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# SENATE RESOLUTION

URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO  
PRIORITIZE THE ALLOCATION OF FUNDS FROM THE RENTAL HOUSING  
REVOLVING FUND, DWELLING UNIT REVOLVING FUND, AND LOW-  
INCOME HOUSING TAX CREDITS FOR PROJECTS THAT WILL MAKE THE  
MOST EFFICIENT USE OF TAXPAYER FUNDS AND ADDRESS THE MOST  
URGENT STATE PRIORITIES.

1           WHEREAS, the State is experiencing a severe housing crisis  
2 and innovative and unique solutions are needed to increase the  
3 supply of housing in the State; and

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5           WHEREAS, most developers of affordable rental housing  
6 projects rely on federal and state low-income housing tax  
7 credits, which only represent a fraction of the total  
8 development costs for a project; and

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10           WHEREAS, developers that utilize low-income housing tax  
11 credits are required to rent the units to households making a  
12 certain percentage of the area median income, which can further  
13 affect a developer's ability to obtain long-term private loans  
14 for additional development costs, due to limited projected cash-  
15 flow; and

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17           WHEREAS, the remaining "gap" in costs for developers to  
18 build affordable rental housing units hinders the rate of  
19 development in the State, which is further slowed during times  
20 when borrowing power is more limited due to high interest rates;  
21 and

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23           WHEREAS, the Rental Housing Revolving Fund, which is funded  
24 in part by the real estate conveyance tax and administered by  
25 the Hawaii Housing Finance and Development Corporation, provides  
26 "equity gap" low-interest loans or grants to qualified owners  
27 and developers for the development, construction, acquisition,  
28 preservation, and substantial rehabilitation of affordable  
29 housing and rental housing units; and



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WHEREAS, the Dwelling Unit Revolving Fund is also administered by the Hawaii Housing Finance and Development Corporation to provide loans or grants for the acquisition of real property; development and construction of residential, commercial, and industrial properties; interim and permanent loans to developers; and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses; and

WHEREAS, utilizing the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund to enhance credit and guarantee and insure loans that private financial institutions make to developers of affordable housing would enable the State to create much more affordable housing units for the same amounts appropriated to these funds; and

WHEREAS, the Hawaii Housing Finance and Development Corporation is also the designated agency responsible for the administration of the federal and state Low-Income Housing Tax Credit Program; and

WHEREAS, the Low-Income Housing Tax Credit Program uses a point system to facilitate project rankings based on established evaluation criteria; and

WHEREAS, states have discretion over the point system and rating criteria used to score and evaluate project applications for allocation of the tax credits; and

WHEREAS, when the State allocates the tax credit to a developer, the State does not, in return, receive an ownership interest in the development; and

WHEREAS, the State often purchases low-income housing development projects from developers after the required affordability period ends to guarantee tenant stability, resulting in taxpayers paying for projects twice; and

WHEREAS, any profits generated by a housing project stay with the project's developer; and



1 WHEREAS, unlike certain models similar to Vienna's Limited-  
2 Profit Housing Act of 1979, developers in Hawaii are not  
3 required to reinvest profits generated by a housing project to  
4 build additional housing, and no appropriate incentive exists to  
5 require developers to construct additional projects after the  
6 completion of a housing project; and

7  
8 WHEREAS, the development of affordable housing on land  
9 already owned by the State creates attractive incentives for  
10 private developers to partner with the State to develop or  
11 redevelop the state-owned projects, as they exclude the high  
12 cost of land from the development cost equation; and

13  
14 WHEREAS, affordable housing projects on state-owned land  
15 also allow the State to ensure that every new affordable housing  
16 unit remains affordable in perpetuity, thus increasing the  
17 supply of affordable housing; and

18  
19 WHEREAS, it is in the best interest of the State to modify  
20 the evaluation criteria for the Low-Income Housing Tax Credit  
21 Program to prioritize the allocation of credits to state-owned  
22 development projects and award additional points to developers  
23 who are obligated to use all financial surpluses generated by  
24 the project to construct more housing to help the State meet its  
25 existing and future housing supply demands; and

26  
27 WHEREAS, when funds from the Rental Housing Revolving Fund  
28 are used to provide loans or grants for the development,  
29 construction, and rehabilitation of rental housing units,  
30 developers often take decades to repay loans, and grants do not  
31 have be repaid, resulting in the Rental Housing Revolving Fund  
32 relying upon legislative appropriations to replenish the Fund;  
33 and

34  
35 WHEREAS, the Legislature appropriates millions of dollars  
36 to the Rental Housing Revolving Fund annually, which is an  
37 unsustainable financial burden for the State to shoulder; and

38  
39 WHEREAS, the Rental Housing Revolving Fund also uses a  
40 point system to facilitate project ranking of applicants based  
41 on established evaluation criteria, and the State has discretion



1 over the point system and rating criteria used to score and  
2 evaluate applications used to award funds; and

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4 WHEREAS, it is further in the State's best interest to  
5 amend the priority for which moneys in the Rental Housing  
6 Revolving Fund are to be used, to incentivize developers that  
7 are awarded a loan or grant to use the profits to build  
8 additional housing to ensure the necessary future supply of  
9 housing in the State; and

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11 WHEREAS, supportive housing combines affordable housing  
12 with access to services to help special-needs populations live  
13 more stable and productive lives; and

14  
15 WHEREAS, supportive housing has been demonstrated to  
16 decrease high use of emergency services and public systems,  
17 generating significant overall cost savings to taxpayers; and

18  
19 WHEREAS, according to studies from the Hawaii Pathways  
20 Project and City and County of Honolulu's Housing First Program,  
21 supportive housing not only benefited individuals with improved  
22 housing retention, health, and quality of life but also lowered  
23 crime rates and reduced burdens and costs on already stretched  
24 public systems; and

