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September 18, 2024

Mr. Dean Minakami, Executive Director
Hawai`i Housing Finance and Development Corporation
677 Queen Street; Suite 300
Honolulu, Hawai`i 96813

Dear Mr. Minakami:

Subject: Low-Income Housing Tax Credit 2025 Qualified Allocation Plan

The Mutual Housing Association of Hawai`i, Inc. ("Mutual Housing") appreciates the opportunity to submit comments on the draft 2025 Qualified Allocation Plan for the State of Hawai`i's Low-Income Housing Tax Credit Program ("QAP"). We respectfully offer comments for your consideration on specific sections of the QAP.

General Comments

We appreciate HHFDC's efforts to improve the efficiency of the deployment of tax credits and ensure that the most deserving projects are awarded this limited financial resource. The major concern we have with the proposed 2025 QAP is the timing of its implementation. Some of the proposed QAP changes are quite significant. There will be limited time to incorporate these changes and requirements into the 2025 financing applications, since any approval of the QAP plan would not be confirmed by the HHFDC Board of Directors until mid-November 2024 with the application due date in February 2025. As you know, it takes months, if not years, to plan and structure viable LIHTC projects. It would be best if these proposed changes are implemented in 2026 to allow developers adequate time to properly incorporate the new requirements.

In the case of our project planned for the 2025 application, we have been working on design for over 18 months. In particular, the new engineering and design requirements in the proposed QAP would be a major setback, since we are already close to completing permit drawings for submittal and have already submitted drawings to DCAB.

QAP Comments

The following are specific comments on the 2025 QAP changes:

B. Minimum Thresholds - 4. Engineering or Capital Needs Assessment

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NeighborWorks® CHARTERED MEMBER

The new requirement of an Engineering study is one that would be hard to accomplish after November of this year. We recommend removing this requirement from the February 2025 application.

Appendix 2 – Design Requirements

This new QAP provision for design requirements is a major change to the LIHTC program. It would be difficult to meet these requirements in just three months after HHFDC board approval. There are also several requirements in the Appendix 2 that exceed current ADAAG standards or would not typically be designed or required by any governmental entity.

We are currently preparing to submit a 2025 HHFDC financing application. The following are examples where we would have difficulty in meeting the new design requirements or where we question the proposed specifications.

a. II. A. 4. We have questions on how this requirement will be interpreted and why it is necessary for all projects to have 12 inches of exposed brick or masonry veneers. This seems like a discretionary design feature that should not be promulgated in HHFDC's design requirements.

b. II. B. 2. In the case of our new project, in lieu of separate dining areas, some of our units have kitchen islands with the dual function for dining and food preparation. The requirement to keep a 60-inch clearance from any cabinets will be difficult as we have cabinets located below the kitchen islands and on the opposite side of seating areas.

c. II. B. 4. We are utilizing sliding pocket doors for a few ADA bathrooms to meet ADAAG clearances. This has generally been an accepted solution in past affordable projects in Hawai`i. Where areas are tight, adding swing doors will increase the bathroom size, which may result in reducing bedroom areas.

d. I. B. 8. All of the ADA units in our new project have tub/showers (with no roll in showers). The new requirement that a three-bedroom apartment must provide a bathroom with a shower and another with a bathtub is an extraordinary change. We are unclear if this is a problem with the B.8. requirement. This requirement is more onerous than ADAAG and other guidelines. ADAAG allows for tub/showers with a removable set. ICC A117.1 allows for tub/showers without removable set. Per IBC 1108.6, Group R-2 (Type A units) do not need to provide for roll in showers.

e. II. B. 9. Our project has "4" four-story structures. Our designers have dispersed the ADA units on the ground floors of 3 out of the 4 buildings, and we believe this meets the spirit of this requirement. The proposed requirement would compel projects like ours to redesignate ADA units on our upper floors which does not make sense for mobility-challenged tenants. Should this requirement be reconsidered?

(Per ADAAG 233 3.5 and 2021 IBC Handbook, dispersion is required only among the various types of residential dwelling units (1-BR, 2-BR, 3-BR, etc.) IBC Handbook further clarifies that all Type A units are permitted to be in the same building, and all may be located on the same floor level, which would typically be at grade.)

f. II. C. 4. This requirement appears to be stricter than ADAAG and ICC which allow knee and toe clearances within the turning spaces. Should this requirement be reconsidered?

g. II. D. 2. We seek to understand why we must have a dishwasher in our units. It is uncommon for LIHTC projects to have dishwashers in apartments, and this new requirement would add to both the construction and operational costs of Hawai`i's LIHTC rentals.

h. III. C. 2. Our current plans call for the installation of through-the-wall a/c units in the living rooms of all the apartments. Our design approach is consistent with how both low-income and market rate apartments have typically cooled apartments. This new requirement seems unnecessary and very expensive to implement.

i. III. C. 6. Our range hoods do not vent to the exterior of the building. This has been a consistent practice in all of our new rental projects and is common in market rate apartments. This is another cost-prohibitive and unnecessary requirement.

We thank you for the opportunity to submit comments on the QAP.

Sincerely,

David M. Nakamura
Executive Director

October 1, 2024

Mr. Dean Minakami, Executive Director
Hawaii Housing Finance and Development Corporation
677 Queen Street, Suite 300
Honolulu, HI 96813

Dear Mr. Minakami:

Thank you for the opportunity to review and provide feedback on the proposed 2025 QAP published on September 12, 2024. We appreciate the continued work at the agency and acknowledge that the QAP revisions are a considerable body of work for staff. We offer the following comments, questions and suggestions detailed below knowing that the review of the agency's work is significantly easier than its development.

The comments below are offered in the interest of collaboration and creating a QAP to deliver meaningful outcomes to Hawaii's low-income residents.

General Comments:

This is the third consecutive year in which the proposed QAP changes have been extensive and wide reaching. To meet the stringent readiness requirements that HHFDC has instituted over the past several rounds, developers (at this point in the funding cycle) are well into, if not through, plan development and permitting. To get through these milestones, they have spent hundreds of thousands of dollars, potentially millions, to secure site control and advance design work in preparation to apply in the forthcoming round. Extensive changes to the QAP for the forthcoming round put into jeopardy deep financial commitments by developers and will disincentivize them from making future investments required to deliver on funded projects quickly and on budget.

While significant overhauls of the QAP may be required, they should not be adopted just a few months in advance of the opening of a round in which they be implemented. Implementation of such extensive changes should be delayed to the following cycle to allow for project selection and predevelopment of projects that fit the new QAP. If the state truly values transparency and avoidance of the appearance of impropriety, the timing of implementation of the QAP changes should be revisited.

QAP Comments:

Page 3, II. Application and Award Process

1. In the last line of the second paragraph, "is" is missing after insertion of "doing so"

Page 7, III(B)(4)(a) – Engineering or Capital Needs Assessment

1. Engineering ***or*** Capital Needs Assessment – this wording would infer that it is one or the other? Is it?

2. The EPA and RD guidance for Preliminary Engineering Reports appear to be specifically for infrastructure pertaining to the development of water, wastewater, solid waste and stormwater projects. Is this the intent?
3. American Society of Civil Engineers does not appear to have guidance on PER (though they do cross reference RD guidance noted above). If these or the Federal Highway Admin requirements are not applicable, are there any standards to which the report must comply?
    a. Should reference to these requirements just be in the bullet points below, if applicable?
4. This requirement appears to be redundant with the requirements of III(B)(5).

