



**Hawaii Housing Finance and Development Corporation**

# **HOUSING FINANCE TOOLS**

**HAWAII INTERAGENCY COUNCIL FOR TRANSIT-ORIENTED DEVELOPMENT**

**DECEMBER 6, 2016**





## Background/Purposes

LIHTC = indirect federal subsidy used to finance low-income housing

- Congress created as incentive for private developers and investors to provide more affordable rental housing.
- Eligible taxpayers receive a subsidy by claiming a tax credit on their federal income tax returns.
- Dollar for dollar credit (not deduction) claimed pro-rata over 10 years
- Both newly constructed and renovated residential rental buildings



# **How does the LIHTC work?**



## Project Owner

- Proposes project to the state housing agency
- Applies for and is awarded an allocation of tax credits
- Completes the project
- Certifies development costs
- Rents project to low-income tenants



## Equity capital for development costs

- LIHTC provides equity funding for the development cost of low-income housing
- By allowing an investor (i.e, partners of a partnership, or members of a manager-based LLC, that owns the project) to take a federal tax credit
- Project Owner raises equity capital by "syndicating" the credit to an investor (or group of investors)



## Compliance Period

- Initial - 15 years after project placed in service
- Extended – additional 15 years
- Compliance monitoring – annual certifications
- Land Use Restrictive Agreement – Regulatory Agreement
- Tax recapture of all past and future LIHTC

If the project fails to comply with the requirements of Section 42, including the Set-Asides and Rent Restrictions any time during the initial 15-year Compliance Period



## **How much in LIHTC does Hawaii receive?**



**9% LIHTC (competitive/volume cap) are allocated to each state based on population.**





**For 2016, Hawaii received the following:**

**\$3,364,267**

\$2.35 (LIHTC rate) per capita



**4% LIHTC (non-competitive/non-volume cap) are allocated based on the use of private activity tax-exempt bonds. The State does have a bond cap of approximately \$296 million.**



**Hawaii also has a State LIHTC which is 50% of the amount of Federal LIHTC received.**



# **How are LIHTC awarded?**



**The LIHTC are awarded using what is known as the “Qualified Allocation Plan” or QAP.**



**The QAP is a point-based scoring system which takes into account mandated requirements of the IRS and priorities of the State. It also conveys to applicants other program requirements.**



**Developers apply for LIHTC through HHFDC's Consolidated Application. The Consolidated Application allows applicants to apply for various other financing programs with one application.**



## **HHFDC has two Consolidated Application funding rounds per year.**

- Round 1 (typically in the 1st quarter of the calendar year) offers 9% LIHTC along with other financing programs.
- Round 2 (typically in the 3rd quarter of the calendar year) offers other financing programs.
- In 2016, 4% LIHTC became available year round





**Applications are reviewed and scored by  
HHFDC's Finance and Development staff  
utilizing the QAP.**



**Recommendations for awarding LIHTC and other financing resources are presented to the HHFDC Board for approval.**



**The Following are Sample Permanent  
Financing Structures for 9% and 4% LIHTC  
Projects.**



## 9% LIHTC Project



20% conventional loan (FHB or BOH)

20% - 25% equity gap (government programs)

55% - 60% LIHTC equity



## 4% LIHTC Project



20% - 25% HMMF Bond

35% - 40% equity gap (government programs)

40% LIHTC equity



## Income/Rent Restrictions

		HHFDC				
		60%	80%	100%	120%	140%
AMI	Oahu	60,300	80,400	100,500	120,600	140,700
	Hawaii	41,760	55,680	69,600	83,520	97,440
	Kauai	49,200	65,600	82,000	98,400	114,800
	Maui	48,300	64,400	80,500	96,600	112,700
RENT	Oahu	1,357	1,810	2,262	2,714	3,167
	Hawaii	940	1,254	1,567	1,880	2,194
	Kauai	1,107	1,476	1,845	2,214	2,583
	Maui	1,087	1,450	1,812	2,174	2,537

All figures based on 2016 HUD guidelines. AMI for family of 4. Rent based on 2 bdrms, 30% of income, including utilities.



