

**Department of Business, Economic Development, and Tourism  
Supplemental Budget Request Fiscal Year 2008-2009**

**Program ID and Title: BED 160 HD - Hawaii Housing, Finance and Development  
Corporation (Housing Development)**

**1. