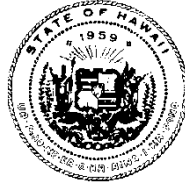


**JOSH GREEN, M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



**DEAN MINAKAMI**  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
HONOLULU, HAWAII 96813  
FAX: (808) 587-0600

Statement of  
**DEAN MINAKAMI**

Hawaii Housing Finance and Development Corporation  
Before the

**SENATE COMMITTEE ON WAYS & MEANS**

February 28, 2024 at 10:01 a.m.  
State Capitol, Room 211

In consideration of  
**S.B. 1170 SD1**  
**RELATING TO AFFORDABLE HOUSING CREDITS.**

HHFDC has comments on SB 1170 SD1, which temporarily requires the counties to issue affordable housing credits for affordable housing units that are constructed pursuant to Chapter 201H, Hawaii Revised Statutes. The requirement is repealed on June 30, 2031.

HHFDC shares the concern that the current high-interest-rate environment is negatively impacting affordable housing production in Hawaii. We defer to the counties and the Hawaii Community Development Authority as to whether they wish to recognize credits for 201H projects.

Thank you for the opportunity to testify on this bill.



**HAWAI'I COMMUNITY  
DEVELOPMENT AUTHORITY**

547 Queen Street, Honolulu, Hawai'i 96813  
Telephone: (808) 594-0300 Fax: (808) 587-0299  
Web site: <http://dbedt.hawaii.gov/hcda/>

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR

CHASON ISHII  
CHAIRPERSON

CRAIG K. NAKAMOTO  
EXECUTIVE DIRECTOR

Statement of  
**CRAIG K. NAKAMOTO**  
**Executive Director**  
Hawai'i Community Development Authority  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**

Wednesday, February 28, 2024  
10:01 a.m.  
State Capitol, Conference Room 211 & Videoconference

In consideration of  
**SB 1170 SD1**  
**RELATING TO AFFORDABLE HOUSING CREDITS.**

Chairperson Dela Cruz, Vice Chairperson Moriwaki, and members of the Senate Ways and Means Committee.

The Hawai'i Community Development Authority (HCDA) respectfully comments on SB1170 SD1, that requires the counties to issue affordable housing credits for housing built pursuant to HRS Chapter 201H.

Senate Draft 1 amended this measure by adding HCDA, we prefer the original version of SB1170, that did not include HCDA.

HCDA is the state redevelopment agency, with strengths in community planning, redevelopment and infrastructure improvements. HCDA is not a housing agency.

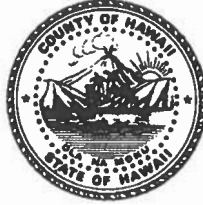
The current arrangement between HCDA and HFFDC is working well. An example is at the University of Hawaii West Oahu property with HCDA developing the infrastructure, and HFFDC developing an affordable housing project.

Thank you for the opportunity to provide our comments.

**Mitchell D. Roth**  
*Mayor*

**Deanna S. Sako**  
*Managing Director*

**Robert H. Command**  
*Deputy Managing Director*



**Susan K. Kunz**  
*Housing Administrator*

**Harry M. Yada**  
*Assistant Housing Administrator*

**County of Hawai'i**  
**Office of Housing and Community Development**

1990 Kino'ole Street, Suite 102 • Hilo, Hawai'i 96720 • (808) 961-8379 • Fax (808) 961-8685  
Existing Housing: (808) 959-4642 • Fax (808) 959-9308  
Kona: (808) 323-4300 • Fax (808) 323-4301

February 26, 2024

**TESTIMONY FOR COMMENT IN OPPOSITION OF SENATE BILL 1170, SD1**  
**A BILL FOR AN ACT RELATED TO AFFORDABLE HOUSING CREDITS**  
**COMMITTEE ON WAYS AND MEANS**

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

Hearing Date: Wednesday, February 28, 2024, at 10:01 AM

Place of Hearing: Conference Room 211 & Videoconference

Aloha Honorable Chairs Dela Cruz and Moriwaki, and members of the Committee on Ways and Means,

On behalf of the Office of Housing and Community Development of the County of Hawai'i, I am providing testimony in **opposition** of **Senate Bill 1170, SD1**, which requires the counties to issue affordable housing credits for affordable housing units that are developed pursuant to Chapter 201H, Hawai'i Revised Statutes.

