

JOSH GREEN, M.D.
GOVERNOR

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LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Statement of
DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

January 30, 2024 at 1:00 p.m.
State Capitol, Room 225

In consideration of

S.B. 1170

RELATING TO AFFORDABLE HOUSING CREDITS.

HHFDC has comments on SB 1170, which requires the counties to issue affordable housing credits for affordable housing units that are constructed pursuant to Chapter 201H, Hawaii Revised Statutes.

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

Thank you for the opportunity to testify on this bill.

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

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LATE

RICK BLANGIARDI
MAYOR
MEIA



DAWN TAKEUCHI APUNA
DIRECTOR
POO

JIRO A. SUMADA
DEPUTY DIRECTOR
HOPE PO'O

January 30, 2024

The Honorable Stanley Chang, Chair
and Members of the Committee on Housing
Hawai'i State Senate
Hawai'i State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Subject: Senate Bill 1170
Relating to Affordable Housing Credits

Dear Chair Chang and Committee Members:

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 1170, 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 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 its 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-family projects, and master planned communities continue to fulfill affordable housing

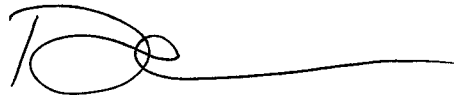
The Honorable Stanley Chang, Chair
and Members of the Committee on Housing
Hawai'i State Senate
Senate Bill No. 1170
January 30, 2024
Page 2

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 this 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 funding opportunities, amendments to regulations, and an evaluation of additional incentives. To this end, we respectfully oppose Senate Bill No. 1170 and request that it not move forward.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Dawn', with a long horizontal line extending to the right.

Dawn Takeuchi Apuna
Director

LATE

SB-1170

Submitted on: 1/29/2024 1:02:00 PM

Testimony for HOU on 1/30/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Susan Kunz	Testifying for County of Hawai'i Office of Housing and Community Development	Comments	Written Testimony Only

Comments:

January 29, 2024

TESTIMONY FOR COMMENT ON SENATE BILL 1170

A BILL FOR AN ACT RELATED TO AFFORDABLE HOUSING CREDITS

COMMITTEE ON HOUSING

Senator Stanley Chang, Chair

Senator Troy N. Hashimoto, Vice Chair

Hearing Date: Tuesday, January 30, 2024, at 1:00 PM

Place of Hearing: Conference Room 225 & Videoconference

Aloha Honorable Chairs Chang and Hashimoto, and members of the Committee on Housing,

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

This bill amends HRS § 46-15.1. Currently, this statute provides language enabling the Department of Hawaiian Home Lands to enter into specific MOAs with the county of Kauai and the city and county of Honolulu; this language is replicated to include recognition of housing units developed under the Chapter 201H, Hawai‘i Revised Statutes.

The OHCD requests similar provisions be inserted for Hawai‘i County under HRS § 46-15.1 (b) and (c). *Notwithstanding any provisions herein to the contrary, the department may enter into a memorandum of agreement with the county of Hawai‘i to establish, modify, or clarify the conditions for the issuance, transfer, and redemption of the affordable housing credits in accordance with county affordable housing ordinances or rules.*

The rationale for the request is that credits are beyond the department’s control and don’t have the same radius restrictions that county-originated projects have. This contributes to turning localized credit availability into a countywide problem as credits could be used to fulfill affordable housing obligations anywhere on the island of Hawai‘i.

Additionally, the re-sale of DHHL or Chapter 201H credits to county developers in lieu of fulfilling affordable housing obligations under Chapter 11 of Hawai‘i County Code, challenges the county’s ability to provide new affordable housing to income-qualified residents in a timely manner and within a framework of poverty de-concentration by geographic area.

OHCD supports an increase in the inventory of affordable housing units within the County of Hawai‘i and requests these county-specific amendments to HRS 46-15.1 (b) and (c) so that impacts such as those addressed above and in the audit report can be mitigated through an agreeable MOA.

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

Mahalo,

Susan K. Kunz

Housing Administrator



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**The State Legislature
Senate Committee on Housing
Tuesday, January 30, 2024
Conference Room 225, 1:00 p.m.**

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

Aloha Chair Chang, 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 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**.



January 30, 2024

Senator Stanley Chang, Chair
Senator Troy Hashimoto, Vice Chair
Members of the Committee on Housing

RE: **SB 1170 – RELATING TO HOUSING**
Hearing date – January 30, 2024 at 1:00 PM

Thank you for allowing NAIOP Hawaii to submit testimony in **STRONG SUPPORT FOR SB 1170 – RELATING TO HOUSING**. 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 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 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 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 also supportive of a similar measure in SB2840 which contains slight differences in language which further the purpose of this measure, NAIOP Hawaii would recommend the following clarifying amendments to include:

1. Include Hawaii Community Development Authority (HCDA) affordable housing requirements in the definition of "affordable housing obligation." Specifically, Page 7, lines 19-21 and Page 10, lines 1-3 should be amended to read as:

"For purposes of this section, "affordable housing obligation" means the requirements imposed by a county, or the Hawaii County Development Authority, regardless of the date of its imposition, to develop vacant lots, single-family residences, multi-family residences, or any other type of residence for sale or rent to individuals within a specified income range".

2. Amend and replace Page 7, Lines 19-21 to include to read as follows:

"Each county and the Hawaii community development authority shall recognize housing units developed pursuant to section 201H-38 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."

These amendments require additional clarifying language changes regarding references to governing agencies, area boundaries, and affordable housing credit issuing entities based on the additional reference to HCDA.

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 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,



Reyn Tanaka, President
NAIOP Hawaii