

STAND. COM. REP. NO.

1638

Honolulu, Hawaii

APR 04 2023

RE: S.R. No. 132

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.R. No. 132
entitled:

"SENATE 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.

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.R. No. 132 and recommends its adoption.

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


STANLEY CHANG, Chair



