

MAR 07 2024

SENATE RESOLUTION

URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO AMEND THE PRIORITY FOR WHICH LOW-INCOME HOUSING TAX CREDITS ARE ALLOCATED AND MONEYS IN THE RENTAL HOUSING REVOLVING FUND ARE USED AND TO ADOPT CERTAIN ADMINISTRATIVE RULES THAT INCENTIVIZE THE DEVELOPMENT OF AFFORDABLE HOUSING IN THE STATE.

1 WHEREAS, the federal Low-Income Housing Tax Credit (LIHTC)
2 Program is intended to encourage the construction or
3 rehabilitation of low-income rental units and has been the
4 backbone of new affordable housing construction nationwide for
5 nearly forty years; and
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7 WHEREAS, the Program provides federal LIHTC to qualified
8 project owners who agree to maintain all or a portion of the
9 project's units for low-income individuals or families for a
10 certain affordability period; and
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12 WHEREAS, the State created its own LIHTC, which is equal to
13 fifty percent of the federal LIHTC allocated to a project, and
14 the Hawaii Housing Finance and Development Corporation (HHFDC)
15 is the designated agency responsible for the administration of
16 both the federal and state LIHTC programs; and
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18 WHEREAS, HHFDC developed a Qualified Allocation Plan (QAP),
19 which sets forth the criteria to evaluate and allocate LIHTC to
20 projects and preferences that best meet the housing needs of the
21 State and the procedures to monitor compliance with the
22 provisions of the LIHTC Program; and
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24 WHEREAS, the State's Rental Housing Revolving Fund provides
25 equity gap low-interest loans to qualified owners and developers
26 constructing affordable housing units and moneys in the fund are
27 prioritized for projects or units in projects that are allocated
28 LIHTC; and
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30 WHEREAS, these loans are very long-term (fifty-five years)
31 and low-interest (0.25 percent); and
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S.R. NO. 31

1 WHEREAS, LIHTC is an affordable housing program that both
2 rewards private sector developers and produces housing for low-
3 income residents, however, the reality is that LIHTC funding is
4 currently a handout of taxpayer dollars to developers, as the
5 tax credits themselves are not loans and are never repaid; and
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7 WHEREAS, developers who receive LIHTC financing are paid
8 twice: they collect a developer fee and they own the project;
9 and
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11 WHEREAS, developers are only required to make a certain
12 portion of the units available to low-income tenants for a
13 certain period of time, at which point developers can raise
14 rents to market rates, resulting in the State being unable to
15 leverage any capital gain in the project to develop more housing
16 in the future because those gains are solely realized by the
17 developer; and
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19 WHEREAS, as a result, LIHTC requires billions of dollars in
20 federal funding annually, creating buildings that offer low
21 rents only in the short-term and unjustly enrich developer-
22 owners in the long-term; and
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24 WHEREAS, existing LIHTC incentives do not ensure that
25 profits be recycled to build more housing; and
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27 WHEREAS, if LIHTC funds created projects that recycled
28 their profits into building more housing, LIHTC would create a
29 system that results in more housing, thereby helping the State
30 address its ongoing housing crisis without additional
31 expenditure of taxpayer funds; and
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33 WHEREAS, furthermore, private banks are eager to refinance
34 Rental Housing Revolving Fund loans after fifteen years to
35 enable developers to repay the Rental Housing Revolving Fund in
36 full, however, developers rarely do so because there is no
37 incentive or priority given to developers who commit to repaying
38 the loans; and
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40 WHEREAS, if priority were given to developers who have a
41 record of early loan repayment, or those who request a shorter
42 repayment term, developers would be incentivized to refinance



S.R. NO. 31

1 after fifteen years, repay the Rental Housing Revolving Fund
2 early, and free up funds to enable more housing creation in the
3 future; and

4
5 WHEREAS, HHFDC's 2024 proposed QAP fails to account for
6 these concerns and should be amended to ensure that the State
7 will more efficiently and effectively utilize its resources by
8 subsidizing housing developments that can grow in value and are
9 required to recycle financing to keep developing more housing to
10 guarantee long-term affordability for project residents, as well
11 as fairness in how taxpayer dollars are spent; now, therefore,

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13 BE IT RESOLVED by the Senate of the Thirty-second
14 Legislature of the State of Hawaii, Regular Session of 2024,
15 that the Hawaii Housing Finance and Development Corporation is
16 urged to amend the priority for which Low-Income Housing Tax
17 Credits are allocated and moneys in the Rental Housing Revolving
18 Fund are used and to adopt certain administrative rules that
19 incentivize the development of affordable housing in the State;
20 and

21
22 BE IT FURTHER RESOLVED that the Hawaii Housing Finance and
23 Development Corporation is urged to amend the 2024 Qualified
24 Allocation Plan to prioritize the allocation of federal and
25 state Low-Income Housing Tax Credits, the administrative rules
26 governing loans from the Rental Housing Revolving Fund, and the
27 administrative rules or policies governing all financial support
28 from the Hawaii Housing Finance and Development Corporation to
29 the following:

- 30
31 (1) Projects on state- or county-owned land;
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33 (2) Projects that are required to be conveyed to the State
34 or a county at a definite time;
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36 (3) Projects owned by an organization obliged to use all
37 financial surplus generated by the project to
38 construct, manage, or rehabilitate owner- or renter-
39 occupied housing in the State;
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41 (4) Projects with a perpetual affordability commitment;
42 and



S.R. NO. 31

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(5) Projects of applicant developers who:

(A) Demonstrate a record of project readiness and early loan repayment; or

(B) Request a shorter repayment term; and

BE IT FURTHER RESOLVED that the Hawaii Housing Finance and Development Corporation is urged to prioritize providing, in whole or in part, loans or grants for rental housing projects that have been awarded Low-Income Housing Tax Credits and:

(1) Are on state- or county-owned land;

(2) Are required to be conveyed to the State or a county at a definite time;

(3) Are owned by an organization obliged to use all financial surplus generated by the project to construct, manage, or rehabilitate renter-occupied housing in the State;

(4) Have a perpetual affordability commitment; and

(5) Are projects of developers who:

(A) Demonstrate a record of project readiness and early loan repayment; or

(B) Request a shorter repayment term; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Governor; Director of Business, Economic Development, and Tourism; Executive Director of the Hawaii Housing Finance and Development Corporation; and the Chairperson of the Board of Directors of the Hawaii Housing Finance and Development Corporation.

OFFERED BY: 

