



## **AFFORDABLE HOUSING TASK FORCE**

### **RECOMMENDATIONS OF GROUP 3 – INCENTIVES FOR AFFORDABLE HOUSING FINANCING**

*Gap financing is critical to developing new, affordable rental units. Generally, tax credits can cover 50% of the project costs, private financing covers 25% of the project costs, and gap financing is needed for the final 25% of project costs. Group 3's mission was to identify alternative schemes to provide for gap financing, as well as other mechanisms to finance the development of affordable housing.*

The lists presented below represent the results of the group's prioritization of issues, in descending order of priority. The group felt all items were important even if no votes were received during prioritization.

#### Top Priorities:

##### Short-term:

- The Rental Housing Trust Fund (RHTF) needs a dedicated source of funding – perhaps through an increase of the conveyance tax dedication.
- Provide incentives to landlords to maintain affordable rentals rather than removing them from the market.
- Provide for better coordination between existing funding sources at all level of government and private sources.

##### Long-term (Group 3 identified 2 long-term priorities):

- The State needs to treat affordable housing as a priority policy and act as a facilitator to bring the parties together to lower the costs for developers to provide this housing.
- Establish an affordable housing finance agency that has no other duties (e.g. public housing).

#### Short Term Recommendations:

- Change the rules for the Dwelling Unit Revolving Fund so it can be used for long term financing.

- Get more Section 8 project-based vouchers to support the financing of affordable rental projects.
- Provide tax increment financing.
- Set a level of dollars from high-end developments that need to be given to a builder of affordable housing – either ownership or rental.
- Encourage the Department of Hawaiian Homelands (DHHL) to meet its gap obligations through applying for community loan funds for native peoples under the federal government.
- Pressure banks to use Community Reinvestment Act (CRA) funds to augment the RHTF.
- Reinstate the original Kaka`ako link between market and affordable housing development in that area. (Note: The 3-year waiver of the cash-in-lieu requirement will expire on September 16, 2004)
- Increase opportunities for people to be involved in grant writing workshops that could assist groups in applying for the affordable housing monies out there i.e. U.S. Department of Housing and Urban Development (HUD) and other agency monies.
- Consolidate all housing trust funds into one which would serve both affordable rental and homeownership.
- Set up a fund to privately insure a percentage of the gap funding with matching dollars.
- Allow for flexibility in use of public and trust fund dollars in mixed use developments.

Long Term Recommendations:

- Look at the disposition of public housing and re-use to keep it in the rental market – portfolio re-engineering.
- Provide dedicated funding to the RHTF and allocate it to the counties to disperse.
- Allow developers to make donations of land with restrictive covenants to satisfy affordable housing requirements - attach a requirement that housing stay affordable if government funds are used.

- Increase project-based Section 8.
- Set up a state guarantee fund for housing bonds and mortgages up to a certain percent, including DHHL projects.
- Look at providing incentives for middle income market rentals.
- Remove government from the provision and management of affordable housing – look at the way the military privatized their housing.
- Coordinate state and county funding streams for affordable housing.
- The state and counties need to look at the requirements they impose on developers and see what amount this adds to the cost of housing and assess how they will defray the costs they add when the developer is providing affordable units.
- Create housing data and resource consortium (maybe at UH) to collect and disseminate data around the issue of affordable housing – stock etc.
- Look at partnering with non-governmental organizations and faith-based organizations for defraying rental costs to low income residents.
- Provide marketing and training for bank personnel in all the various programs available so that they can steer customers to the right one.
- Issue Special Purpose Revenue Bonds for affordable housing development.
- Decrease profit restrictions on the sponsors of affordable housing.
- Increase rental housing for middle income market - use RHTF to do this.
- Lenders need outreach and education on how to access various existing affordable housing financing programs.\*

Other comments made that did not go directly to financing:

- Need to focus on the low end of the need scale.
- Look at creative rezoning.

*\* This recommendation was made at the plenary session, not during the working group session.*