While the County supports policies that will increase affordable housing production, the OHCD after further review and consideration of SB1170, SD1, does not believe that awarding developers of Chapter 201H projects credits will result in expanding the housing supply.

SB1170, SD1, creates a credit value system that developers can sell or use to fulfill affordable housing obligations imposed by the County. This undermines the County's ability to provide new affordable housing to income-qualified residents in a timely manner and within a framework of poverty deconcentration by geographic area.

Additionally, it should be noted that developers of Chapter 201H projects currently receive generous public subsidies from the counties in the way of eased development standards and fee waivers and exemptions. The awarding of credits as proposed in SB1170, SD1, essentially amounts to "double dipping."

In theory, the system of credits seems like a promising and flexible policy approach; however, the experience with excess credits on Hawai'i Island does not show evidence of a strong link between successful completion of affordable units and their ability to earn excess credits, according to a recent third-party analysis of the County of Hawai'i's Affordable Housing Policy (Chapter 11).



Affordable housing developers primarily rely on State and Federal subsidy sources as well as debt financing for their projects, and generally have not been able to leverage excess credits as a source of financing for affordable housing development, the analysis found.

In Hawai'i County, most excess credits earned over the past two decades remain unused, resulting in a glut of approximately 1,300 unused credits, according to a February 2023 audit.

The awarding of credits for Chapter 201H projects would result in even more excess credits. Additionally, the credits would not have a geographic restriction attached, further undermining the County's ability to provide affordable housing for residents where needed.

Lastly, the affordable housing credits programs offered by the counties are complex and need to have adequate internal controls to ensure the credits are properly issued, controlled, and accounted for.

For these reasons, the OHCD respectfully opposes SB1170, SD1, and requests that it not move forward.

Thank you for the opportunity to provide testimony on this measure.

Mahalo,



---

Susan K. Kunz  
Housing Administrator

**DEPARTMENT OF PLANNING AND PERMITTING**  
**KA 'OIHANA HO'OLĀLĀ A ME NĀ PALAPALA 'AE**  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 768-8000 • FAX: (808) 768-6041 • WEBSITE: honolulu.gov/dpp

RICK BLANGIARDI  
MAYOR  
MEIA



DAWN TAKEUCHI APUNA  
DIRECTOR  
PO'O

JIRO A. SUMADA  
DEPUTY DIRECTOR  
HOPE PO'O

February 28, 2024

**LATE**

The Honorable Senator Donovan M. Dela Cruz, Chair  
and Members of the Committee on Ways and Means  
Hawai'i State Senate  
Hawai'i State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

**Subject: Senate Bill 1170, SD1**  
**Relating to Affordable Housing Credits**

Dear Chair Dela Cruz and Committee Members:

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 1170, SD 1, which would require the counties to issue affordable housing credits for affordable housing units that are constructed pursuant to chapter 201H, Hawai'i Revised Statutes.

While the City supports policies that will stimulate housing production, particularly the inventory of affordable housing units, we do not believe that awarding developers of 201H projects credits will result in expanding the housing supply or furthering the goal of creating desirable mixed-income communities. It also ignores the fact that developers of 201H projects currently receive generous public subsidies from the counties in the way of relaxed development standards and fee waivers and exemptions.

We continue to oppose this Bill because it creates credit value that developers can sell or use themselves to fulfill affordable housing requirements imposed by the counties. Thus, it undermines the ability of the counties to provide new affordable housing to all residents within county-defined income need groups, on a time schedule commensurate with private sector construction, and in geographic areas where the counties believe affordable housing is needed.

