HHT Committee

From: Gary Furuta <gary@gsfhi.com>
Sent: Wednesday, August 16, 2017 11:48 AM
To: HHT Committee
Subject: Testimony_Proposed Bill Amending 2.96 Relating to Rental, 1) Housing Credits, 2) Unit Restrictions, and Vacancies
Attachments: rental hsg amend excerpt 2.96[4][1].pdf

To the Honorable Committee Chair Crivello, Committee Vice-Chair Carroll, and members of the Housing, Human Services, and Transportation Committee.

My name is Gary Furuta and I am Project Manager for Catholic Charities Housing Development Corporation ("CCHDC"), the housing development subsidiary of Catholic Charities Hawaii. CCHDC presently is in the process of developing Kahului Lani, a 165 unit, affordable rental project targeting seniors at 60% of the area median income, and lower.

The intent of the bill is excellent and will do much to promote the development of new low-income rental housing for the needy. What this bill does, especially for a low-income rental housing developer, is provide an important source of funding to develop affordable rental housing.

Funds to develop low-income rental projects cannot be financed by banks like how market units are. A low-income rental housing development does not underwrite, i.e., there is insufficient rental income to finance the project's development and operation. Therefore, money for development of new low-income rental housing comes primarily from the government, and is very, very limited. Two major sources are, the state's Rental Housing Revolving Fund ("RHRF") gap financing and, federal and state Low-Income Housing Tax Credits ("LIHTC"), both of which are administered by the state housing agency, HHFDC. In order for a development to be fully funded, besides RHRF and LIHTC funds, layering of other financing is required. The addition of rental housing credit proceeds into the finance layering has a two-fold benefit. It will reduce the need for a project to compete for the different sources of financing and, it greatly enhances a project's chances of obtaining government LIHTC and gap financing awards from HHFDC. One critical scoring criteria used by HHFDC for awarding government financing is a project's use of non-HHFDC financing, e.g., local government (financial) support. The proposed bill allowing credits for rental housing units shows strong local government support for affordable housing.

We respectfully propose a revision to the draft bill in two places, only to make it compatible with provisions in other layers of financing, e.g., LIHTC, which are an integral part of developing affordable rental housing. Please insert, *", if not otherwise prohibited by other federal or state affordability restrictions"*, into Paragraphs F, and D, on page four of the draft (see attached excerpt). We are not second guessing or challenging the need for these sections. It's just that we have been told by our financing tax credit syndication partners that, as drafted, they conflict with federal regulations which projects must abide by when using LIHTC and other government financing.

We respectfully support passage of the revised proposed bill with our proposed revisions. The committee's support of affordable rental housing is appreciated.

Thank you.

representative shall pay to County, for deposit into the affordable housing fund, the difference between the actual rent paid and the rent for the appropriate income group as required under the deed restriction.

E. Annual recertification. Owner or owner's representative shall complete an annual recertification of tenants that are occupying the residential workforce housing units to verify that the tenants meet income guidelines. , if not otherwise prohibited by federal or state affordability restrictions.

F. Graduated income tenants. For those tenants who have graduated to a higher income group during the term of the lease but still remain within an appropriate income group, if owner or owner's representative elects to continue to lease to tenant, the monthly rental rate shall be the rate for the income group which tenant is within. For those tenants who during the term of the lease have graduated to an income level that is in excess of the income groups for rental units, if owner or owner's representative elects to continue to lease to tenant, the annual rental rate shall be equivalent to thirty percent of tenant's gross income. Owner or owner's representative shall be responsible for paying County in accordance with section D, above. Owner or owner's representative shall make its reasonable best efforts to maintain the proper distribution of rentals across the "very low income" and "low income," "below-moderate income," and "moderate income" groups."

SECTION 3. Section 2.96.100, Maui County Code, is amended by amending subsection D to read as follows:

"D. Selection [Priority.] priority, if not otherwise prohibited by federal or state affordability restrictions.

1. Residents on the wait list shall receive first priority for the available units. Nonresidents on the wait list may rent a residential workforce housing unit once the wait list has been exhausted of all residents.

2. The developer, its partner, or its management company may do a mass mailing of housing applications to applicants on the wait list.

3. The residential workforce housing units shall be offered to residents in the order in which their names were drawn in the lottery, provided that there is a unit available in the income group for which they qualify. Nonresidents will then be offered residential workforce housing units in the order in which their names were drawn in the lottery, provided