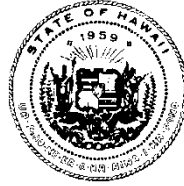


JOSH GREEN, M.D.
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

IN REPLY, PLEASE REFER TO:

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, April 3, 2024
10:30 AM – Room 211, Hawaii State Capitol

In consideration of
HB 1763, HD1, SD1
RELATING TO HOUSING

Honorable Chair Dela Cruz and members of the Senate Committee on Ways and Means, thank you for the opportunity to provide testimony on House Bill (HB) 1763, HD1, SD1.

The Hawaii Public Housing Authority (HPHA) **strongly supports** HB 1763, HD1, SD1, which amends the priority for which moneys in the Rental Housing Revolving Fund are to be used. Requires the Hawai'i Housing Finance and Development Corporation to prioritize the allocation of the rental housing revolving fund moneys to certain housing projects.

The HPHA believes that this measure is good public policy that is sorely needed to combat our housing crisis not just in the near future but for decades to come. If taxpayer dollars are going to go to affordable housing projects, then the priority should be given to those affordable housing projects owned by taxpayers thereby ensuring affordability for the entire life of the project. This is especially important and timely given the AARP Hawaii commissioned study by the Washington, DC.-based Smart Growth America which found that “almost 12,000 affordable homes in Hawaii could be lost over the next 20 years”.

Facing an aging public housing inventory with a capital improvement backlog upwards of \$870M, the HPHA continues to work expeditiously towards redeveloping and replacing its

functionally obsolete public housing units. By funding the development of additional affordable and for-sale housing units, the HPHA can make huge strides in addressing Hawaii's affordable housing crisis.

The HPHA will integrate all newly developed housing units into mixed-income, mixed-use communities. This will be in addition to the one-for-one replacement of public housing units which will adhere to low-income affordability requirements set by the U.S. Department of Housing and Urban Development (HUD). Not only will this provide greater housing stability to our local families struggling to get by, but it will also benefit the overall social fabric of our neighborhoods. Through the reduction of poverty-concentration, low-income households are empowered through easier access to better schools, healthcare, and job opportunities.

In July 2023, the HPHA selected Highridge Costa Development Company (HCDC) as the Master Developer for its upcoming Ka Lei Momi Project. Ka Lei Momi stands for "The Pearl Garland". For the past six months, a tremendous amount of progress has been achieved in this ambitious public-private partnership (PPP) that aims to construct over 10,000 new additional affordable units over the next decade in addition to replacing decades old public housing units statewide. With access to federal tools and programs like Rental Assistance Demonstration (RAD), Choice Neighborhood Initiative (CNI), Section 18 Demolition/Disposition, and Moving to Work (MTW), the HPHA is well-positioned to utilize mixed-finance strategies through our PPP with HCDC where these new affordable units are so desperately needed thereby increasing the housing stock in Hawaii, assuring affordability for life, deconcentrating poverty and creating vibrant mixed-income mixed-use communities for generations to come.

The HPHA's upcoming redevelopment activities planned for the next couple of years include the second phase of the Kuhio Park Terrace Low-Rises and Kuhio Homes redevelopment project that includes 304 units anticipated to break ground at the end of this year, the first phase of the School Street Senior Affordable Rental project that consists of 250 units which broke ground earlier this month, the first phase of the Mayor Wright Homes redevelopment project that includes 916 units of mixed-income rentals and a 99-year lease for-sale tower that is anticipated to break ground in late 2025, and the Kapaa affordable housing project that includes 124 units. The Kuhio Park Terrace Low-Rises and Kuhio Homes redevelopment project will look to replace 174 public housing units with a total of 650 total units, School Street Senior Affordable Rental project will build a total of 800 units, Kapaa affordable housing project will look to replace 36 public housing units with a total of 124 units, and the Mayor Wright Homes redevelopment project will look to replace 364 public housing units with a total of 2,448 units. This essential support will expedite the delivery of much-needed affordable housing, addressing the pressing needs of Hawaii.

By providing projects that are or will be State-owned with greater priority in the award of RHRF, the Legislature can help to ensure that local housing development is less profit-motivated and more focused on providing Hawaii's residents with a greater number of affordable housing options.