Page 7, III(B)(5) – Plan and Cost Review

1. Who are the "HHFDC approved" estimators?
    a. What are the requirements to be an approved estimator?
    b. Has the agency solicited estimators?
    c. How can the state be sure there are enough "approved" estimators to perform the work needed?
    d. What are the protections regarding conflicts of interest between HHFDC/estimators/developers?
2. The creation of an HHFDC approved estimator is worrisome as failure to have enough estimators will create a demand imbalance and drive up the cost of reports and create bottlenecks due to both the number of apps and the short window of time between publication of QAP and app submittal.
3. The header includes "all applications" in parentheticals, but body of section references rehab and site work. Please clarify.
4. This appears to be redundant with the requirements of III(B)(4)(a).
    a. How are the reports different?
    b. Or how are they applied to projects differently?
5. Why was the executed contract eliminated as satisfying this requirement? A general contractor under contract to build at an agreed upon cost is the most knowledgeable about what a project costs to build.

Page 10, III(B)(12)(a) – Developer Fee

1. This change incorrectly assumes that larger transactions are "better", more difficult to execute and/or risky or somehow more desirable than smaller transactions.
2. This changes disincentivizes smaller transactions, which typically make up the deals funded by 9% LIHTC.
3. 9% deals tend to be smaller than bond deals given their limited capacity to maximize basis.
    - 9% transactions can often be funded with 9% LIHTC and conventional debt alone, requiring fewer state resources.

- 9% transactions are just as challenging (or more so) to structure and close and developers should be compensated based on that difficulty and risk.
- 9% transactions are instrumental to delivering LIHTC production to the neighbor islands, smaller communities and rural communities.

4. Most states have a different developer fee calculation for 9% and 4% transactions because the product type, goals and unique circumstances are so different between the types of funding and the projects delivered under the two programs.
    - Consider that the old calculation could pertain to 9% new construction, the new calculation to 4% new construction rather than apply a single calculation across the board.

Page 11, III(B)(15) – Development Cost

1. While the state has expertise in many areas, its expertise is not relevant to, nor sufficient, to dictate construction costs to projects.
2. The data that is available is to the state will be outdated, will be aggregated without specific analysis to address the many nuances that exist across a mass grouping of construction projects and the state is not plugged into the market in a way to address current and projected issues pertaining to cost escalation, supply chain issues and capacity and market demand.
3. Relative to the proposed Design Standards in Appendix 2, unless every project the state uses to collect data meets the requirements of Appendix II, would the state even have sufficient data to arrive at the cost to construct in accordance with the proposed new requirements?
4. If the state miscalculates project cost used in allocating resources - either by being conservative to limit allocation amounts or due to errors in its analysis - the entire pool of projects awarded will have funding shortfalls that will in turn result in request for additional funding and create a barrage of administrative work for the agency.
    a. This will also have a ripple effect across the entire capital stack of the projects and likely cause delays while debt and equity are restructured and other sources of local, state or federal funding navigate their respective processes.

Page 14, III(D) – Criterion 5 – State/Local Government Support

1. There are few state funding sources that have the capacity to fund projects at these levels on a sustained basis.
2. This criterion was instrumental in assisting with the deployment of HOME and HTF funding by local jurisdictions as it incentivized developers to use the funding to score.
    a. What incentive do developers have to use HOME and HTF if no chance of achieving a score? These funding sources have onerous requirements and are relatively small in amounts.
    b. Is HHFDC creating a larger issue for itself and the Counties with this change?

c. Is there a contingency plan for deployment of HOME and HTF if developers no longer use the funding in the LIHTC program?

Page 19, III(D) – Criterion 13 – Percentage of Income Targeted Units

1. How does this calc account for non-LIHTC units such as those at the "missing middle" incomes – up to 100% AMI that are included in the LIHTC Use Restriction?
    a. Are those units part of the total? Are they left out of the calc all together?
2. The scoring for the "original" method might appear to be "better" – incentivizing 30% of the units at 30% AMI, but such high concentrations of lower AMIs make (unsubsidized) projects susceptible to even moderate financial volatility.
    a. By being able to include a small percent of income restricted, but non-LIHTC units, a project can support the higher concentration of lower income units by offsetting the financial vulnerability.
    b. Notwithstanding the rules for the Average Income Test (for compliance purposes) or the AMI set asides set forth the LIHTC Use Restriction, the scoring for this criterion should not disadvantage mixed income projects.
3. The scoring under the original method is quiet poor and thus incentivizes the income averaging approach.
4. Please confirm this is not a weighted average calc (relative to unit type) and that staff units are excluded from the calculation.

Page 22,III(D) – Criterion 18 – Underserved Areas

1. These appear to be zip codes and not census tracts.
2. What definition of underserved is being applied here?
3. What housing data does the agency have to support that these are in fact areas that are underserved?
    a. What criteria was used in determining the notion of underserved?
    b. Is said criteria being applied consistently and equally across all of the census tracts in the state?

Page 22,III(D) – Criterion 19 – Concentrations of Wealth

1. Is the agency actively promoting NIMBY-ism with this policy?
2. By framing this criterion this way, as opposed to incentivizing developments in QCTs (not withstanding revitalization plans, ie Criterion 18), or in areas with other specific data benchmarks, it appears that the agency has a goal of creating concentrations where low-income residents should reside.
3. There is significant data on the benefits of income integration on low-income households and communities.

    a. We should be promoting income integration not actively incentivizing the concentration of low-income residents to certain areas of our cities and islands.

Page 22, III(D) – Criterion 20 – Loan Repayment

1. How is this going to be determined?
2. If a project is financially feasible without RHRF, that project is at a scoring disadvantage because of this category. Is that the intent?
    a. To offset this there should be a criterion for projects to score 2 pts if they don't use RHRF.
3. All things being equal, is the agency trying to incentivize the use of state resources?
4. This incentive should be a part of the RHRF review/ allocation – not the LIHTC or volume cap allocation.

Page 22, III(D) – Criterion 21 – State Conveyance

1. This unnecessarily provides additional benefit to projects on government leased land as ownership of the improvements revert to the lessor at the end of the lease anyhow.
    a. With new and revised categories prioritizing development on government land, it doesn't seem necessary to further advantage such projects.
2. In the absence of stated goals and objectives of the agency, and understanding how this criterion would help achieve such goals and objectives, it is difficult to understand the impetus behind this criterion.

Page 22, III(D) – Criterion 22 – Need for Rehabilitation

1. This criterion is massively subjective and offers little guidance as to what would qualify.
2. With points that represent 6.5% of the total available points, it seems a disservice to all applicants to fail to provide more specific guidance.
3. It is confusing that this scored criterion, especially at such a significant percentage of total points, is being added when the agency has historically limited, and in recent years, rejected funding of rehab projects (regardless of scoring).

Page 23, Criterion 23 – Proximity to Amenities

1. Is the addition of a new Criterion needed to capture these elements? Can Criterion 8 and Criterion 3 be modified to encapsulate some of these points?
2. These items are all prevalent in urban areas which are already advantaged by scoring in Criterion 8.
3. This criterion further disadvantages LIHTC production in rural areas.
4. This criterion is at odds with the objectives of Criterion 18, underserved areas, which if they are underserved with housing, at likely to be underserved with services, access, etc.

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5. This criterion offsets the scoring of Criterion 19, concentrated wealth, as areas of concentrated wealth are very likely to have access to all of these.
6. The additional leg work required to deliver 'proof' of all these new requirements is burdensome and adds to the many additional requirements being layered in the application process.
    a. Please weigh the cost-benefit of creating additional administrative work and requirements for applicants.
    b. Such requests increase the cost of preparing and delivering applications and ultimately the costs to projects.

Page 23, Criterion 24 – Point Deduction

1. Has the agency developed a policy or procedure as to how point deductions will be applied?
    a. Will that be shared with applicants or otherwise incorporated into the application?

