

Report to the 2012 Hawaii State Legislature:

**Pursuant to Section 201H-202(f), Hawaii Revised Statutes,
Relating to Rental Housing Trust Fund Project Awards.**



Prepared by:
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Department of Business, Economic Development & Tourism

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Section 201H-202, Hawaii Revised Statutes (HRS), requires the Hawaii Housing Finance and Development Corporation (HHFDC) to "describ[e] the projects funded and, with respect to rental housing projects targeted for persons and families with incomes at or below thirty per cent of the median family income, its efforts to develop those rental housing projects, a description of proposals submitted for this target group and action taken on the proposals, and any barriers to developing housing for this target group" (§201H-202(f)).

In 2010 and 2011, the HHFDC Board of Directors reviewed the following RHTF project applications and made 6 project awards. All projects that received RHTF awards are setting aside 5% of total units for households at or below 30% of the median family income (MFI), and the remaining 95% of units do not exceed 60% MFI.

PROJECT	LOCATION	YEAR	RHTF REQUEST	RHTF AWARD	UNIT COUNT	30% MFI UNITS
Hale Makana O Nanakuli	Nanakuli, Oahu	2010	\$2,200,000	\$2,509,748	48	3
Hale Mohalu II	Pearl City, Oahu	2010	\$7,252,418	\$7,252,418	164	9
1839 Kaloo Drive	Honolulu, Oahu	2010	\$1,305,000	0	N/A	N/A
2023 Date Street	Honolulu, Oahu	2010	\$736,365	0	N/A	N/A
Ewa Villages Phase II	Ewa, Oahu	2010	\$5,175,353	\$5,175,353	76	4
Imi Ikena Apartments	Wailuku, Maui	2010	\$3,800,000	0	N/A	N/A
Ke Ola Pokai Bay	Waianae, Oahu	2010	\$2,200,000	0	N/A	N/A
Ko'oloa'ula Phase I	East Kapolei, Oahu	2010	\$13,495,000	\$13,495,000	120	7
Lokenani Hale	Wailuku, Maui	2010	\$1,960,000	\$2,235,000	62	4
Kauhale Ohana	Honolulu, Oahu	2011	\$3,900,000	0	N/A	N/A
Ke Ola O Pokai Bay	Waianae, Oahu	2011	\$3,200,000	0	N/A	N/A
Kunia Village – Phase 1	Kunia, Oahu	2011	\$3,924,443	0	N/A	N/A
Meheula Vista I	Mililani, Oahu	2011	\$8,700,000	0	N/A	N/A
Mohouli Heights Sr. Neighborhood Ph 1	Hilo, Hawaii	2011	\$8,660,000	\$8,660,000	60	3
Hale Uhiwai Nalu Addition	Kapolei, Oahu	2011	\$4,000,000	0	N/A	N/A
Total					530	30

Barriers to Developing Housing For Households at or Below Thirty Per Cent MFI

The largest barriers to development of housing for this income group are: (1) lack of sufficient available funding to subsidize project development costs; and (2) lack of sufficient rental income to cover ongoing operating expenses of affordable rental projects due to the low rents that very low income households can afford to pay.

Although the RHTF is available to subsidize development costs for affordable rental projects that include units set aside for households at or below 30% MFI, the level of available funds for project commitments is not sufficient to meet current demand levels. As the previous table indicated, over the last two years, the HHFDC has only been able to make RHTF awards to 6 out of 15 total project applicants given the current availability of funds.

As of October 31, 2011, the RHTF had an available balance of \$9,580,322. The RHTF is currently funded by a set-aside of 25% of conveyance tax receipts, until June 30, 2012, when the percentage will be restored to 30%. In FY 2011 alone, the RHTF received a total of \$11,990,292 from its conveyance tax allocation, yet received 6 project applications requesting \$32,384,443.

Based upon the U.S. Department of Housing and Urban Development 2011 Income Limits for households at 30% MFI, affordable rents range from \$489 to \$670 per month for two-bedroom apartments, depending upon the county in which the project is located. This level of rental income is not sufficient to cover the per unit share of construction debt service and operating expenses (including maintenance, utilities, property management, and legal expenses). As a result, affordable rental project developers must subsidize the operational costs of units at 30% MFI with the rental income from units at 60% MFI. Additional RHTF funds would allow HHFDC to increase project awards to provide a more substantial subsidy for the construction of 30% MFI units.