HPHA redevelopment projects will provide the State with the following benefits:

- Allows the State to rehabilitate functionally obsolete public housing units; eliminate expensive repair and maintenance. Built in the 50's and 60's, the existing housing portfolio has reached the end of its useful life and urgently requires revitalization.
- Supports the Administration's and Legislature's Policy priority of providing access to permanent housing from homelessness and will allow the Agency to make a meaningful impact in support of legislative goals of developing more affordable housing units with affordability for life, thereby expanding the existing supply of affordable and low-income housing in the State to urgently address the affordable housing crisis.
- HPHA redevelopment projects will be integrated into mixed-income, mixed-use communities. Not only does this provide greater housing stability to local families struggling to get by, but it also benefits the overall social fabric of our neighborhoods. By reducing poverty-concentration statewide, low-income households are empowered through easier access to better schools, healthcare, and job opportunities. The United State Department of Housing and Urban Development (HUD) encourages this approach through programs such as Rental Assistance Demonstration (RAD) and Mixed-Finance strategies through public private partnerships. This makes HPHA's potential redevelopment projects much more user-friendly in the private sector, better positioning HPHA properties to access the private capital and financing necessary to revitalize them.
- As the State's only Public Housing Agency with federal public housing, we can access greater federal support and funding to benefit the most disadvantaged populations in our State, using our Moving to Work designation and tools like RAD, Choice Neighborhood Initiative, and Section 18 Demolition/Disposition.
- As the proposed redevelopments will be located on parcels already owned by the HPHA, it excludes the cost of land from the development cost equation, creating an attractive incentive for private developers to partner with the State in this endeavor.
- Allows the State to ensure that every new housing unit that's built will remain affordable in perpetuity.
- The scale of this proposal makes it possible to establish contract(s) directly with key suppliers nationally, or access government pricing, resulting in significant cost savings for Hawaii taxpayers.
- HPHA's development projects serve the largest demographic of housing needed of 20% AMI and below that private developers can't accommodate.
- Leveraging capital resources through public/private partnerships, Transit Oriented Development (TOD) incentives and underutilized State assets in prime PUC areas and TOD areas creates an exceptional opportunity to deliver desperately need affordable housing to the state and to create more livable, vibrant, and integrated communities for health and well-being of our residents and taxpayers that can be enjoyed for generations to come.
- Encourages developers to enter into public/private partnerships to lower costs.

The HPHA agrees with our sister agency and partner the Hawaii Housing Finance and Development Corporation (HHFDC) that if an affordable project that is to be given this priority, it must be project ready as defined by the HHFDC's rules.

The HPHA appreciates the opportunity to provide testimony to the Committee in strong support of this measure. We thank you very much for your dedicated efforts.



HB1763 HD1 SD1 RELATING TO HOUSING
Senate Committee on Ways and Means

April 3, 2024

10:30 AM

Conference Room 211

The Office of Hawaiian Affairs (OHA) **SUPPORTS HB1763 HD1 SD1** which amends the priority for use of moneys within the Rental Housing Revolving Fund and specifies that use of the fund must be for rental housing projects that demonstrate acceptable project readiness. OHA believes this measure will help address the housing crisis by prioritizing funding towards those projects that are ready to move forward and meant to be affordable for the majority of people.

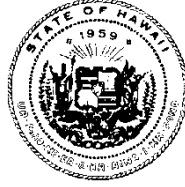
This measure proposes key changes that will help provide affordable housing for Native Hawaiians and many other communities. The bill aims to introduce a priority system for allocating Low-Income Housing Tax Credits, amend the priority for the Rental Housing Revolving Fund, and add new criteria to the Qualified Allocation Plan. These changes would increase the availability of affordable housing for those who need it the most and make the application process fairer and more transparent.

OHA is optimistic that by prioritizing State housing funds towards such projects, Native Hawaiians and all of Hawai‘i’s residents will benefit by increasing the availability of affordable housing.

OHA appreciates the opportunity to share our mana‘o and urges the Legislature to **PASS HB1763 HD1 SD1**. Mahalo nui loa.

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 AND MEANS

April 03, 2024 at 10:30 a.m.
State Capitol, Room 211

In consideration of
H.B. 1763 HD1 SD1
RELATING TO HOUSING.

