

KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
DIRECTOR

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January 13, 2015

The Honorable Ann H. Kobayashi, Chair  
and Members  
Committee on Budget  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

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2015 JAN 13 PM 1:25

Dear Chair Kobayashi and Councilmembers:

SUBJECT: Bill 80 (2014)

Bill 80 (2014) creates the "rental housing trust fund," (Fund) to be used to promote the development of affordable rental housing units. The Fund would receive deposits of the following: 1) loan repayments, 2) monies recaptured due to the refinance or sale of a rental housing project awarded a grant or loan from the Fund, 3) gifts, donations and voluntary contributions for the Fund, and 4) monies appropriated to the Fund in the annual executive budget ordinance and amendments thereto. The Fund would be used for 1) loans or grants for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units, and 2) City administrative expenses, which are limited to an unspecified percentage of monies in the fund.

We appreciate Council's interest in providing additional funding resources for affordable housing. As noted in the City's Islandwide Housing Strategy, there is a significant need for additional resources to support affordable housing production. The Department of Budget and Fiscal Services (BFS) supports the concept and priorities of a Rental Housing Trust Fund. However, we feel that Bill 80 duplicates the State's affordable housing development efforts. We are also concerned about the substantial resources that will be necessary to support the fund and to pay for administrative costs to operate the program.

The State Department of Business, Economic Development and Tourism (DBEDT) develops affordable housing through the Hawaii Housing Finance and Development Corporation (HHFDC). HHFDC administers a Rental Housing Trust Fund (RHTF), which provides loans or grants for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing

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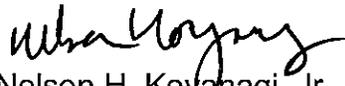
units. These functions are identical to what is proposed in Bill 80 (2014) for the Fund. The City is currently working with the State on a joint approach to financing affordable housing so that the City's efforts can complement, rather than duplicate, the State's efforts.

The Fund will require considerable start-up monies in order to effectively promote the development of affordable rental housing units. Since the Fund lacks a dedicated source of revenues, it must compete with other essential City services for the City's limited resources. In contrast, the RHTF is funded by the conveyance tax as well as State budget appropriations. Implementation of the Fund is also a concern given the need for staff with technical expertise in loan underwriting and analysis. Unlike the HHFDC which has dedicated staff focused on financial analysis and underwriting for their loan portfolio, BFS does not have staff that perform these functions.

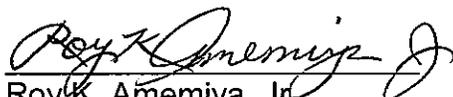
We are currently exploring a variety of financial tools and funding approaches for affordable housing and transit oriented development infrastructure. Various City staff are also working with State agencies to align City and State financial resources, and potentially develop joint financing tools for affordable housing that could leverage City funds with State funds. We ask that you defer this bill while we continue to discuss with the State a potential joint approach to financing affordable housing.

If you have any questions, please call me at 768-3901.

Sincerely,

  
Nelson H. Koyanagi, Jr., Director  
Budget and Fiscal Services

APPROVED:

  
Roy K. Amemiya, Jr.  
Managing Director Designate