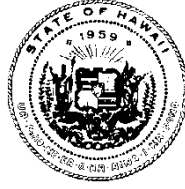


JOSH GREEN, M.D.
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DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

Wednesday, March 20, 2024 at 10:00 a.m.
State Capitol, Room 312

In consideration of
HCR 85/ HR 71

REQUESTING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION (HHFDC) TO ADOPT ADMINISTRATIVE RULES TO ENABLE CREDIT ENHANCEMENT FOR CONSTRUCTION LOANS UNDER THE RENTAL HOUSING REVOLVING FUND.

Chair Evslin, Vice Chair Aiu, and members of the Committee.

HHFDC **supports the intent of** HCR 85/ HR 71, which requests that HHFDC, through administrative rule, add credit enhancement for construction loans as a permitted use of moneys in the Rental Housing Revolving Fund (RHRF).

In the current high interest-rate environment, the increased cost of construction financing has placed additional stress on Hawaii's already high housing development costs. Allowing RHRF to provide credit enhancement for construction loans will reduce the related financing costs (and therefore total project development costs) at very little risk to the fund, given that HHFDC is intimately involved in the underwriting and funding of the construction-loan takeout financing.

Hawaii Revised Statutes Section 201H-202(d) states in part, "[RHRF] shall be used to provide **loans or grants** [emphasis added] for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units."

Credit enhancement provided by RHRF for rental housing project construction loans would need to take the form of a loan guaranty, which is not a loan or a grant.

The Department of the Attorney General has confirmed that there is no authority or legislative history indicating that RHRF can be used for the credit enhancement of loans. To the contrary, the legislative history suggests that the Legislature intended to narrow the statutory language to include only loans and grants. Therefore, specific statutory authorization for the use of RHRF would need to be provided in statute before HHFDC could adopt enabling rules.

Thank you for the opportunity to testify on this resolution.