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee:

HHFDC has comments on HB 1763 HD1 SD1, which amends the priority for which moneys in HHFDC's Rental Housing Revolving Fund (RHRF) program are to be used, requiring that certain housing projects be prioritized beginning with RHRF loan applications submitted after June 30, 2024.

HHFDC strives to maximize the impacts of its RHRF and other multifamily rental housing finance programs through a competitive annual application process to ensure that the State's resources are efficiently used, and this bill interferes with that goal.

HB 1763 HD1 SD1 requires HHFDC to prioritize the award of RHRF financing to applicants seeking to develop certain types of projects—those located on State- or county-owned lands; required to be conveyed to the same at a definite time; owned by an organization obliged to use all financial surplus generated by the project to construct, manage, or rehab renter-occupied housing, with a perpetual affordability commitment; and of developers who demonstrate a record of early loan repayment or request a shorter repayment term.

We have the following concerns about this bill:

- Its prioritization of financing awards is without regard to the efficiency in the deployment of limited resources and project financial feasibility.

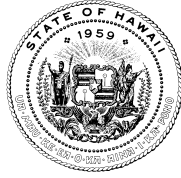
- Affordability terms should be tied to the expected useful life of the building improvements currently being financed. It's unreasonable to require the use of real property to be limited to affordable-housing purposes in perpetuity due to a financing transaction for improvements that are not perpetual in their longevity.
- Nonprofit developers pledge to keep their projects affordable on a long-term basis, typically for a term of 65 years. Restrictive land-use covenants, including the agreed-upon term of affordability, are recorded and run with the land.

HHFDC appreciates that the SD1 includes language addressing project readiness, as we requested.

Thank you for the opportunity to testify on this bill.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawaii*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawaii*



KALI WATSON
CHAIRMAN, HHC
Ka Luna Ho'okele

KATIE L. DUCATT
DEPUTY TO THE CHAIRMAN
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawaii'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
DECISION MAKING HEARING ON APRIL 3, 2024 AT 10:30AM IN CR 211

HB 1763, HD 1, SD 1, RELATING TO HOUSING

April 3, 2024

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

The Department of Hawaiian Home Lands (DHHL) supports this bill which would 1) amend the priority for which funds in the Rental Housing Revolving Fund are to be used and 2) require the Hawaii Housing Finance and Development Corporation to prioritize the allocation of the rental housing revolving fund moneys to certain housing projects.

DHHL would qualify to benefit from this bill by virtue of being a State agency with an interest in developing mixed-income rental projects. Hawaiian Home Land areas where DHHL has successfully used LIHTC funds include Ho'olimalima on the leeward side of O'ahu, La'i 'Ōpua on Hawaii'i island and the Waimānalo Kupuna Housing Project.

Thank you for your consideration of our testimony.



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facebook.com/AARPHawaii

The State Legislature
Senate Committee on Ways and Means
Wednesday, April 3, 2024
Conference Room 211, 10:30 a.m.

TO: The Honorable Donovan Dela Cruz, Chair
FROM: Keali'i S. López, State Director, AARP Hawaii
RE: Support for HB 1763, HD1, SD1 -Relating to Housing

Aloha Chair Dela Cruz and Members of the Committee:

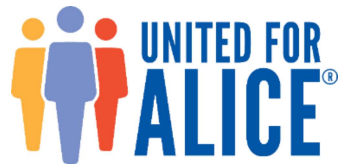
My name is Keali'i Lopez, and I am the State Director for AARP Hawai'i. AARP is a nonpartisan, social impact organization that advocates for individuals age 50 and older. We have a membership of nearly 38 million nationwide and nearly 140,000 in Hawaii.

AARP supports the intent of H.B. 1763, HD1, SD1 which requires the Hawaii Housing Finance and Development Corporation to prioritize the allocation of low income housing tax credits and adopt administration rules for evaluating and awarding applicants and projects.

Hawaii's limited supply of affordable housing continues to be a major issue for the state. As the State seeks funds to increase the housing inventory, it is important for the State to incentivize developers to help address and increase the affordable housing inventory especially with a focus on permanent affordability whether the housing is owned by the State, county, a for-project or non-profit organization.