As you may know, the City is focusing on encouraging affordable housing in the rail corridor via transit-oriented development (TOD) by promoting denser, "infill," multi-

The Honorable Senator Donovan M. Dela Cruz, Chair  
and Members of the Committee on Ways and Means  
Hawai'i State Senate  
Senate Bill No. 1170, SD 1  
February 28, 2024  
Page 2

family projects. In addition, master planned communities continue to fulfill affordable housing requirements mandated by unilateral agreements. The proposed affordable housing credit program appears to be a disincentive to TOD and the creation of mixed-income projects and neighborhoods. Furthermore, the City's Affordable Housing Requirement, as described in 2021 Revised Ordinances of Honolulu, Chapter 29, would be detrimentally impacted as developers could simply use credits instead of developing housing for our residents most in need.

In summary, we believe the amended Bill benefits the developers at the cost of the counties' programs and policies. It amounts to "double dipping," developers of 201H projects receive fee waivers and exemptions, as well as the monetary value of credits. The goal should not be to create a complicated monetized system of credits, but to support the development of affordable housing through direct, project-specific funding opportunities, amendments to regulations, and an evaluation of additional incentives. To this end, we respectfully oppose Senate Bill No. 1170, SD 1, and request that it not move forward.

Thank you for the opportunity to testify.

Very truly yours,

  
Dawn Takeuchi Apuna  
Director



1001 Bishop Street | Suite 625 | Honolulu, HI 96813-2830  
1-866-295-7282 | Fax: 808-536-2882  
aarp.org/hi | [aarphi@aarp.org](mailto:aarphi@aarp.org) | [twitter.com/AARPHawaii](https://twitter.com/AARPHawaii)  
[facebook.com/AARPHawaii](https://facebook.com/AARPHawaii)

**The State Legislature  
Senate Committee on Ways and Means  
Wednesday, February 28, 2024  
Conference Room 211, 10:01 a.m.**

TO: The Honorable Donovan Dela Cruz, Chair  
FROM: Keali'i Lopez, State Director, AARP Hawaii  
RE: Support for S.B. 1170 SD1 -Relating to Affordable Housing Credits

Aloha Chair Dela Cruz, and Members of the Committee:

My name is Keali'i Lopez, and I am the State Director for AARP Hawai'i. AARP is a nonpartisan, social impact organization that advocates for individuals age 50 and older. We have a membership of nearly 38 million nationwide and nearly 140,000 in Hawaii. We advocate at the state and federal level for the issues that matter most to older adults and their families.

**AARP supports S.B 1170, SD1 which requires the counties to issue affordable housing credits for affordable housing units that are constructed pursuant to Chapter 201H, Hawaii Revised Statutes**

AARP encourages policy makers to expand the availability of affordable housing. This can be done through tax credits and public and private incentives. This proposed legislation will allow counties to issue affordable housing credits for eligible developers for units developed under the Hawaii Housing and Finance Development laws (201-H). It is highly encouraged that HHFDC collaborates with the counties and involve them in process of choosing the "eligible developer". Thank you very much for the opportunity to testify in support **S.B. 1170, SD1**.

*Expanding the range of opportunities for all by  
developing, managing and promoting quality  
affordable housing and diverse communities.*



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Testimony of EAH Housing | Hawai'i Region  
RELATING TO SB1170 SD1

February 28, 2024 at 10:01 AM  
Written Testimony Only

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**Senate Committee on Ways and Means**

Chair Donavan Dela Cruz, Vice Chair Sharon Moriwaki, Members Henry Aquino, Lynn DeCoite,  
Troy Hashimoto, Lorraine Inouye, Dru Mamo Kanuha, Michelle Kidani, Donna Mercado Kim,  
Chris Lee, Maile Shimabukuro, Glenn Wakai, and Kurt Fevella

**SUPPORT**

The purpose and intent of this measure is to temporarily require counties to issue affordable housing credits for units constructed under chapter 201H, Hawaii Revised Statutes. The costs of constructing affordable housing, including real estate construction loan interest rates that have risen significantly since 2021, have increased the financial subsidies required for affordable housing production, negatively impacting the delivery of affordable housing.