25  
26 WHEREAS, the Low-Income Housing Tax Credit Program is major  
27 financing tool for the construction or rehabilitation of low-  
28 income rental units; and

29  
30 WHEREAS, as the State's low-income housing tax credit  
31 administrator, the Hawaii Housing Finance and Development  
32 Corporation developed a Qualified Allocation Plan, which sets  
33 forth criteria to evaluate and allocate the low-income housing  
34 tax credit to projects that meet the housing needs of the people  
35 of the State; and

36  
37 WHEREAS, the Qualified Allocation Plan uses a point system  
38 to rank projects based on the established evaluation criteria,  
39 and up to two points are provided to projects that serve tenants  
40 with special housing needs; and



1 WHEREAS, however, occupancy of these special-needs housing  
2 units is restricted to special-needs tenants for the duration of  
3 the committed affordability period, which often extends beyond  
4 the low-income housing tax credit compliance period; and  
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6 WHEREAS, moreover, special-needs housing units must be  
7 occupied at all times by a special-needs tenant and must remain  
8 vacant until a special-needs tenant occupies the unit,  
9 regardless of whether there is a waitlist for the project for  
10 the other remaining units; and  
11

12 WHEREAS, given the dearth of supportive housing units in  
13 low-income housing tax credit projects, these restrictions  
14 appear to hinder the provision of low-rent housing for special-  
15 needs populations; and  
16

17 WHEREAS, amending the Qualified Allocation Plan could  
18 reduce development risks and encourage developers to build  
19 supportive housing; and  
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21 WHEREAS, the Qualified Allocation Plan could be amended to  
22 allow:  
23

- 24 (1) Developers to exert their best efforts to restrict the  
25 supportive housing units for special-needs tenants for  
26 the duration of the committed affordability period or  
27 low-income housing tax credit compliance period; and  
28
- 29 (2) For the application of a vacant-unit rule that would  
30 allow developers to rent a supportive housing unit to  
31 an income-eligible tenant after making reasonable  
32 attempts to rent the unit, or the next available unit,  
33 to a special-needs tenant; now, therefore,  
34

35 BE IT RESOLVED by the Senate of the Thirty-second  
36 Legislature of the State of Hawaii, Regular Session of 2023,  
37 that the Hawaii Housing Finance and Development Corporation is  
38 urged to prioritize the allocation of funds from the Rental  
39 Housing Revolving Fund, Dwelling Unit Revolving Fund, and low-  
40 income housing tax credits for projects that will make the most  
41 efficient use of taxpayer funds and address the most urgent  
42 State priorities; and



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BE IT FURTHER RESOLVED that the Hawaii Housing Finance and Development Corporation is urged to prioritize the allocation of funds from the Rental Housing Revolving Fund and Dwelling Unit Revolving Fund to be used to enhance credit and guarantee and insure loans that private financial institutions make to developers of housing that is exclusively for Hawaii residents who are owner- or renter-occupants and who own no other real property; and

BE IT FURTHER RESOLVED that the Hawaii Housing Finance and Development Corporation is urged to revise the Low-Income Housing Tax Credit Program's Qualified Allocation Plan to prioritize the development of projects that will be owned by the State, whether outright or through a right of first refusal and purchase option; and

BE IT FURTHER RESOLVED that, with respect to the Qualified Allocation Plan and the criteria point system developed by the Hawaii Housing Finance and Development Corporation, the Corporation is further urged to:

- (1) Add a new criteria category that allows for up to twenty percent of the maximum one hundred twenty points on the application criteria point system to be allocated to projects offering to convey ownership of the finished project to the State or an organization obliged to use all financial surpluses generated by the project to construct housing;
- (2) Not award additional points for developer fees that are under twelve percent; and
- (3) Prioritize applicants who have demonstrated accelerated full repayment into the Rental Housing Revolving Fund of past Rental Housing Revolving Fund loans; and

BE IT FURTHER RESOLVED that the Hawaii Housing Finance and Development Corporation, in its awarding of funds from the Rental Housing Revolving Fund, is urged to prioritize projects that are owned by the State or an organization obliged to use



1 all financial surpluses generated by the project to construct  
2 additional housing; and

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4 BE IT FURTHER RESOLVED that the Hawaii Housing Finance and  
5 Development Corporation is requested to amend its administrative  
6 rules relating to the Rental Housing Revolving Fund to:

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8 (1) Add a new criteria category that allows for up to  
9 twenty percent of the maximum two hundred fifty points  
10 on the application criteria point system to be  
11 allocated to proposed projects owned by the State or  
12 an organization obliged to use all financial surplus  
13 generated by the project to construct housing; and

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15 (2) Prioritize applicants who have demonstrated  
16 accelerated full repayment of past state housing  
17 loans; and

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19 BE IT FURTHER RESOLVED that the Hawaii Housing Finance and  
20 Development Corporation is urged to promote supportive housing  
21 in the State's Low-Income Housing Tax Credit Program; and

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23 BE IT FURTHER RESOLVED that the Hawaii Housing Finance and  
24 Development Corporation is urged to amend the 2023-2024 Qualified  
25 Application Plan for the Low-Income Housing Tax Credit Program  
26 to facilitate the development of supportive housing and housing  
27 for individuals in other high-priority categories, including but  
28 not limited to individuals on the waitlist for Department of  
29 Hawaiian Home Lands and public employees; and

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31 BE IT FURTHER RESOLVED that certified copies of this  
32 Resolution be transmitted to the Chairperson of the Board of  
33 Directors and Executive Director of the Hawaii Housing Finance  
34 and Development Corporation.