Hawaii must preserve and increase the LIHTC properties so that they remain part of the affordable housing market. As some LIHTC properties terms are approaching expiration, the State will need to plan ahead to assist households residing in such properties by offering appropriate and affordable alternatives before they experience homelessness. AARP is keenly concerned about what will happen to Hawaii's older residents and others with limited income when the affordability requirements expire for thousands of existing LIHTC and other subsidized projects. According to AARP/Statista analysis, close to 970 older adults (age 55+) are expected to be evicted in 2024 and more than 1500 older (55+) may experience homelessness in Hawaii this year. The Legislature must act now to prevent more evictions and homelessness.

Thank you very much for the opportunity to testify on **H.B. 1763, HD1, SD1.**



COMMITTEE ON WAYS AND MEANS

HB1763 HD1 SD1
POSITION: SUPPORT

Hearing Date: April 3, 2024, 10:30 am

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

Aloha United Way supports HB1763 HD1 SD1, to amend the priority for which moneys in the Rental Housing Revolving Fund are to be used, and requires the Hawaii Housing Finance and Development Corporation to prioritize the allocation of the rental housing revolving fund moneys to certain housing projects.

Hawaii has the highest cost of living in the nation and the cost of and scarcity of housing continues to spiral beyond the reach of local families. This bill will help support Hawaii's working families and ALICE households.

ALICE stands for Asset Limited, Income Constrained, Employed, and refers to households who are employed but whose incomes are not sufficient to meet their basic costs. According to our 2022 report an estimated **44% of Hawaii's households are ALICE households**, with an increasing number falling into poverty.

HB1763 HD1 SD1 is an important tool to help increase available housing for lower-income and ALICE households. We urge you to **pass this measure** and to prioritize bills and actions that **support the development of owner-occupied housing or to increase housing for those below the area AMI**, and ensure units built with State support are **specifically designated to house Hawaii's families and workforce**.

Thank you for the opportunity to provide this testimony and for your action to support ALICE families. Our entire economy depends on strong action from the Legislature to ensure housing is attainable for the families who call Hawaii home. We urge you to pass HB1753 HD1 SD1 to benefit ALICE families.

Sincerely,

A handwritten signature in blue ink that reads "Suzanne Skjold".

Suzanne Skjold
Chief Operating Officer
Aloha United Way

▪ April 2, 2024

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

Re: Testimony – HB 1763, HD1, SD1, Relating to Housing
Hearing: April 3, 2024 at 10:30 AM
Conference Room 211 & Videoconference

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members:

Stanford Carr Development (SCD) is writing to **oppose** HB 1763, HD1, SD1 which amends the priority for which moneys in the Rental Housing Revolving Fund (RHRF) are to be used by requiring the Hawaii Housing Finance and Development Corporation to prioritize the allocation of the rental housing revolving fund moneys to certain housing projects.

While we greatly appreciate the significant edits to the original version of HB 1763, we continue to object to the idea of legislating the priorities of the RHRF as outlined in HB 1763, HD1, SD1.

With respect to projects that are awarded low-income housing tax credits (LIHTC), the Internal Revenue Code (IRC) §42 Chapter 1, Introduction, State Housing Agency Responsibilities, QAP states the preference of the LIHTC program is to provide “...**preference to projects serving the lowest income tenants, for the longest periods, located in qualified census tracts, and which will contribute to a concerted community revitalization plan.**” IRS §42 omits mention of a preference for projects on government-owned lands, projects owned by non-profits, or projects with a perpetual affordability commitment.

The remoteness of our island home contributes to the high cost of housing. The RHRF provides the necessary gap financing to make projects financially feasible. Accordingly, the fund should be allocated to the highest scoring projects consistent with the intent of the federal program to serve the greatest need for the longest period-of-time. If the state and counties want to finance affordable housing, they possess the authority to utilize general obligation bonds, rather than burden an existing and successful federal program designed to incentivize private-sector development and ownership of affordable housing.

We respectfully ask for a **no vote** on moving HB 1763, HD1, SD1 forward. Thank you for the opportunity to offer comments on this measure.

Respectfully,



Stanford S. Carr



CATHOLIC CHARITIES HAWAII

COMMENTS on HB 1763 HD1 SD1: RELATING TO HOUSING

TO: Senate Committee on Ways and Means
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i
Hearing: **Wednesday, 4/3/24; 10:30 AM; CR 211 and Videoconference**

Chair Dela Cruz, Vice Chair Moriwaki, and Members, Committee on Ways and Means:

Thank you for the opportunity to provide **Comments on HB 1763 HD1, SD1**, which amends the priority for which monies in the Rental Housing Revolving Fund (RHRF) are to be used. It requires the Hawai'i Housing Finance and Development Corporation (HHFDC) to prioritize the allocation of RHRF monies to certain housing projects. I am Rob Van Tassell with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 75 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai'i. We have a long history of working in affordable housing and homelessness.