Page 26, IV(B) – Set Aside and Average Income

1. Is this meant to be the IRS Average Income Test or is this a state specific version of income averaging?
2. Does HHFDC have a detailed and defined income averaging policy and updated compliance manual to account for income averaging?
3. Because the agency has historically eschewed income averaging, local developers/owners and local management companies may not have the knowledge or training required for income averaging compliance – might take time to develop.
    a. Has HHDFC staff has training on compliance for income averaging?
    b. Will training be offered to stakeholders?

Appendix 2

General Comments:

1. Which design and construction industry experts were consulted for the development of the Design Standards?
    a. Did HHFDC convene a stakeholders group or run these recommendations by builders in the community? Architects or engineers?
        i. If so, please refer us to notes from those working groups.
2. It is confounding as to why Design Requirements are being proposed that will apply to the forthcoming funding cycle when predevelopment of projects for the 2025 round should be well through preliminary design and into permitting.
    a. This change potentially puts at risk considerable investments developers have made in the interest of readiness and being able to deliver construction ready projects.
    b. The implementation of Design Requirements should be deferred to the 2026 round to ensure that projects can be selected and designed with these requirements in mind.

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3. LIHTC housing constructed in Hawaii is already subject to numerous requirements; IBC, Fair Housing, DCAB, DPP, etc., etc. Why are additional requirement necessary?
4. Does the agency understand the cost implications of these new requirements?
    a. These requirements are needed presumably because construction in LIHTC is lacking in these areas. If that is the case, and the only data HHDFC has is based on projects not meeting these requirements, HHFDC's cost data is compromised.

Third paragraph

1. Will the agency develop a process for post award/ post-closing communication for notifications to changes?
2. On transactions with RHRF monthly draws are provided with change order documentation. Would delivery of such monthly draw detail to HHFDC constitute notification of changes?

As local Hawaii housing developers we appreciate our continued partnership with HHFDC and the opportunity to review the proposed 2025 QAP.

Regards,

Makani Maeva

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CATHOLIC CHARITIES HOUSING DEVELOPMENT CORPORATION

October 3, 2024

Mr. David Oi
Housing Finance Manager
Hawaii Housing Finance and Development Corporation
677 Queen Street, Suite 300
Honolulu, HI 96813

Dear Mr. Oi:

Thank you for the opportunity to review the proposed changes in the 2025 Qualified Allocation Plan (QAP). We have the following comments:

Under Scoring Criteria:

1. As we brought this up in the 2024 QAP review, Criterion 4. Project-Based Rental Assistance Subsidies. Project based vouchers (PBV) are much needed to maintain project financial stability with income targeting below 30% AMI. We can see in this 2025 proposed QAP that HHFDC is putting even greater emphasis on deeper income targeting, but without a plan for projects to compete for PBV in Honolulu County in the foreseeable future. The loss of four (4) points can be the difference between a winning project and a losing one. We would ask that a maximum of two (2) points be awarded to this criterion for counties that are already administering these subsidy programs, until such time that PBV are made available by Hawaii Public Housing Authority (HPHA) in Honolulu County, so projects could compete for them and be recognized and rewarded for the efforts to secure them.

2. We question the reduction of 5 points from 7 points to 2 points for State/Local Government Financing Support. This discourages projects from seeking other funding sources and solely relying on state funded sources. We would advocate for a 5 point criterion to make it a criterion worth pursuing.

3. We question the emphasis on developing on State/Local Government Owned Land with a score of 5 points. This criterion minimizes the impact of a market study to focus on where housing is needed, besides not relying on the HUD published Qualified Census Tract (QCT) as a guide in identifying areas to develop. We recommend the incorporation of the QCT for this criterion so every area in need has an equitable chance at affordable housing development opportunities.

4. Criterion 18. Underserved Areas. We ask HHFDC to qualify how these areas were selected and why some zip codes were included and others were not, with the possibilities of scoring duplicate points under two separate but similar categories under Criterion 16 and 18.

5. Criterion 19. Census Tracts with Concentrated Wealth. We ask if the word “wealth” is the correct choice of word, but “poverty”, and if this criterion is not the same as Criterion 16. Qualified Census Tract. Also, if it’s the

intent of HHFDC to encourage more developments in these areas, how do we reconcile the lack of availability of PBV to assist these households and help the project maintain long term financial viability.

6. Criterion 20. Loan Repayment. Please specify when repayment must be made by.

7. Criterion 23. Proximity to Amenities. We are uncertain why this criterion is worthy of 10 points, and if this criterion is not the same or very similar to Criterion 8, and therefore, should be removed or be incorporated in more details in Criterion 8.

8. Appendix 2, Design Requirement. We do not believe dishwasher and telephone jack should be made a requirement for the kitchen design and electrical provisions. Dishwashers are expensive items to replace and often lead to leaking if not properly maintained

Under Minimum Threshold, 12. Developer Fee, the capping of developer fee to no greater than $3,750,000 may be too restrictive as Deferred Developer Fee is often counted as a Source and at times actually used to cover cost overrun or other deficiencies in accordance with partnership agreements. We believe a percentage of total project cost as in prior year QAPs would work better with a measurement of set criteria, by number of units or cost estimate per type of construction, devised by a neutral third party estimator appointed by HHFDC, to set specific ranges in total project cost amount, and assign a not to exceed cap on the fee for each range. The developer fee helps to offset the amount of time, resources, and professional expertise expended in advance by the developer to make a project come to fruition, and continue with its pipeline, so keeping it restrictive may be counterproductive.

In addition, given the increase in acuity of care in the state, we believe that human social services need to be incorporated and considered in affordable housing development with operating budgets requiring such services to ensure tenant care for this vulnerable population,

We want to thank HHFDC for working so diligently to include as many perspectives as possible while staying objective and fair in your assessment of all the projects vying for the limited resources in our state. We believe the annual review and updating of the QAP is a necessary one and will enhance HHFDC's efforts to build as much affordable housing in every county and as efficiently as possible. We hope that you take our feedback as constructive from the perspective of a nonprofit sponsor/developer. We share and applaud your vision and hope you find a balanced approach in guiding affordable housing development activities in our state.

Respectfully,

Paul Y. Kobayashi, Jr.
Treasurer

SCD
STANFORD CARR DEVELOPMENT, LLC

October 4, 2024

VIA EMAIL: chelsea.n.newcom@hawaii.gov

Mr. Dean Minakami
Executive Director
Hawaii Housing Finance and Development Corporation
677 Queen Street, Stuie 300
Honolulu, Hawaii 96813

Re: Testimony – First Draft 2025 Qualified Allocation Plan of the Low-Income Housing Tax Credit Program
Hearing: October 25, 2024 at 10:30 a.m.
Hawaii Housing Finance and Development Corporation (HHFDC) Board Room
677 Queen Street, Suite #300

Dear Director Minakami:

Stanford Carr Development (SCD) would like to express its concerns regarding the proposed changes to the Qualified Allocation Plan (QAP) for the Low-Income Housing Tax Credit (LIHTC) Program. While we acknowledge that many of the revisions are warranted and align with the goal of promoting affordable housing development, several proposed changes may inadvertently limit the production of affordable housing across the state.

Our primary concern is the timing of these substantial changes, just 100 days before the next LIHTC application submission deadline in mid-February 2025. A typical project requires an average of 15 months of planning prior to submission. Additionally, the proposal to provide cost limitations for vertical construction only 45 days before the deadline introduces significant uncertainty, hindering our ability to adequately plan and prepare. Further, should a project disqualify based on costs, what provisions are available to reapply without waiting another 12 months?

We are also concerned about the proposed cap on the Developer Fee, which may limit the amount of affordable housing production in the state. In a large 4% acquisition rehabilitation transaction, the proposed fee cap could result in

up to a 50% reduction in fees, forcing developers to propose smaller projects to maintain financial viability—an outcome contrary to HHFDC's goals.

