

YEARLY ACTIVITY PLAN (YAP) - FY '10 & FY'11

Division/Attached Agency:

Program Name:

Program ID:

I. PROGRAM PURPOSE AND PRIORITIES

Purpose of this program: Summarize the purpose of this program based on statutory guidelines and functional statement.

Increase the supply of workforce and affordable housing.

Program Changes: What changes in the purposes or functions of the program are anticipated or requested and why?

None.

Program Priorities. Given the existing and anticipated program purposes and responsibilities what are the core priorities going forward and why?

There has been a long-standing shortage of housing affordable to Hawaii's workforce and lower-income households. The core priority is to increase and preserve the supply of workforce and affordable housing that incorporates energy-efficient and water conserving features to sustain long-term affordability. This will be accomplished by facilitating the construction and preservation of housing by providing developers with tools and resources such as financing, land, and help with land use and zoning approvals. On the demand side, the priority is to help eligible first-time homebuyers by providing mortgage financing assistance through bond and tax credit programs.

II. PROGRAM GOALS

Program Goals: What are the specific long-term goals (up to 6 years) established to address the program's purpose and priorities?

The 5-year goal is 5,000 new or preserved housing units in sustainable housing developments.

Biennium Objectives: What specific objectives and evaluation criteria (metrics, indicators) are planned for:

- a) Year one of the current biennium?
 - b) Year two of the current biennium?
 - a) FY 2010
 - Deliver approximately 380 new or preserved housing units in sustainable developments by providing tools and resources. *(Metrics - No. of completed units; extent to which housing project incorporates water conserving and energy efficient design; development agreements; loan agreements.)*
 - Provide mortgage financing assistance for 300 first-time homebuyers through participating lenders. *(Metrics - No. of first-time homebuyers assisted)*
 - b) FY 2011
 - Deliver approximately 1,880 new or preserved housing units in sustainable developments by providing tools and resources. *(Metrics – Same as FY 2010)*
 - Provide mortgage financing assistance for 600 first-time homebuyers through participating lenders. *(Metrics – Same as FY 2010.)*

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Program Challenges: Briefly summarize what opportunities constraints, etc. the program faces in addressing the biennium goals.

Opportunities

- Property values and sales prices have declined.
- Lower labor costs.
- Infusion of CIP appropriations for the Rental Housing Trust Fund (\$30 million for FY2010) and the Dwelling Unit Revolving Fund (\$10 million for FY2010 and \$10 million for FY2011).

Constraints

- Downturn in financial markets impacts flow of capital for development. Rental housing projects with HHFDC financing commitments are stalled because of financing gaps.
- The state budget shortfall resulted in the diversion of state housing resources to the General Fund during the biennium (\$20 million in housing funds; interest earnings from housing revolving funds; the reduction in the amount of conveyance tax transferred to the Rental Housing Trust Fund from 30% to 25%).
- Act 176, SLH 2009 requires a two-thirds majority vote of the legislature to sell state land in fee simple. This adds more time, cost and uncertainty to the development of new housing projects on state land.
- Lengthy start up time for new construction (land use and zoning approvals, permitting).
- First-time homebuyers are faced with more stringent mortgage underwriting standards.
- The lack of sufficient savings for a down payment continues to serve as a barrier to purchase a home.

III. PROGRAM ACCOMPLISHMENTS

FY 2009 Goals and Accomplishments: Please list the specific goals that were established for FY 2009 and indicate the extent to which those goals were accomplished.

The FY2009 goal was to deliver 400 new or preserved housing units. The actual number of units delivered was 332 (60 for-sale and 272 family and elderly rental housing units on Oahu).

FY 2009 Evaluation: What opportunities, constraints, unexpected events, etc. were encountered, how were they addressed, and what impact did they have on accomplishment of goals in FY 2009.

The downturn in the financial market and overall economy has negatively impacted the development of housing projects.

- Development of rental projects is stalled because of the inability of developers to sell revenue bonds and tax credits. To fill resulting financing gaps, rather than maximizing the leveraging of our resources, HHFDC is providing a larger share of the project financing
- Median sales prices are down and are projected to continue to decline by relatively modest amounts. Despite improving housing affordability, first-time homebuyers with low- and moderate-incomes continued to find homeownership a challenge due, in large part, to the insufficient supply of homes within their price range, lack of down payment and more stringent mortgage underwriting standards. On the supply side, HHFDC is working with its development partners, often renegotiating development agreements, to enable for-sale projects to move forward. On the demand side, HHFDC has started to work on a new mortgage financing program for first-time homebuyers.