Catholic Charities Hawai'i **respectfully requests that you DEFER this bill**. While we strongly support the intent of this bill to provide permanent affordability for RHRF funded projects, we feel more community discussion is needed on these priorities. There needs to be more evaluation and discussion of the most effective methods to achieve permanent affordability.

We are very concerned about the designation of funding in a specific priority order. HHFDC currently has many more applications than they are able to fund. With limited funding, it appears that only State/County projects may be funded if this bill passes. We feel that more participation, not less, is needed to meet the need for affordable rentals across our State.

We support RHRF awards to state- or county- owned projects since these would be permanently affordable. **We also feel that the residents of Hawai'i should have affordable housing choices in other areas, with permanent affordability built into these projects.** Our workforce needs to find affordable housing based on their jobs, family situations, etc. Housing priorities need to reflect a wider scope of locations than may be offered by state or county projects.

In this current draft (SD1), we support the deletion of Section 3 (of HD1) which had mandated points for the QAP selection process. That is a good step forward.

We urge you to DEFER this bill and urge HHFDC to work with the community to evaluate changes that would target these funds to address the greatest housing needs of local residents, including permanent affordability. If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.





King Lunalilo Trust

April 2, 2024

Senate Committee on Ways and Means
Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: HB 1763 SD1

Aloha Chair Dela Cruz, Vice Chair Moriwaki and members of the Senate Committee on Ways and Means:

King Lunalilo Trust offers COMMENTS on HB 1763 SD1, which requires the allocation of Low-Income Housing Tax Credits be issued pursuant to a priority system.

Housing is a critical social determinant of health, and our ali'i had the foresight to understand this would be one of the most serious issues faced by our lāhui. Over 140 years ago, King William Charles Lunalilo created the King Lunalilo Trust to prioritize kupuna well-being by providing safe and secure housing. Today, through our various programs, we work around the clock to carry that mission forward, supporting Hawai'i's kūpuna and their 'ohana.

Understanding housing is one of the top issues affecting our state, we express concern that prioritization of projects of developers who demonstrate a record of early loan repayment or who request a shorter repayment term will favor larger, established developers and hinder the entry of newer, less established developers, particularly nonprofit developers.

We respectfully recommend that the fifth priority category in SD1 subsection (E) be stricken from the bill. There is a growing desire among nonprofit leaders to enter into this space and aid in the advancement of affordable housing. King Lunalilo Trust is aware of seven other, newer nonprofit organizations that are actively working to become more involved in the development of affordable housing in Hawai'i. HB 1763 SD1, without subsection (E), would support nonprofit organizations, including our organization and our fellow nonprofits, to help move the needle.

For these reasons, King Lunalilo Trust offers comments on HB 1763 SD1, as it will help to empower the many organizations working to advance housing solutions for Hawai'i, thereby bettering the outlook for our communities and future generations.

Mahalo piha,

J. Keolamaikalani Dean
Chief Executive Officer

HB-1763-SD-1

Submitted on: 4/2/2024 8:19:10 PM

Testimony for WAM on 4/3/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Craig Watase	Testifying for Mark Development Inc.	Oppose	Written Testimony Only

Comments:

Aloha Senators,

My name is Craig Watase, President of Mark Development, Inc., a local affordable housing developer and property manager since 1977. I am also a past President of the Building Industry Association of Hawaii.

Mark Development, Inc. (MDI) **opposes** HB 1763, HD1, SD1 which amends the priority for which funds from the Rental Housing Revolving Fund (RHRF) program are awarded. The success of the RHRF program has been linked to its transparency and flexibility to fund different types of projects. Over the years, the RHRF program has successfully preserved projects at risk of losing its affordability, developed new affordable housing and renovated existing affordable housing on both private and public lands. This has enabled the RHRF program to fund high quality affordable housing by funding the best project amongst projects developed on private and government lands.