Developer Fees are often misunderstood as merely the developer's profit. In reality, the fees serve as a critical tool to absorb cost overruns and mitigate market risks.

The ability to rely on the Developer Fee to address unforeseen circumstances is crucial for developers to undertake the business risks involved in these projects. Investors also evaluate project feasibility by considering the "deal liquidity" available to solve potential issues, such as cost overruns and interest rate fluctuations.

As project budgets increase to support greater density, the Developer Fee should increase proportionally to reflect the additional risk taken on by the developer. We urge HHFDC to consider adopting a Developer Fee structure similar to those in other states, where the fee cap applies only to the amount of cash Developer Fee, with the option to defer the balance to be paid from future cash flow.

The inclusion of Appendix 2 Design Requirements in the First Draft of the 2025 QAP prompted our team to reflect on the origins of the Hawaii Housing Finance and Development Corporation (HHFDC). As early as 1935, the Territory of Hawaii recognized the critical shortage of affordable housing and passed Act 190, establishing the Hawaii Housing Authority (HHA), the precursor to today's HHFDC.

In 1976, Act 225 granted the HHA the authority to develop housing projects independently or in partnership with qualified partners, exempting these projects from numerous statutes, ordinances, and governmental regulations—an approach now reflected in Hawaii Revised Statutes (HRS) Chapter 201H-38. This history demonstrates a longstanding understanding that over-regulation can severely impact the availability of affordable housing.

The Tax Reform Act of 1986, which established the LIHTC program, aimed to engage the private sector in developing, constructing, and owning affordable rental housing. More recently, Hawaii's Senate Housing Committee Standing Committee Report #312 (2023) noted a nationwide trend among state housing finance agencies to prioritize the allocation of housing incentives to public housing agencies for state-owned developments. However, Internal Revenue

Code §42 indicates that the LIHTC program should give preference to projects that serve the lowest-income tenants for the longest periods, are in qualified census tracts, and contribute to a concerted community revitalization plan—without mentioning any preference for state-owned developments.

We strongly recommend that the 2025 LIHTC application round proceed under the existing 2024 guidelines and that efforts be directed toward finalizing the 2026 QAP early in 2025. Should deferral be infeasible, we have respectfully enclosed feedback on the proposed Appendix 2 Design Requirements.

Thank you for the opportunity to provide comments on the proposed First Draft 2025 QAP.

Respectfully,

Stanford S. Carr

Enclosure: Comments to Appendix 2, Design Requirements

KK 241002: Insert "new construction"

KR 240918: Does HHFDC intend to tie these requirements to DPP's process?

Appendix 2
Design Requirements

The terms of this Appendix 2 are the minimum requirements for any project awarded LIHTC.

Once final plans and specifications have been completed, owners must submit them to HHFDC (hard copy and on CD/DVD or through electronic transmission acceptable to HHFDC, in PDF format) and receive approval before commencing site work or construction.

At all times after award the owner is responsible for promptly informing HHFDC of any changes or alterations which deviate from the final plans and specifications approved by HHFDC at award. This includes changes required by local governments to receive building permits.

I. DESIGN DOCUMENT STANDARDS

All documents must be prepared by an engineer or architect licensed to do business in Hawaii. Drawings must be to scale, using the minimum required scale as detailed below.

A. APPLICATION PLAN REQUIREMENTS

Plans must in PDF format and indicate the following:

1. Street name(s) where site access is made, site acreage, planned parking areas, layout of building(s) on site to scale, any flood plains that will prohibit development on site, retaining walls where needed, and adjacent properties with descriptions.
2. Unit floor plans, front, rear and side elevations of all building types and identify all materials to be used on building exteriors.
3. Location of, and any proposed changes to, existing buildings, roadways, and parking areas. Handicap parking spaces with access aisles and regular parking spaces must be clearly depicted.
4. Locations of all site and common area features such as playground(s), gazebos, walking trails, refuse collection areas, postal facilities, picnic shelter(s), sitting areas, and site entrance signage. All interior common areas must also be located and labeled, including offices, computer room, exercise room, maintenance room, sitting areas, library, card room, screen porches, interior resident storage rooms, etc.
5. Gross building square footage, Gross unit square footage (following HHFDC's areas measurement guidelines attached to the QAP), and Net unit square footage.
6. For projects involving renovation and/or demolition of existing structures, proposed changes to building components and design and also describe removal and new construction methods.

KR 240918: Does HHFDC review or send to DCAB? Whats the point of DCAB review?

KR 240918: HHFDC asking for hard copies when DPP going opposite?

B. AWARDED PROJECT PLAN REQUIREMENTS

All awarded projects must submit to HHFDC for review a full set of completed drawings (24" x 36" or larger) that must include the following.

1. A Page Index at the front of the plan set showing location of all pages within the plans.
2. The plan set must include Section 1106 (Accessible Parking) and Section 1107 (Accessible Dwelling Units). Tables must be accurately populated by project architect.
3. Unit Matrix: Must show unit type and location of all units per building and per floor level.
4. Accessible Route plan: Must show locations of all accessible parking spaces and access aisles. Must show accessible route(s) throughout the property and accessible sidewalk to public right-of- way.
5. Site accessory plans: Plans to include drawings and details for site structures including picnic shelters, garden plots, arbors, garages, mailbox kiosks and gazebos. Must have details for handicap parking spaces with access aisles, site entry signage and accessible

BT 240919: They refer to Section 1106 and Section 1107 for accessible features which is reference to the International Building Code accessibility chapter. Will HHFDC be requiring that in addition to existing accessibility standards? Per our earlier discussions on Kamakee they should Use ADA for the Common Areas, FHA for the standard units and UFAS for the accessible units to be consistent with federal rules. Will DCAB even review IBC Chapter 11? Per DCAB they only review ADA.

KR 240918: No one else asks for routes?

BT 240919: They ask for a site accessory plan so landscape architect will be more involved in proposal plans.

(all) dumpster corals.
6. Foundation plans (dimensioned).
7. Structural plans: Must be prepared by a licensed engineer and be project specific.
8. Architectural plans: Must include dimensioned building floor plans (one detail per residential floor and per building), dimensioned unit plans for every type of unit (including Type A handicap units with roll-in showers and units with tub/showers, Type B (FHA) units and standard units). Unit plans must be 1/4" = 1'-0" scale or larger.

BT 240919: Why do they specifically say aluminum drip edge but don't specify aluminum gutters? Seamless gutters can be steel.

II. BUILDING AND UNIT DESIGN PROVISIONS

A. EXTERIOR DESIGN AND MATERIALS

KR 240918: Vague/undefined terms

1. The use of very low maintenance materials is required for exterior building coverings on all new construction projects. These include but are not limited to high quality vinyl siding, brick, or fiber cement siding. The use of metal siding is prohibited. Vinyl siding must have a .044-inch thickness or greater and a limited lifetime warranty. Where band/ledger boards attach to and are part of a vinyl siding application, metal z-flashing must be installed behind, on top of, and below bands.
2. All exterior trim, including fascia and soffits, window and door trim, gable vents, etc. must also be constructed of very low maintenance materials.
3. All buildings must include seamless gutters (if the building has gutters) and aluminum drip edge on all gable rakes and fascia boards. Drip edge must extend a minimum of 2 inches under the shingles, if the building has shingles. Downspouts must be installed so as not to drain across pedestrian path of travel.
4. All building foundations must have a minimum of 12 inches exposed brick or masonry veneer above finished grade level (after landscaping). No exposed footings will be allowed.
5. Breezeway and stairwell ceilings must be constructed of materials rated for exterior exposure.
6. Anti-fungal dimensional (architectural) shingles with a minimum 30-year warranty are required for all shingle roof applications. All other types of roof coverings or installations must have a minimum 30-year warranty.

