STAND. COM. REP. NO. 1637

Honolulu, Hawaii

APR 04 2023

RE: S.C.R. No. 130

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.C.R. No. 130 entitled:

"SENATE CONCURRENT RESOLUTION 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 AND AWARDS FROM THE RENTAL HOUSING REVOLVING FUND,"

begs leave to report as follows:

The purpose and intent of this measure is to urge 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 and awards from the Rental Housing Revolving Fund.

Your Committee received comments on this measure from the Hawaii Housing Finance and Development Corporation and one individual.

Your Committee finds that the Low-Income Housing Tax Credit Program is a major financing tool for developers constructing or rehabilitating low-income rental units, which are urgently needed in the State. When the State issues tax credits for a qualified low-income building, the State does not receive an ownership interest in the building in return, and developers are only subject to a minimum affordability compliance period, at which point the State often purchases the building to ensure the units

remain affordable and to guarantee tenant stability after the compliance period ends. This can result in taxpayers paying for a project twice. The State's Qualified Allocation Plan establishes the criteria for the allocation of low-income housing tax credits. Your Committee believes that amending the Qualified Allocation Plan to grant higher priority to projects that are on State lands can help ensure that units remain affordable in perpetuity, therefore increasing the supply of affordable housing.

Your Committee further finds that the Rental Housing Revolving Fund is used to provide loans or grants for the development, construction, and rehabilitation of rental housing units in the State. Developers can often take decades to repay loans, relying on legislative appropriations to replenish the fund. Developers in Hawaii are not required to use any profits generated by a housing project to build additional housing, and no incentive exists to encourage developers to do so. Due to the ongoing housing shortage in the State, the prioritization of funds awarded from the Rental Housing Revolving Fund should be modified to incentivize developers to use profits to build additional housing to ensure the necessary future supply of units for Hawaii residents. Accordingly, this measure will help ensure that local housing development is less profit-motivated and more focused on providing Hawaii's residents with a greater and more consistent supply of affordable housing units.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee concurs with the intent and purpose of S.C.R. No. 130 and recommends its adoption.

Respectfully submitted on behalf of the members of the Committee on Housing,

STANLEY CHANG, Chair

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:*	Committee Referral:	Date:
SCR 130	HOU	03/30/2023

☐ The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

☑ Pass, unamended 2312   ☐ Pass, with amendments 2311   ☐ Hold 2310   ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
CHANG, Stanley (C)	✓			
KANUHA, Dru Mamo (VC)	✓			
AQUINO, Henry J.C.	✓			
RHOADS, Karl	✓			
AWA, Brenton	✓			
TOTAL	5			

Recommendation: ☑ Adopted   ☐ Not Adopted

Chair's or Designee's Signature: _(signature)_

*Only <u>one</u> measure per Record of Votes

Revised: 11/30/22