The proposed revision would make the RHRF a funding tool almost exclusively for projects on land owned by State or County governments. Government sponsored projects already have the ability to fund their projects directly through direct appropriations. With the growing pipeline of governmental projects, there is a risk of funding projects that are not ready to proceed to be awarded on the sole basis that project is located on government land. We believe that the best use of RHRF funds is on a competitive basis, open to all projects so that the highest scoring projects are awarded. This proposal is counter to the State's goal of producing more affordable housing as it would dissuade private land owners from participating in the program.

The proposed amendments may also exclude rural communities from accessing RHRF funding. With emphasis on transit-oriented development and public housing redevelopment, many rural communities would be excluded from the implementation of these priorities. The impact of these revisions should be studied further...including an analysis of why the most successful and well maintained affordable housing project are privately developed/owned versus government owned.

The RHRF is a critical tool to fill the gaps in LIHTC financed projects. The LIHTCs are allocated based on the Qualified Allocation Plan (QAP) which scoring is developed with input from public and vested partners. Attempts by a certain legislator failed to get the QAP to reflect his agenda and now is using this bill to legislate bad ideas. The legislature is better off giving HPHA its own bond allocation so it can go use all the 4% tax credits it wants.

Mahalo for your consideration.



**HAWAII STATE SENATE
COMMITTEE ON WAYS & MEANS
Conference Room 211 & Videoconference
State Capitol
10:30 AM**

April 3, 2024

Subject: HB 1763 - RELATING TO HOUSING

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee:

My name is Max Lindsey, Government Relations Committee Chair of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii. Our members build the communities we all call home.

BIA Hawaii is in opposition to HB 1763, Relating to Housing. This bill would amend the priority for which moneys in the Rental Housing Revolving Fund are to be used, and requires the Hawai'i Housing Finance and Development Corporation to prioritize the allocation of the rental housing revolving fund moneys to certain housing projects.

Prioritizing HHFDC funding of affordable housing projects on government lands and limiting funding of affordable housing projects on private property will severely limit the number of projects needed to increase the supply of affordable housing. The current process ranks projects on various criteria to ensure government affordable housing funds are used as efficiently as possible. RHRF is a competitive program that has produced tens of thousands of affordable housing units from both the public and private sector. The proposed changes penalize development of private lands for affordable housing. The success of the RHRF program has been linked to its transparency and flexibility to fund different types of projects. Over the years, the RHRF program has successfully preserved projects at risk of losing its affordability, developed new affordable housing and renovated existing affordable housing on both private and public lands.

We appreciate the opportunity to provide our comments on this matter.

LATE

HB-1763-SD-1

Submitted on: 4/2/2024 11:59:56 AM

Testimony for WAM on 4/3/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Seth Kamemoto	Individual	Comments	Written Testimony Only

Comments:

In general, while I support the prioritizing of state and city affordable housing projects, I'm deeply concerned that since this proposed change applies the priority *after* the scoring of projects, it could incorrectly incentivize private developers to be potentially more inefficient in their overall applications for affordable housing projects (while still being able to score high enough to win), leading to more waste and reduced value for our community.

HHFDC's Qualified Allocation Plan (QAP) Scoring Criteria 1 and 3, which accounts for over 20% of the total score, skews heavily in favor of a larger quantity of smaller units. We're already seeing this effect with current projects, to the detriment of our larger local families who are in desperate need of larger affordable units. Most of the larger units with more bedrooms are currently being proposed by state and city projects; these projects are more expensive per unit and per square foot of living space, simply because they are bigger and provide more bedrooms. This should be seen as a great value, but they won't score well in Criteria 1 and 3 compared to a project that just provides all tiny studios.

Knowing that they will be at a disadvantage in priority for RHRF, private developers might actually ask for more LIHTC so they won't need RHRF; this would make the use of LIHTC more inefficient if they were to win, compared to the current general practice of utilizing both LIHTC and RHRF to fund affordable housing projects. They would also be even more incentivized to make a higher quantity of smaller units, just to maximize their QAP score in Criteria 1 and 3 to offset the inefficiency of requesting more LIHTC without RHRF support.

We don't want to incentivize the inefficient use of LIHTC to deliver more tiny units that don't adequately support the needs of our community, and I'm afraid that this proposed change might do just that.

Thank you for your consideration,
Seth Kamemoto