808)428-8717.

Warmest Regards,

A handwritten signature in black ink that reads "Linda Schatz". The signature is fluid and cursive, with the first name being more prominent.

Linda Schatz
Principal

HIGHRIDGE COSTA DEVELOPMENT COMPANY

March 1, 2022

House of Representatives
The Thirty-First Legislature
Regular Session of 2022

Bill: Senate Bill SB 2812 SD1
Committee: Committee on Ways and Means
Date of Hearing: Thursday, March 3, 2022

Dear Chair Dela Cruz:

I am writing to **SUPPORT SB 2812 SD1**.

My name is Moe Mohanna and I am President of Highridge Costa Development Company ("HCDC"). HCDC is a national affordable housing developer and for the past decade we have been establishing roots in Hawaii. In Hawaii, we have just under 1,300 affordable rental units either in development, under construction or in operation in various communities on Oahu and Maui, including downtown Honolulu, Kapolei, Waipahu and Kihei. Over my career, I have worked closely with various state and local agencies in utilizing financing programs (tax credits, bonds, grants, etc.) and land use exemption programs that are needed to bring low- and moderate-income housing to communities.

HCDC supports SB 2812 SD1 because we believe it will significantly increase the amount of low- and moderate-income housing rental units that can be delivered to Hawaii's working families and seniors. Re-prioritizing the entire allocation of the state bond ceiling to housing projects will mean that affordable housing projects will be ranked higher than other non-housing projects; housing will come first, instead of being treated as the leftovers.

Another important aspect to keep in mind is that when tax-exempt bond dollars are used on affordable housing projects, they often come with low-income housing tax credit allocations and Rental Housing Revolving Fund awards. This means that for every "bond dollar" that is spent, there is a 140-160% value on the dollar being delivered. No other type of private activity tax-exempt bond dollars can deliver this type of value. In a tight-budget economy, stretching the dollar is one of the smartest things this legislature can do.

Thank you for your time.

Sincerely,

Moe Mohanna

Moe Mohanna
President
Highridge Costa Development Company



HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST

650 Iwilei Road, Suite 285 · Honolulu, HI 96817 · Phone: 808-845-3238 · Fax: 808-845-8300

THE SENATE
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2022

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

NOTICE OF HEARING

DATE: Thursday, March 3, 2022
TIME: 10:10 a.m.
PLACE: Conference Room 211
State Capitol
415 South Beretania Street

TESTIMONY ON SB2812 SD1

TO THE HONORABLE CHAIR DONOVAN M. DELA CRUZ, VICE CHAIR GILBERT S.C. KEITH-AGARAN,
AND MEMBERS OF THE COMMITTEE ON WAYS AND MEANS:

Hawaii LECET is a labor-management partnership between the Hawaii Laborers' International Union of North America, Local 368, its' 5000+ members and its' 250+ unionized contractors. The Laborers' International Union of North America is the largest construction union in the United States.

Hawaii LECET supports SB2812 SD1, which would dedicate the allocation of the State's bond ceiling entirely for qualified housing related projects. In the 2020 Aloha United Way Asset Limited, Income Constrained, Employed (ALICE) Report, it was stated that the cost of living in Hawaii is largely driven by the cost of housing. It is imperative that a permanent and dedicated source of funding be established to safeguard the ability for financing and production of affordable housing projects throughout the State. Hawaii LECET supports SB2812 SD1, as the creation of this dedicated funding source will support the ability to produce affordable rentals and housing projects Statewide. Thank you for your consideration.

With respect,

Hawaii Laborers-Employers Cooperation & Education Trust

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

LATE

March 2, 2022

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the Senate Committee on Ways and Means

RE: **SB 2812, SD1 – Relating to Bonds**
Hearing date: March 3, 2022 at 10:10AM

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and members of the committees,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **SUPPORT** on SB 2812 SD1. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

NAIOP Hawaii is in full support of SB 2812 SD1 as the measure provides a dedicated allocation of private activity bonds ("**PABs**") towards housing. This would amount to a 50% allocation of the State's annual \$325 million bond ceiling, which would ensure a steady supply of PABs that can be leveraged with 4% low income housing tax credits ("LIHTC"). LIHTC is a form of federal and state subsidy, and a proven program in Hawaii and nationally for delivering affordable rental projects at 60% AMI and below.

Last year, without SB2812, the amount of PABs allocated to LIHTC projects was over-subscribed at a 4 to 1 ratio (2,700 potential units compared to only 750 units actually approved). SB2812 will provide a steady and increased source of PAB capacity for a higher ratio of LIHTC projects to move forward. Accordingly, dedicating an allocation of PABs under the State's bond cap, as presented in the bill, will result in more 4% LIHTC projects being built and increasing the inventory of affordable housing rentals at 60% AMI and below.

Ultimately, SB 2812 SD1 addresses a critical issue in the development of more affordable housing for Hawaii residents. NAIOP appreciates the Legislature's commitment to collaborating on this issue and look forward to working together.

Mahalo for your consideration,



Jennifer Camp, President
NAIOP Hawaii

SB-2812-SD-1

Submitted on: 3/1/2022 7:13:43 PM

Testimony for WAM on 3/3/2022 10:10:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
LUCIEN WONG	Testifying for EAH a nonprofit truly affordable housing developer	Support	No

Comments:

It has been reported ad nauseum that the need for housing in Hawaii to accommodate those local residents earning especially less than 100% AMI is increasing annually with no end in sight unless government acts to provide substantial financing and land.