

Hawai'i Construction Alliance

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February 12, 2017

The Honorable Tom Brower, Chair
The Honorable Nadine K. Nakamura, Vice Chair
and members
House Committee on Housing
415 South Beretania Street
Honolulu, Hawai'i 96813

RE: Support for the Intent of HB1372, Relating to Affordable Housing

Dear Chair Brower, Vice Chair Nakamura, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Laborers' International Union of North America, Local 368; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

We **support the intent of HB1372**, which would establish goals and income limits for affordable housing. Specifically, HB1372 proposes a goal of developing 65,000 affordable housing units by December 31, 2025, and proposes that certain percentages of those housing units be affordable for families at one hundred forty percent, one hundred percent, eighty percent, and fifty percent of area median income.

The Hawai'i Construction Alliance and our partners in the banking, development, landowning, contracting, architecture, and engineering communities have come together to identify and carry out concrete private-sector steps toward creating more affordable housing units throughout the state. Collectively, we look forward to supporting the state's goals for housing at all income levels, but particularly in the 80-140% AMI range where our proposed private-sector steps and state interventions will make a meaningful impact.

The Hawai'i Construction Alliance is excited to take a leadership role in encouraging the production of affordable housing across our state. We thank your committee for supporting our efforts thus far, and request that you take favorable action on HB1372 to continue discussion on how to improve the economics of producing affordable housing here in Hawai'i.

Mahalo,



Tyler Dos Santos-Tam
Executive Director

TESTIMONY IN SUPPORT

RE: H.B. no. **1372**

Submitting Person: Charles Barker III
Principal, Hale Kupuna
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Committee: HSG, JUD

Date/Time of Hearing: February 14, 2017 at 9:00 a.m.

Oral testimony requested at hearing: Yes

The criticality of providing a sufficient supply of adequately constructed and maintained, safe and affordable housing is now plainly evident to have reached crisis proportions. The demographics as revealed in the Market Study recently prepared in conjunction with our application to the HHFDC for Low Income Housing Tax Credits (LIHTC) to provide funds for the construction of a new elder residential complex in Hilo, which substantially references data compiled and presented by the Joint Housing Study of Harvard University, reveals that this is a situation of statistically epic proportions, specifically pertaining to the elder population now reaching and passing retirement age, who possess only severely limited incomes and financial resources, far below what is necessary to be able to afford the high cost of market-rate housing.

This Bill, HB 1372, describes a goal of development of 65,000 - *sixty-five thousand* - affordable housing units in Hawai'i between now and 2025. This is a staggering and daunting objective to accomplish in a scant eight (8) years. In order to have any prospect of accomplishing this – and there can be no doubt whatsoever that the need for this is an absolute societal priority – a concrete strategy with specific funding mechanisms must be devised and implemented without a moments delay.

As the federal (as well as state and county) government withdrew from direct development of public housing projects in 1969, dependence shifted to the private sector – including both commercial companies and non-profit organizations – to construct and operate affordable and low-income housing complexes. Early programs such as the Revenue Act of 1978 and 1981 Economic Reform Tax Act were precursors to the 1986 Tax Reform Act and the inception of the Low Income Housing Tax Credit (LIHTC), which provides federal and state tax credits that are monetized to produce the necessary funds to construct low income housing.

These tax credits bring:

- 1. Desperately needed high quality housing for low-income residents**
- 2. Construction jobs at Davis-Bacon prevailing wage rates**
- 3. Permanent structural improvements to the community and state.**

States are awarded credits in proportion to their population sizes (1.75 x population), or almost \$3,000,000 to the State of Hawai'i, based on a statutory formula set forth in IRC Section 42(h)(3). In 2016, we utilized only a fractional portion of our available federal LIHTC allocation, resulting in a carry-forward of approximately \$2,000,000. However, states may carry forward unallocated credits derived from the credit ceiling for one year only; to the extent such unallocated credits are not used by then, the credits go into a national pool to be redistributed to other states as additional credit. This is referred to in a common vernacular as "use it or lose it".

A. If we fail to utilize our full allocation of LIHTC credits this (and all) years, we will forfeit them to other states;

B. We have the opportunity to reverse this situation, and to actively petition to receive and bring to Hawai'i a re-allocation of excess LIHTC credits that have gone unused by other states, and have reverted to the national pool.

The LIHTC program is a critically needed funding mechanism to be able to even begin to contemplate the daunting task of constructing 65,000 new affordable housing units in the next eight years. It is the single most substantial funding mechanism with which we will be able to address this affordable housing crisis.

Passage of HB 1372 will increase awareness to both the legislative and public audiences, and it is with awareness that the call to action is first prompted.

I therefore respectfully request that the 2017 legislature pass this bill, and then follow with the necessary action steps to confront and address the situation with which we are faced in affordable housing supply throughout the State of Hawai'i.

Respectfully Submitted,

Charles Barker III