This measure aims to ensure the continued production of affordable and workforce housing units by allowing for the monetization of county affordable housing credits. By increasing investment in affordable housing and lessening the need for state and county subsidies, this measure helps address the growing demand for affordable housing in Hawai'i.

In conclusion, this measure is a vital step towards ensuring the availability of affordable housing in Hawai'i by addressing the financial challenges associated with affordable housing production by incentivizing investment in affordable housing projects.

Thank you for considering our support for SB1170 SD1.

A handwritten signature in black ink that reads "Karen Seddon".

Karen Seddon  
Regional Vice President  
EAH Housing

EAH Housing is a non-profit corporation founded with the belief that attractive affordable rental housing is the cornerstone to sustainable, healthy, and livable communities.

733 Bishop Street, Suite 1717  
Honolulu, Hawaii 96813  
(808) 466-7774



February 28, 2024

**The Honorable Donovan M. Dela Cruz, Chair**

Senate Committee on Ways and Means

State Capitol, Conference Room 211 & Videoconference

**RE: Senate Bill 1170 SD1, Relating to Affordable Housing Credits**

**HEARING: Wednesday, February 28, 2024, at 10:01 a.m.**

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 11,000 members. HAR **supports** Senate Bill 1170 SD1, which requires the counties to issue affordable housing credits for affordable housing units that are constructed pursuant to chapter 201H, Hawaii Revised Statutes. Repeals on June 30, 2031.

According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawaii, the state needs up to 45,497, housing units to meet demand in Hawai'i by 2030.<sup>1</sup> Ultimately, we have a housing supply problem, and creative approaches are needed to meet our state's housing challenges. With current high-interest rates and rising construction costs, it has made it challenging to develop affordable housing. As such, this measure can help with the development of affordable housing through the counties issuing affordable housing credits for affordable housing units under the 201H program.

Mahalo for the opportunity to testify on this measure.

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<sup>1</sup> Department of Business, Economic Development & Tourism. (2019). *Hawaii Housing Demand 2020-2030*. <https://files.hawaii.gov/dbedt/economic/reports/housing-demand-2019.pdf>

February 26, 2024

The Honorable Donovan Dela Cruz, Chair  
The Honorable Sharon Moriwaki, Vice Chair  
and Members of the Senate Committee on Ways and Means  
Hawaii State Capitol  
Honolulu, Hawaii 96813

**RE: SB 1170 SD 1 - RELATING TO HOUSING**

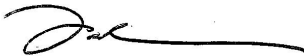
Dear Chair Dela Cruz and Members of the Committee,

Kobayashi Group is writing this letter in **SUPPORT** of SB 1170 SD 1.

An affordable housing credit system would allow flexibility for successful projects throughout our State, ultimately providing a greater number of units and an ability for developers to react quickly to market demands.

Your support of this legislation and continued support of the 201-H program is appreciated.

Sincerely,



Patrick Kobayashi  
*Chief Executive  
Officer & Partner*



Alana Kobayashi Pakkala  
*Executive Vice President  
& Managing Partner*



Matthew Pennaz  
*Chief Operating Officer*



February 27, 2024

Senator Donovan Dela Cruz, Chair  
Senator Sharon Moriwaki, Vice Chair  
Members of the Committee on Ways and Means

RE: **SB 1170 SD 1– RELATING TO AFFORDABLE HOUSING CREDITS**  
**Hearing date – February 28, 2024 at 10:01 AM**

Thank you for allowing NAIOP Hawaii to submit testimony in **STRONG SUPPORT FOR SB 1170 SD1 – RELATING TO AFFORDABLE HOUSING CREDITS**. NAIOP Hawaii is the Hawaii chapter of the nation’s leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

SB 1170 SD1 creates an affordable housing credit program for 201H projects by requiring the counties to issue affordable housing credits for income-specified housing units. Specifically, SB 1170 SD1 seeks to resolve the potential concern that non-LIHTC 201H projects are no longer feasible by allowing for the issuance of affordable housing credits to eligible developers for residences required to be sold or rented to individuals within a specified income range. The credits are market based, issued on a one-to-one basis, and may be applied within the same county in which the credits were issued to satisfy county affordable housing obligations. Further, the measure allows HHFDC to enter into memorandums of agreements with certain counties to establish, modify, or clarify the condition for the issuance, transfer, and redemption of the affordable housing credits.