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IV. ALIGNMENT

Briefly describe how the program's biennium goals are expected to impact DBEDT's nine strategic objectives?	
1.	<p>Hawaii Five Point Economic Plan (tourism marketing/outreach, CIP acceleration, lower fees/taxes, investment attraction/retention, & maximizing Federal dollars)</p> <ul style="list-style-type: none"> • HHFDC will facilitate housing development which will generate state revenues and jobs. • HHFDC is leveraging ARRA and other federal funds to finance housing development.
2.	<p>Hawai'i Clean Energy Initiative</p> <ul style="list-style-type: none"> • HHFDC is supporting sustainable development by promoting renewable energy and water conservation in housing projects.
3.	<p>Hawai'i Innovation Initiative (technology development, infrastructure for innovation, STEM education, skilled workforce, emerging industries)</p>
4.	<p>Global Links</p>
5.	<p>Economic research and data analysis</p>
6.	<p>Hawai'i Open for Business</p>
7.	<p>Workforce Housing</p> <ul style="list-style-type: none"> • HHFDC will increase the supply of workforce and affordable housing by providing tools and resources to facilitate housing development. • HHFDC will assist working first-time homebuyers with mortgage financing.
8.	<p>Planning and Land Use</p>
9.	<p>World Class Infrastructure</p>

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YAP SUMMARY FORM

PROGRAM:

HHFDC

PROGRAM PURPOSE	Increase the supply of workforce and affordable housing by providing tools and resources to facilitate housing development.
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PROGRAM PRIORITIES	LONG-TERM GOALS (up to six years)	BIENNIUM OBJECTIVES	ACCOMPLISHMENTS FY 2009	
			GOALS SET	ACCOMPLISHMENTS
<ul style="list-style-type: none"> • Increase and preserve the supply of workforce and affordable housing in sustainable housing developments. • Provide mortgage financing assistance for first-time homebuyers. 	<ul style="list-style-type: none"> • 5,000 new or preserved housing units. • 3,000 first-time homebuyers assisted with mortgage financing. 	YEAR 1: <ul style="list-style-type: none"> • Approx. 380 new or preserved housing units • Approx. 300 first-time homebuyers assisted with mortgage loans/Mortgage Credit Certificates (MCCs) YEAR 2: <ul style="list-style-type: none"> • Approx. 1,880 new or preserved housing units • Approx. 600 first-time homebuyers assisted with mortgage loans/MCCs. 	<ul style="list-style-type: none"> • 400 new or preserved housing units. 	<ul style="list-style-type: none"> • 332 units (60 for-sale and 272 family and elderly rental housing units on Oahu) • 239 first-time homebuyers assisted with MCCs

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SUPPLEMENTARY INFORMATION

1. Please elaborate on the Challenges the program faces over the current biennium.

During the current biennium, HHFDC will continue to face challenges due to the downturn in the financial markets and overall economy.

- There is diminished investor demand for low income housing tax credits and tax-exempt revenue bonds. As a result, rental housing projects for which HHFDC previously made tax credit and bond financing awards are faced with financing gaps and, consequently, the construction of these projects has stalled.
- The State budget deficit presents a major constraint as housing resources are diverted to the General Fund. The reduction from 30% to 25% of conveyance taxes for the Rental Housing Trust Fund has resulted in a reduction of approximately \$382,400 in the first quarter of FY2010 compared to the first quarter of FY 2009. The trust fund provides equity gap financing for rental housing projects for lower wage workers and other lower income households.

Housing development continues to be challenged by regulatory barriers. In 2009, the Governor's Affordable Housing Regulatory Barriers Task Force identified government regulations that serve to increase the cost of building homes for Hawaii's workforce. These barriers include lengthy and duplicative state and county land use entitlement processes and considerable delays in the issuance of non-discretionary, ministerial permits.

More stringent mortgage underwriting criteria and lending practices also serve as barriers for Hawaii's workforce to attain homeownership.

2. Please elaborate on optional program changes, strategies, leveraging with other efforts, and assistance from other programs that could help this program accomplish its biennium goals.

HHFDC will employ the following strategies to help meet its housing biennium goals:

- Strengthen and leverage HHFDC's financing and administrative tools including:
 - Seeking to monetize the state low income housing tax credits
 - Use financing resources to leverage additional funding
 - Take advantage of current market by making interim loans for developers to acquire real property at depressed values
 - Amend 201H development tools to increase effectiveness
- Utilize the Rental Housing Trust Fund to provide more subsidies to fill financing gaps.
- Create partnerships with developers, builders and stakeholders to advocate for housing projects and resources.
- Divest of functions that detract from housing production.
- Support sustainable development by promoting renewable energy and water conservation.

3. Describe efforts to explore additional sources of funding including Federal stimulus grants.

HHFDC applied for and received funding commitments for the following federal programs:

- \$19,600,000 under the Neighborhood Stabilization Program authorized by HERA
- \$298,470 under the National Foreclosure Mitigation Counseling Program authorized by HERA
- An additional \$113,540 under the NFMC program
- \$9,861,610 under the Tax Credit Assistance Program authorized by ARRA
- Approximately \$32,612,000 under the Section 1602 Low Income Housing Tax Credit Exchange Program authorized by ARRA
- \$167,000,000 under the New Issue Bond Program authorized by HERA

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4. Summarize your anticipated 2010 supplemental legislative requests and their relationship to the program's biennium or long term goals.
 - Establish a program for awarding state low income housing tax credit loans in lieu of 9% low income housing tax credits; requires GO bond.
 - Expedite the construction of workforce and affordable housing by requiring state and county agencies to issue ministerial permits within 45 days of acceptance of the permit application.
 - CIP appropriations for infusions to the Rental Housing Trust Fund and the Senior Residence at Iwilei.