BT 240919: Why do they specifically say aluminum drip edge but don't specify aluminum gutters? Seamless gutters can be steel.

BT 240919: Why brick or masonry veneer and no exposed foundations? They are adding cost and potential maintenance.

KR 240918: So the slab edge cant be exposed?

KR 240918: What is the definition of anti-fungal?

B. INTERIOR DESIGN AND MATERIALS

1. All residential units must meet minimum unit size requirements. The square footage measurements below will be only for square footage which is exclusively for the use of that unit and is fully enclosed, conditioned, and secured, measured as Net square footage from interior finish face of demising wall to interior finish face of demising wall, and do not include exterior wall square footage. Unconditioned, unenclosed, or unsecured areas such as lanais, patios, decks, porches, stoops, or unattached storage rooms cannot be included.

Studio	300 net square feet
1 BR	400 net square feet
2 BR	600 net square feet
3 BR	800 net square feet
4 BR	950 net square feet
5 BR	1,100 net square feet

2. All units must have a separate dining area, except for Studio units. Dining areas may not be positioned in kitchens within a 60-inch clear floor space of any cabinets or appliances.
3. A room can only be considered a bedroom if, in addition to all other statutory and regulatory requirements governing bedrooms, it is a distinct room, fully physically separated from the rest of the unit (excepting HVAC penetrations), offering full physical and visual privacy, with a lockable door.
4. Sliding doors may not be used for bedroom or bathroom entry doors. Bedroom and bathroom

KR 240918: Do "living rooms" count?

BT 240919: Separate dining area seem excessive for a one bedroom and they don't describe minimum requirements for it to be considered a dining area. Counter bar would not be allowed in this case as it has to be 60" from a cabinet or appliance.

KR 240918: So you can't use a pocket door for a bathroom or a barn door for bedroom?
NW 240918: Why so restrictive on the type of doors that be utilized in bathrooms and bedrooms? Sliding barn doors are utilized all the time in hotels and restroom entries due to space restrictions

KR 240918: What's a type A unit? Undefined term but probably an accessible unit

NW 240918: Excessive. Why do entrance and dining areas need to have non-carpet flooring? Also, dining area is a very broad term and needs to be defined. Our rentals have typically installed carpet in the living/dining room area

entries must use swinging doors.

5. Carpet and pad must meet FHA minimum standards. Carpets in Type A units must be glue-down type without padding.
6. Kitchens, dining areas, and entrance areas must have vinyl, VCT or other non-carpet flooring.
7. The minimum width of interior hallways in residential units is 42 inches.
8. The following areas must contain moisture resistant drywall: ceilings and walls of bathrooms, laundry rooms, mechanical closets, exterior storage closets, and behind kitchen sink base.
9. All Type A handicap units must be proportionately distributed to all buildings and on all accessible floor levels.

BT 240919: Why do the accessible units need to be proportionately distributed on all floors?

KR 240918: If this is consistent with IRC 2012, then ok.

BT 240919: Why the restriction on wall fans? May be required in some instances.

KR 240918: What if it's an exterior bathroom?

C. BATHROOMS

1. All bathrooms must include an exhaust fan rated at 70 CFM (minimum) vented to the exterior of the building using hard ductwork along the shortest run possible. Bath fans may only be installed in ceilings.
2. In all Type A units, the grab bars must be installed in compliance with ANSI A117.1, Sections 607 and 608 for bathing fixture specifications and Section 604 for toilet specifications around toilets.
3. Wood blocking must be installed for bathroom accessories, including towel bars, towel rings, toilet tissue holders, robe hooks, etc.
4. In Type A units, the 67 inches clear floor space may not include floor spaces under toilets or vanities.

KR 240918: How will HHFDC enforce this?

BT 240919: Why specify wood blocking? Metal may be better in some instances.

BT 240919: They are referencing the ANSI A117.1 Section 304.3.1.1 67" which is referenced in the IBC. Again, Why switch to a different standard?

D. KITCHENS

1. All residential units must have a frost-free Energy Star rated refrigerator with a freezer compartment. The following are the minimum sizes:

0-2 Bedroom	14 cubic feet
3 Bedroom	16 cubic feet
4 Bedroom	18 cubic feet

KR 240918: Check with appliance vendor

BT 240919: All units require a dishwasher? That seem excessive.

2. All residential units must have an Energy Star rated dishwasher and be installed beside the kitchen sink. In Type A units:
   a. kitchen sinks must be rear-draining and have sink bottoms insulated if bottom of sink is at or below 29 inches above finished floor;
   b. workstations must be installed beside the range with no wall to the left or right of the workstation;
   c. the wall cabinet mounted over the work station must be 48 inches maximum above finished floor to the top of the bottom shelf; and
   d. both the range hood fan and light must have separate remote switches mounted over the work station;
   e. pantry cabinets/closets must have 30 inches x 52 inches clear floor space centered on the door.
3. In Type A units and common areas, kitchen ranges with cooktop can be no higher than 34 inches above floor.

KR 240918: Is this a safety requirement?

NW 240918: Adding cost. Why have separate remote switches unless for non-accessible units?

III. MECHANICAL, SITE AND INSULATION PROVISIONS

A. PLUMBING PROVISIONS

1. All rental units require at least one full bathroom.
2. Three and four bedroom units require at least 2 bathrooms (including one bath with step-in shower and one bath with full tub).
3. All electric water heaters must have a Uniform Energy Factor of 0.93 efficiency or an

BT 240919: Three bedroom+ requires two baths (one full tub and one step-in shower).

KR 240918: Check with mechanical engineer

Energy Factor of at least 0.95 efficiency and be a minimum of 40 gallons (50-gallon minimum for 3 bedroom and larger). This cannot be achieved by using an insulated water heater jacket. Water heaters may not be installed under HVAC air handlers. They may be installed beside the air handler or in separate closet.

4. Provide lever faucet controls for the kitchen and bathroom sinks.
5. All bathroom faucets, shower heads, and toilets must be EPA WaterSense rated.

NW 240918:This provision is unnecessary and adds cost.
1. Newer buildings are going away from telephone jacks and cable connections due to the push to wifi boxes and cell phones from local cable companies
2. Ceiling fans are another added cost item that should have caveats. Why require ceiling fans if the unit has operable windows and PTAC air-conditioning?

B. ELECTRICAL PROVISIONS

1. Provide overhead lighting, a ceiling fan, telephone jack, and a cable connection in every bedroom and living room. If using ceiling fans with light kits, the fan and light must have separate switches.
2. Switches and thermostats must not be located more than 48 inches above finished floor height.
3. Receptacles, telephone jacks, and cable jacks must not be located less than 16 inches above finished floor height.
4. Initially-installed bulbs in residential units and common areas must be compact fluorescent, LED or pin-based lighting in 80% of all fixtures.

KR 240918: Is central AC aloud?

BT 240919: III.C.2. – Through-wall HVAC not allowed in 1 bedroom+. Does this include PTAC?

C. HEATING, VENTILATING AND AIR CONDITIONING PROVISIONS

1. All non-residential areas and residential units which are provided with air conditioning must have their own separate air conditioning systems. HVAC equipment must have a minimum SEER2 15.0 performance rating.
2. Through the wall HVAC units are prohibited in all but Studio units. They are allowed in laundry rooms and management offices where provided.
3. HVAC interior air handlers must be enclosed from return air grille to blower motor/filter.
4. The use of duct board is prohibited. Galvanized metal must be used for plenums and mixing boxes.
5. Fresh air returns must be a minimum of 12 inches above the floor.
6. Range hoods and micro-hoods must be vented to the exterior of the building.
7. All units 1,100 square feet or greater using heat pumps must use a minimum of 2-ton equipment.
8. HVAC systems must provide outdoor air into conditioned building common areas and apartment units to meet ASHRAE 62.2 per Energy Star Multifamily certification requirements by introducing filtered fresh air into return air duct at air handler. Electrical control boxes with mechanical dampers that limits humidity and temperature extremes must be used. Fresh air ducting must use insulated galvanized piping.