NAIOP strongly supports SB 1170 SD1 which ensures the continued production of affordable and workforce housing units under HRS 201H. Currently, Hawaii is in a housing crisis. In 2019, a study commissioned by DBEDT found that Hawaii will need an additional 50,156 homes by 2025. In order to meet this projection housing units will need to be developed in mass quantities. The affordable housing credit program seeks to assist in accomplishing this goal.

Furthermore, interest rates for 30 years fixed residential mortgages have significantly risen from 3.07% to 6.95% within the past 2 years representing a near 150% increase. This has led to a dramatic increase in monthly costs of owning a home in Hawaii. Moreover, the recent increases in interest rates have decreased the sales prices of income specified units built under HRS 201H due to the AMI pegged sales price limitations. In conjunction, the Secured Overnight Financing Rate (SOFR), a rate most

construction loans are based upon, has increased from .05% to 5.32% representing a 105x increase, which dramatically increases the costs of building residential units.

The rising construction costs combined with the dramatic drop in sales prices due to AMI limitations has prevented projects from being feasible and rendered 201H nearly unusable by the home building community. Accordingly, NAIOP Hawaii is concerned that development of 201H projects has come to a halt and will remain so if policies are not implemented which further incentivize development and offset rising costs.

NAIOP Hawaii is appreciative of the amendments made by the previous committee which:

1. Authorizes the Hawaii Housing Finance and Development Corporation to enter into memorandums of agreement with any of the counties, not just Kauai County and City and County of Honolulu;
2. Specifies that each county and the Hawaii Community Development Authority shall recognize housing units developed pursuant to section 201H-38, Hawaii Revised Statutes, and issue affordable housing credits to the eligible developer for residences required to be sold or rented to individuals within a specified income range, if a developer chooses to receive affordable housing credits; and
3. Amends the definition of "affordable housing obligation" to include requirements imposed by the Hawaii Community Development Authority; and

Ultimately, Hawaii residents need housing units to be produced to allow our local families to continue to thrive here. NAIOP Hawaii is supportive of all policies which encourage the production of much needed housing stock for our local residents. For instance, we similarly supported making the DHHL affordable housing credit program permanent in the 2023 legislative session as it would lead to the production of more affordable housing units.

Accordingly, NAIOP Hawaii strongly supports SB 1170 SD1 which will ensure the continued production of homes for our residents. Thank you for the opportunity to testify on this measure.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Reyn Tanaka', with a long horizontal flourish extending to the right.

Reyn Tanaka, President  
NAIOP Hawaii



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
Wednesday, February 28, 2024, 10:01 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair  
The Honorable Senator Sharon Y. Moriwaki, Vice Chair  
Members of the committee on Ways and Means

**SUPPORT SB1170 SD1 RELATING TO AFFORDABLE HOUSING CREDITS**

The Maui Chamber of Commerce **SUPPORTS SB1170 SD1** which requires the counties to issue affordable housing credits for affordable housing units that are constructed pursuant to chapter 201H, Hawaii Revised Statutes.

The Chamber notes that we are in a housing crisis and need as much support as possible to build units as expeditiously as possible. We want to be consistent with practices done at the state level for 201H projects. It is urgent to expedite housing and provide incentives to home builders before prices continue to increase.

We note that this is another tool in the affordable housing tool box. As many tools as we can get can only help increase the supply of affordable housing.

For these reasons, we **support SB1170 SD1**.

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.