

Honolulu, Hawaii

FEB 18 2011

RE: S.B. No. 1240  
S.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2011  
State of Hawaii

Sir:

Your Committee on Water, Land, and Housing, to which was referred S.B. No. 1240 entitled:

"A BILL FOR AN ACT RELATING TO LOW-INCOME HOUSING TAX CREDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish a program for granting no-interest loans in lieu of certain state low-income housing tax credits to developers of affordable rental housing who qualify for those tax credits; and
- (2) Authorize the issuance of general obligation bonds to fund the no-interest loans.

Your Committee received testimony in support of this measure from the Hawaii Housing Finance and Development Corporation; the Department of Community Services of the City and County of Honolulu; Hawai'i Association of REALTORS; Land Use Research Foundation of Hawaii; the Roman Catholic Church in the State of Hawaii; and Catholic Charities Hawai'i. Your Committee received comments on this measure from the Department of Taxation and the Department of Budget and Finance.

Your Committee finds that the State has a great need for affordable rental housing, as evidenced by the Hawaii Housing Policy Study, 2006 update, which projected a need of approximately



17,400 affordable rental housing units by 2015. The State Low-Income Housing Tax Credit Program, established pursuant to section 235-110.8, Hawaii Revised Statutes, can be a valuable financing tool to promote the development or substantial rehabilitation of affordable rental housing. Your Committee further finds that there is little demand for state low-income housing tax credits, thereby stalling the development and rehabilitation of affordable rental housing projects due to lack of project equity. Under these circumstances, the State Low-Income Housing Tax Credit Program is not able to create or preserve low-income rental housing as intended.

Your Committee also finds that the issuance of general obligation bonds to fund no-interest loans to developers will provide an efficient financing tool. Additionally, forgiveness of the loan after thirty years as an affordable rental housing project will provide a great incentive for the development and substantial rehabilitation of low-income rental housing.

Your Committee has amended this measure by:

- (1) Replacing language in section 1 with language from section 1 of S.B. No. 695, S.D. 1, which is substantively the same as this measure and has already been reported by your Committee to the Committee on Ways and Means; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency, including amendments to conform this measure to S.B. No. 695, S.D. 1.

As affirmed by the record of votes of the members of your Committee on Water, Land, and Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1240, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1240, S.D. 1, and be referred to the Committee on Ways and Means.



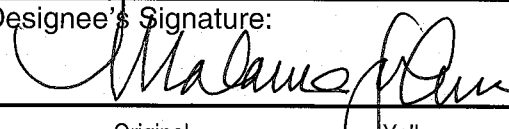
Respectfully submitted on  
behalf of the members of the  
Committee on Water, Land, and  
Housing,

  
DONOVAN M. DELA CRUZ, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Water, Land, and Housing**  
**WLH**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB1240	WLH, WAM	2-15-11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	✓			
SOLOMON, Malama (VC)	✓			
FUKUNAGA, Carol				✓
RYAN, Pohai	✓			
SHIMABUKURO, Maile				✓
TOKUDA, Jill N.	✓			
SLOM, Sam				✓
<b>TOTAL</b>	4			3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <span style="margin-left: 200px;"><input type="checkbox"/> Not Adopted</span>				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

\*Only one measure per Record of Votes