KR 240918: PTAC?

KR 240918: Why?

KR 240918: Why?

BT 240919: They want electronic dampers with humidity controls which means outside air ducting . This would be a ceiling cassette type unit.

NW 240918: Need to review with mechanical engineer how this would affect our corridors

BT 240919: Why are they so specific about insulation methods? They should just note that it has to comply with energy code.

D. BUILDING ENVELOPE AND INSULATION

1. Framing must provide for complete building insulation including the use of insulated headers on all exterior walls, framing roofs, and ceilings to allow the full depth of ceiling insulation to extend over the top plate of the exterior walls of the building, and framing all corners and wall intersections to allow for insulation.
2. Seal at doors, windows, plumbing and electrical penetrations to prevent moisture and air leakage.

IV. ADDITIONAL PROVISIONS FOR REHABILITATION OF EXISTING HOUSING

The following requirements apply to rehabilitation of existing units. Other than as described below, existing apartments do not need to be physically altered to meet the design standards for new construction specified herein.

A. Design documents must show all proposed changes to existing and proposed buildings, parking, utilities, and landscaping. An architect or engineer must prepare the design

BT 240918: Any replacement of existing materials or components must comply with design standards for new buildings. This could be problematic if you are renovating a historical building or if there are existing materials that are incompatible with new standards e.g. metal flashing differences, wall-mounted fans, etc. Also says "In addition to needs identified by HHFDC..." Where are these additional needs defined?

NW 240918: General Note Regarding rehabilitation scope guidelines: Every property is different and have gone through different levels of maintenance/upkeep so to specify/require minimum scope guidelines will potentially create unnecessary cost increases. For example, a building that is 30 years old may have gone through and replaced their sewer lines or shower valves in the last 5-10 years. Why require that this be replaced again? Rehabilitation of existing buildings need to be case by case.

drawings.

B. Any replacement of existing materials or components must comply with the design standards for new construction specified herein. In addition to needs identified by HHFDC, the rehabilitation scope of work must include/address the following:

Unit Interiors

- All mechanical and storage closets must have painted, moisture resistant drywall and finished flooring.
- Splash panels must be installed behind all ranges.
- Interior painting must include the entire unit.

NW 240918: Why specify the entire unit? Ceilings are typically in great condition

Plumbing

- Water heaters under kitchen countertops must be relocated.
- All polybutylene ("Quest") piping must be replaced.
- All original cast iron p-traps must be replaced.
- Tub/shower valves over twenty-five years old must be replaced.

KR 240918: No age limit?

Electrical

- All receptacles, switches, and cover plates must be replaced.
- In bathrooms, overhead ceiling light must be switched with the exhaust fan and the vanity light wired to a separate switch. Unless the vanity light is the only light source, in which case it then must be switched to the exhaust fan.

NW 240918: Why?

Heating and Air

- If range hoods were previously vented to the outside, the replacement hoods must be similar.
- Hard duct all new and existing bathroom exhaust fans where possible (in attics).
- Replacement air handlers must have enclosed air returns where possible.
- All outdoor HVAC condensers must have 410A refrigerant or better and properly sized line sets.

Miscellaneous

- Attic and roof insulation must meet R-30 minimum value.
- All Type A accessible units must be brought to current building standards to the greatest extent feasible.
- Existing fire walls in attics between units must be intact and solid.

C. Applicants must submit the following:

1. For properties built prior to 1978, a hazardous material report that provides the results of testing for asbestos containing materials, lead based paint, Polychlorinated Biphenyls (PCBs), underground storage tanks, petroleum bulk storage tanks, Chlorofluorocarbons (CFCs), and other hazardous materials. Professionals licensed to do hazardous materials testing must perform the testing.
2. A report assessing the structural integrity of the building(s) being renovated from an architect or engineer. Report must be dated no more than 12 months from the application deadline.
3. A current termite inspection report. Report must be dated no more than 12 months from the application deadline.

~~[content pending]~~

October 4, 2024

Chelsea Newcom
Hawaii Housing Finance and Development Corporation
677 Queen Street, Suite 300
Honolulu, HI 96813

Dear Ms. Newcom:

Thank you for the opportunity to contribute this feedback, which we hope will inform the development of the State of Hawaii's 2025 Draft Qualified Allocation Plan. We look forward to collaborating with the Hawaii Housing Finance and Development Corporation (HHFDC/ the Corporation) as you develop your affordable housing priorities. Lincoln Avenue Communities (LAC) is a mission-driven affordable housing developer currently active in twenty-seven states. In Hawaii, we are focused on developing ground-up new construction affordable housing and preservation of existing affordable housing using a 4 percent LIHTCs with tax-exempt bonds (TEBs).

Developer Fee

Pg. 10-11
We appreciate that HHFDC's explanation that the proposed developer fee methodology in the draft QAP would result in higher developer fees as compared to the three-year average and that HHFDC is seeking to discourage inefficient production. Respectfully, we believe HHFDC may achieve better outcomes by taking a different approach developer fee limits for projects financed with Tax Exempt Bonds and 4% LIHTCs.

As affordable housing developers, the biggest challenge we face today is inflation and the escalating cost environment. The combination of rapidly rising land costs, building acquisition costs, construction materials costs and labor costs is a significant barrier to financing and delivering quality affordable housing communities to the market. Construction materials pricing and supply chain disruptions continue to be a significant challenge.

At the same time, rising interest rates have reduced the debt proceeds we can leverage to offset these increased costs. 4% TEB LIHTC transactions are financed primarily with tax-exempt debt, making up approximately 70% of the capital stack, so the impact of even small increases in interest rates is magnified significantly for these transactions. We believe the current market dynamics are important to share as they provide context and urgency for the following discussion.

By adopting strategies that maximize the eligible basis in bond finance deals, HHFDC facilitates developers' ability to raise additional tax credit equity. This can particularly impact on 4% LIHTC

transactions because the LIHTC in these transactions are not a competitive resource but rather come "as of right" if the project meets threshold requirements.

The Developer Fee limit for new buildings as proposed ($50k per unit or $3.75m, whichever is less) may be more appropriate for projects financed with 9% LIHTCs because of the finite amount of LIHTC ceiling that is available to the state; however, as noted above for projects financed with 4% LIHTCs and tax exempt bonds this leaves subsidy on the table that might otherwise fill project financing gaps.

We recommend HHFDC adopt a flat 18-20 percent developer fee (based on total development costs excluding developer fee and reserves) for new construction projects financed with 4% LIHTCs and TEBs. If desired, HHFDC could require developers to defer all developer fee above $50k per unit or $3.75m.

This will result in increased transactional feasibility and align with many of HHFDC's peer agencies, which allow for developer fees ranging from 18-25% for bond financed transactions.[1] The additional eligible basis generates incremental supplemental federal tax credit equity. This helps fill financing gaps and offsets rising construction costs, inflationary interest rates and operating expenses.

Additionally, we urge HHFDC to reconsider its proposed developer fee policy for existing buildings. Excluding acquisition basis from developer fee in favor of a fee based solely on rehabilitation hard costs can result in some highly problematic outcomes that may put many preservation assets at risk. Many affordable housing properties that are most at risk for opting out of affordability restrictions are year 15-20 developments. These tend to be well-maintained and in markets where they command a substantial rent-advantage. This makes them highly attractive to conventional and private equity acquirers that will pursue a qualified contract or otherwise seek opportunities to opt-out of affordability restrictions at year 30. In addition to being able to offer a higher price (based on conversion potential) these buyers also tend to have shorter-due diligence timelines than preservation buyers who often must seek a long-contract period to close into a syndication. As a result, for affordable housing developers to compete with private equity and conventional buyers we must offer higher prices. To exclude acquisition basis from the developer fee calculation this reduces eligible basis and makes preservation developers less competitive.

