

MAR 10 2023

SENATE RESOLUTION

REAFFIRMING THE COMMITMENT TO INCREASE THE STATE'S AFFORDABLE HOUSING STOCK BY NOT ALLOCATING SPECIAL PURPOSE REVENUE BONDS AND DISCOURAGING THE USE OF SPECIAL PURPOSE REVENUE BONDS.

1 WHEREAS, special purpose revenue bonds allow non-
2 governmental entities serving a public purpose to use the name
3 of the State of Hawaii to sell bonds whose interests are exempt
4 from federal and state taxation, thus making these bonds
5 attractive and lowering the cost to these non-governmental
6 entities; and

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8 WHEREAS, in Hawaii, special purpose revenue bonds are more
9 commonly issued by the State to assist electric utilities and
10 hospitals, but other entities like manufacturing enterprises,
11 educational programs and organizations, agricultural
12 enterprises, and processing enterprises, are also able to seek
13 special purpose revenue bond authorization; and

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15 WHEREAS, interest rates for special purpose revenue bonds
16 are based on the financial strength of the non-governmental
17 entities, rather than the State, and are sold to private
18 investors who provide the actual funds and invest their funds in
19 exchange for tax-exempt or taxable interest payments; and

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21 WHEREAS, special purpose revenue bonds do not count against
22 the State's debt ceiling and do not affect the bond rating of
23 the State; and

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25 WHEREAS, there is no aggregate ceiling on the amount of
26 special purpose revenue bonds that the State can issue in a
27 year, but the volume cap for private activity bonds is
28 determined by the Internal Revenue Service each year; and

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30 WHEREAS, certain special purpose revenue bonds, excluding
31 special purpose revenue bonds for hospitals, retirement and



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1 nursing homes, private schools and universities, certain
2 airports, harbors, and solid waste disposal facilities, may be
3 subject to a private activity bond volume cap; and
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5 WHEREAS, private activity bonds are tax-exempt bonds issued
6 by or on behalf of the State or counties to finance qualified
7 projects of a private user, such as multi-family housing
8 projects, industrial enterprises, manufacturing enterprises, and
9 utilities; and
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11 WHEREAS, the largest user of the private activity bond
12 volume cap is the Hawaii Housing Finance and Development
13 Corporation, as it is the State's sole issuer of the federal and
14 state Low-Income Housing Tax Credits; and
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16 WHEREAS, these housing credits, combined with private
17 activity bonds, allow developers to feasibly build rental
18 housing projects for low-income households at or below sixty
19 percent of the area median income; and
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21 WHEREAS, while the four percent Low-Income Housing Tax
22 Credit is not subject to a volume cap, the private activity bond
23 is subject to a volume cap that has limited the development of
24 affordable rental housing in the State; and
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26 WHEREAS, under the Internal Revenue Code, the four percent
27 Low-Income Housing Tax Credit must be used in conjunction with
28 private activity bond financing; and
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30 WHEREAS, during the 2021 financing cycle, developers
31 requested over \$500,000,000 dollars of private activity bonds
32 that would have financed nearly two thousand seven hundred
33 affordable housing units; and
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35 WHEREAS, however, due to the State's bond cap constraints,
36 the Hawaii Housing Finance and Development Corporation was only
37 able to allocate \$151,000,000 in private activity bonds that
38 helped to finance seven hundred fifty rental units; and
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40 WHEREAS, the demand for private activity bonds was so great
41 that it exceeded the available bond cap by a four-to-one ratio;
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WHEREAS, in recognition that certain special purpose revenue bonds can divert much needed private activity bonds that can address the housing crisis, the Legislature enacted Act 182, Session Laws of Hawaii 2022, which, among other things, established a moratorium on the issuance of special purpose revenue bonds unless requested by the Governor from June 30, 2022, until December 31, 2028, to allow the maximum private activity bond volume cap to be used for housing; now, therefore,

BE IT RESOLVED by the Senate of the Thirty-second Legislature of the State of Hawaii, Regular Session of 2023, that this body reaffirms its commitment to increase the State's affordable housing stock by not allocating special purpose revenue bonds and discouraging the use of special purposes revenue bonds; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Governor, Lieutenant Governor, Director of Budget and Finance, and Executive Director of the Hawaii Housing Finance and Development Corporation.

OFFERED BY: 