**Halekauwila Place** 204 units located across the Civic Center Station in Kakaako.





## Halekauwila Place

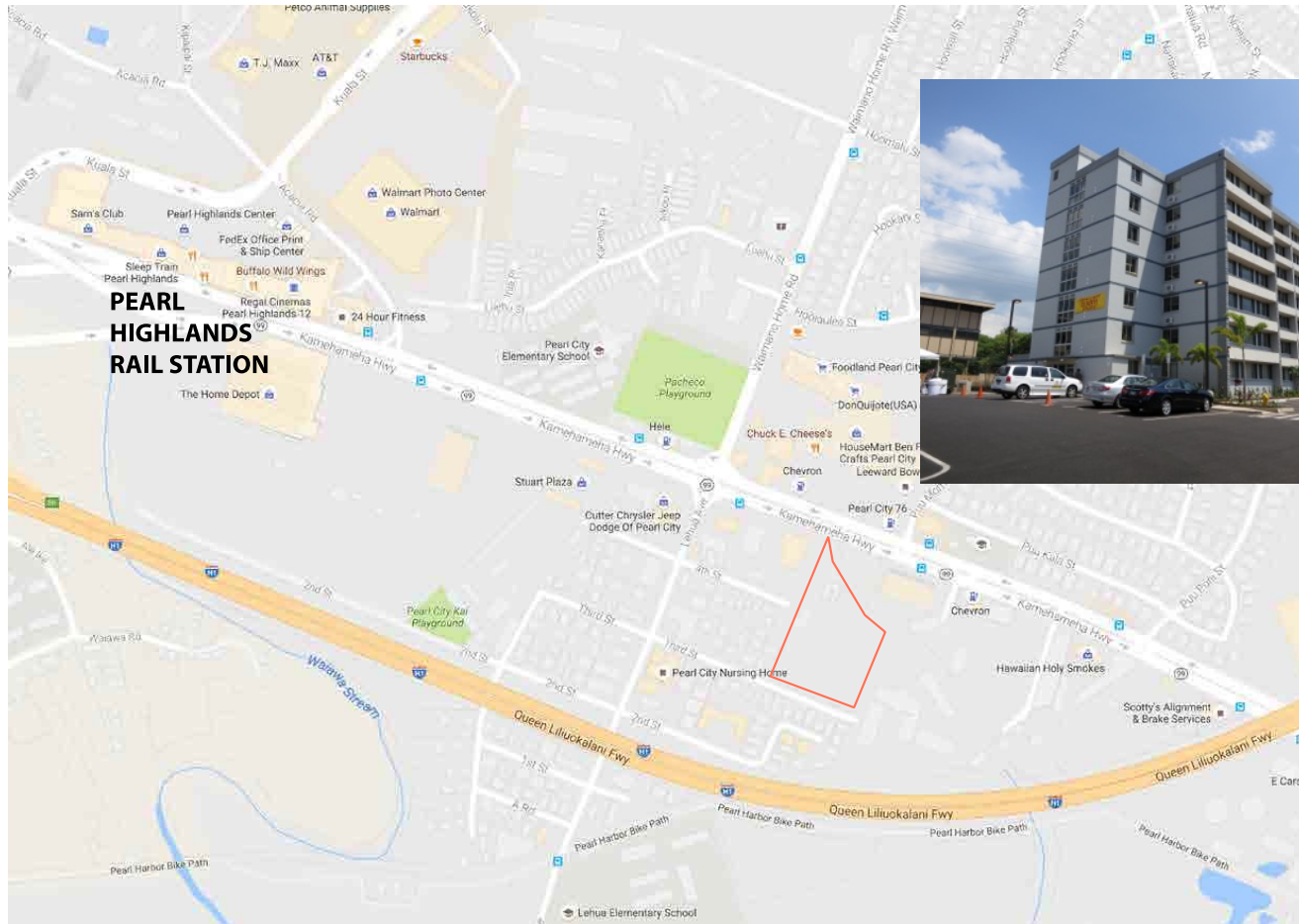
<b>Funding Source</b>	<b>Interim</b>	<b>Permanent</b>
LIHTC Equity	\$ 6,292,708	\$23,365,595
HMMF Bond	40,000,000	0
Perm Loan (Taxable GNMA)	0	26,420,000
HCDFA Funds	17,000,000	17,000,000
Deferred Costs	7,855,857	
<b>Total</b>	<b>\$71,785,565</b>	<b>\$71,785,565</b>

<b>Project Cost</b>	<b>Per Unit</b>	<b>Per Square Foot</b>
	\$351,888	\$380.27





Hale Mohalu II 332 units located near the Pearl City Station.





**Ko`oloa`ula** 308 units located near the East Kapolei Station.





# Hawaii Housing Finance and Development Corporation



**CRAIG K. HIRAI**

Executive Director

677 Queen Street, Suite 300  
Honolulu, Hawaii 96813

Phone: (808) 587-0641

Fax: (808) 587-0600

Email: [craig.k.hirai@hawaii.gov](mailto:craig.k.hirai@hawaii.gov)

[www.http://dbedt.hawaii.gov/hhfdc/](http://dbedt.hawaii.gov/hhfdc/)