As recommended above, we suggest as an alternative adopting a flat 18-20 percent developer fee (based on total development costs – including acquisition basis and excluding developer fee and reserves) for rehab projects financed with 4% LIHTCs and TEBs. If desired, HHFDC could require developers to defer all developer fee above $50k per unit or $3.75m.

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[1] Selection of developer fee policies for 4% LIHTC transactions:
- 25% - Tennessee
- 20% - Kentucky, Ohio, North Dakota, Oklahoma, Wisconsin
- 19% - Arizona
- 18% - Florida, Iowa, West Virginia

Additional Context

It is important to acknowledge the role developer fees play in affordable housing transactions as well when you consider the appropriate fee setting mechanism. The IRS permits the inclusion of developer fees in eligible basis because these fees serve as the primary form of compensation for LIHTC developers. They pay for overhead of essential functions, including accounting, human resources, information technology, asset management, insurance and legal fees and many others. Developer fees also serve as the primary form of reimbursement for pre-development costs and resident services. It should also be noted that developers defer a substantial portion of this fee to fill project gaps and with uncertainty in the cost environment the additional fee effectively will serve as additional construction contingency, much drawn on today as construction costs skyrocket.

Conclusion

Lincoln Avenue Communities appreciates the opportunity to work with HHFDC on the drafting of its 2025 Low-Income Housing Tax Credit QAP. We welcome the opportunity to discuss them with you further at your leisure and/or answer any questions you may have regarding our feedback. I can be reached at 646-585-5526 or tamdur@lincolnavenue.com.

Regards,

Thom Amdur
Senior Vice President, Policy & Impact

Cc: David Oi
David Garcia

About Lincoln Avenue Communities

Lincoln Avenue Capital is one of the nation's fastest-growing developers, investors, and operators of affordable and workforce housing, providing high-quality, sustainable homes for lower- and moderate-income individuals, seniors, and families nationwide. LAC is a mission-driven organization that serves residents across 26 states, with a portfolio of 150 properties comprising 26,000+ units.

MaRK DEVELOPMENT, INC.
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October 4, 2024

Via Email

Mr. Dean Minakami, Executive Director
Hawaii Housing Finance and Development Corporation
677 Queen Street, Suite 300
Honolulu, HI 96813

Dear Mr. Minakami,

Subject: Comments to Draft Qualified Allocation Plan

Mark Development, Inc. (MDI) respectfully submits its written testimony to the proposed 2025 Low Income Housing Tax Credit (LIHTC) program's Qualified Allocation Plan (QAP). MDI has is an active developer, owner and property manager of projects financed with the LIHTC program. MDI has over 25 years of experience in participating in the LIHTC program.

The proposed changes to the QAP are a significant departure from the Hawaii Housing Finance and Development Corporation's (HHFDC) recent administration of the LIHTC program. MDI provides its comments on the various changes. However, we recommend these changes be reviewed further and be implemented in the calendar year 2030 or later. Program participants prepare to apply for LIHTC a year or more in advance of the application and incur expenses before submitting an application. Contrary to the opinion of some public officials, the award of government funding for affordable housing does not eliminate risk. In evaluating the proposed changes, consider our risk as developer to submit an application for LIHTC. It is common for third-party costs to be in excess of $1 million to be incurred prior to submitting an application. If we are unable to submit an application due to our project costs not meeting HHFDC's maximum cost limits, we still must pay our consultants for the work they complete.

The establishment of maximum construction cost limits, developer fee limits, rewarding projects that paydown the Rental Housing Revolving Fund loan faster and staff lowering soft costs in the application review promotes a "Race to the Bottom." It rewards projects that have the lowest costs and the lowest investment by HHFDC. In our assessment, the proposed changes reward applicants to understate their project costs further. In this environment of rising construction costs and fluctuations in the cost of building materials, putting such limits may be counterproductive as there may be funding gaps when projects are ready to close.

Unforeseen delays caused by government agencies due to insufficient staffing delaying ministerial approvals delaying closing further increase project costs. Our team of architects and engineers design projects balancing livability for residents, marketability, and practicality in designing projects within constrained project budgets. MDI is unique in that we are one of the few developers that also manages its own projects. As such, we design projects that are functional for our residents using materials and design that are efficient to maintain. The establishment of design standards creates additional requirements that may not be needed, delays projects and adds unnecessary costs to projects.

Our comments on the proposed changes are as follows:

<u>B. Minimum Thresholds</u>

4 a. Preliminary Engineering Report
5. Plan and Cost Review
We understand the need for a Preliminary Engineering Report and Certified Cost estimate as a measure of project readiness and to confirm cost estimates. MDI works directly with its engineers throughout the development process. As such, the advice and plans provided presented in our application reflect the recommendations of our engineers. This requirement adds an additional cost to the project, which is contrary to the goal of lowering project costs.

12. Developer Fee
Maximum Developer Fee of $50,000 per unit combined with a limit of $3,750,000 per project will limit the range of projects that will apply for LIHTC. Projects considered that are more complex and have higher risk will be difficult to undertake with this limitation. Furthermore, developer fee is considered additional contingency to cover unforeseen cost increase. The depletion of developer fee will put projects at risk of foreclosure or may make projects unattractive to investors resulting in lower pricing for tax credit equity. Development Cost efficiency is already contemplated and competitive in the QAP. Is HHFDC trying to discourage developers from submitting projects?

Please consider amending the developer fee limitation to allow for up to 15% of total development cost. As proposed, larger projects will become infeasible as the developer fee relative to percentage of project cost is too low and does not provide adequate contingency in the event there are unforeseen cost increases.

15. Development Costs
In general, development costs are specific to the project. Each project has a different financing structure and different circumstances that are reflected in their project costs. Imposing cost limitations will limit the breadth of the projects funded by the LIHTC program. Giving HHFDC authority to adjust budgets based on their prescribed standards will result in HHFDC making projects financially infeasible.

If everything is about low costs, free land, HHFDC will drive all LIHTC funded projects into already poorer communities on the west side of Oahu and never see LIHTC projects built in communities like Hawaii Kai.

The methodology used for establishment of maximum per unit and per square foot vertical construction costs is questionable. Does HHFDC have adequate construction cost data account for the different types of projects, building methods and materials that will apply for LIHTC?

The LIHTC program can fund diverse types of projects in which the construction costs will vary greatly. Furthermore, building materials and labor costs vary greatly based on location. Will costs be published for each island? Will costs be published for single family homes, high rises with elevators, garden style apartments with and without elevators, single floor apartment buildings? Has there been any consideration that the publication of maximum construction cost may exclude certain types of projects that are cost more to build.

If maximum development costs are established, it should be published in the QAP to provide for ample time for applicants to make a decision to apply for LIHTC.

Applicants incur substantial costs (approximately $1,000,000 or more) to submit an application. The publication of maximum costs 45 days prior to the application may exclude applicants that have incurred significant expenses in preparing its application.

Please define what is meant by non-vertical components. Does this refer to all other non-vertical construction costs including sitework, design, legal, financing and land acquisition? We are concerned that HHFDC will adjust the budget accordingly before making awards as it may lead to a budget shortfall. Most if not all of these costs are earned by third parties. Each project is different and has its unique costs due to its zoning, financing structure, local codes, and land acquisition agreements. How will HHFDC determine the allowable amount of costs? Will it publish a schedule for the various cost components so that we can inform our consultants that we cannot exceed this amount?

D. Criteria Point System

Criteria 5

Any level of support from the County should be rewarded at least one (1) point, regardless of the amount. The proposed minimum of $50,000 per unit is a very high threshold for the counties. Has HHFDC identified which funding programs available from the counties are available to fund projects at this level? I believe that setting this higher threshold would be a disincentive for Counties to invest its funds in affordable housing projects. With such a high threshold to score a point, counties may decide to invest their scarce resources in non-LIHTC projects. Consider lowering the threshold to $10,000 per unit multiplied by 100 units is $1,000,000? Why is a dollar threshold imposed as opposed to using a percentage of cost? Consider a tiered criteria awarding points based on the non-HHFDC funds as a percentage of development cost.

Criteria 18
What was the evaluation criteria used to identify the Census Tracts? How is underserved defined? There needs to be transparency in how these census tracts were selected. An unintended consequence is that areas that rural areas would be at a disadvantage. Rural areas do not have large populations, and many have not had any affordable housing developed in their communities. By implementing this criteria, we may continue to build affordable housing in the same communities, while neglecting those that do not have any affordable housing.

Criteria 20
Including the full repayment of the Rental Housing Revolving Fund (RHRF) loan as an evaluation criteria in the QAP for LIHTC program seems misplaced. The RHRF program has its own administrative rules. Consequently, any underwriting criteria should be established in the RHRF program's administrative rule rather than the LIHTC program.

To qualify for scoring under this criterion, a project cannot use the state LIHTC. Why on God's green earth would HHFDC do this. You are taking away a needed source of funds. Under current economic conditions, most if not all projects leverage the state LIHTC and the RHRF. This criterion seems to be skewed to projects that receive a large investment from a federal or state agency to address its funding gap. To evaluate this change, please identify any project that did not require the state LIHTC as a funding source and has fully repaid its RHRF loan. This may have been possible 20 years ago, but this would be extremely difficult in today's economic conditions.

Criteria 21 State Conveyance
Awarding points for offering to sell the project to a state agency for fair market value, subject to the commercially standard terms without establishing rules or processes is premature. Execution is a concern for both the owner and the LIHTC investor. Our investor partners would not allow us to commit to the sale of the project to the state without knowing what the process is, how it will be executed on and knowing how they will be paid. This uncertainty will lead to lower pricing at best or investors deciding to not invest in projects. Overall, why would HHFDC want to turn the LIHTC program into Public Housing? The terrible condition of government owned housing is why the LIHTC program was created.

HHFDC has until recently sold its portfolio of affordable housing projects to private parties as they were a burden to the State to operate. State owned projects suffer from deferred maintenance and some projects required the State to fund their operating losses. Mark Development, Inc. was part of a development team that purchased one of these projects in 2024. Has there been a policy shift for the State to return to owning and operating multifamily projects? Does the State have sufficient financial and staffing resources to optimally operate projects?

Criteria 22 Need for Rehabilitation
Awarding 10 points to rehabilitation project is excessive. Is this HHFDC's policy to prioritize rehabilitation projects over new construction? If this criterion is implemented, I recommend re-implementing the policy of awarding only one rehabilitation project per year from the 9% LIHTC.

Rural Communities

Please confirm that HHFDC's policy is to prioritize funding to urban areas. The following Criteria rewards projects that are located in urban areas:

Criteria 8: Many rural areas on the neighbor islands are not served by mass transit.

Criterion 18: The underserved areas identified are mostly in urban or suburban areas. Taking Kauai as an example, Lihue and Kapa'a are designated.

Criterion 23: Rural areas on the neighbor islands are located far from the listed services.

Rural communities would not have access to 5 to 15 points. If these scoring criteria is implemented, we recommend establishing a set-aside for rural projects on the neighbor island so that projects in those communities have access to the LIHTC program.

Appendix 2 - Design Requirements

We are curious as to what is prompting the need for design requirements. Have there been substandard housing projects developed with the LIHTC program? Please identify the issues. Are these requirements adopted from another program on the mainland? The danger of adopting requirements from a recommended practice or a different state is that there is no consideration of the quality of affordable homes developed in Hawaii. Is this addressing a problem that actually exists? Other states do not have a Disability and Communications Access Board to review plans for accessibility. Is it necessary to prescribe the type of door that is used to meet this requirement? If DCAB approves of a different type for door, would HHFDC accept?

The requirement to get HHFDC approval of the plans and specifications prior to starting construction seems to be an unnecessary layer of approval that can delay projects. Is there a staff architect and engineer to review and approve plans? Would HHFDC allow for variances from the guidelines if they are infeasible? What is the process? These are all concerns that need to be addressed before implementing this requirement.

When taken in its entirety, it seems that HHFDC has defined with specificity the type of project it desires to fund. One begs to ask if it may be more efficient to issue Requests For Proposals for the development projects that are predesigned and funded by the State rather than have an open application for just financing.

Historically, the LIHTC program has been successful in financing a range of different project types including: the privatization of state and federal public housing; housing for Department of Hawaiian Homelands beneficiaries; seniors; and housing in rural areas. The LIHTC program's strength has been its flexibility to provide each different type of project to compete in a transparent process while meeting the housing goals of the state. Mark Development, Inc. appreciates the opportunity to provide our comments on the proposed 2025 Qualified Allocation Plan. We also would like to recognize the HHFDC Board of Directors and the HHFDC staff for administering this successful program.

Aloha,

Craig Watase
Mark Development, Inc.

Oct. 4, 2024

Mr. David Oi
Housing Finance Manager
Hawai‘i Housing Finance & Development Corp.
677 Queen St., # 300
Honolulu, HI 96813

Dear Mr. Oi:

Thank you for this opportunity to comment on the suggested changes to the 2025 Qualified Allocation Plan. My name is Sandra Oshiro, and I coordinate the Hawaii Young Adults in Transition (HYAIT), a support group for families with young and older adults on the autism spectrum. In full disclosure, I also serve on the board of the nonprofit Pacific Housing Assistance Corporation. However, I am speaking here solely on behalf of HYAIT and my family.

This letter represents several preliminary thoughts regarding the definition of disability that would determine eligibility for housing supported by federal Low-Income Housing Tax Credits. As presently drafted, the QAP section on disability would significantly narrow housing eligibility to only individuals who receive a disability-related source of income. While not defined, presumably this income refers to such sources as Supplemental Security Income and/or Social Security Disability Income. However, not all individuals with disabilities receive such income. Whether because of administrative barriers, an inability to navigate the system, or other factors, many who are significantly disabled do not receive assistance from government programs and often end up homeless.

We ask that HHFDC maintain its broader definition of disability so that all who need shelter will be eligible to apply for it. After consulting with Daintry Bartoldus, executive administrator of the Hawai‘i Developmental Disabilities Council, we support her suggestion to use the following definition:

“For the purposes of housing eligibility under the Qualified Allocation Plan, a person with a disability is defined as an individual with a physical, sensory, cognitive, intellectual, or mental impairment that substantially limits one or more major life activities. This definition includes, but is not limited to, individuals with permanent,

temporary, or episodic conditions that impact mobility, cognition, communication, or self-care. Proof of eligibility can include medical documentation, self-certification of functional limitations, or documentation from a healthcare provider, social service agency, or relevant authority, and is not limited to those receiving federal disability benefits."

This definition aligns with the Americans for Disabilities Act and the Fair Housing Act, neither of which imposes an eligibility requirement limiting federally supported housing to those who receive disability benefits. Indeed, such a restriction may run counter to federal laws that prohibit discrimination against those with disabilities. To our knowledge, individuals with low-income, for example, are not required to show they receive government benefits to qualify for federally supported housing.

We will be submitting further comments on the proposed QAP for the Oct. 25, 2024 public hearing. We look forward to working together toward the goal of housing the most vulnerable in our community.

Thank you,

Sandra S. Oshiro
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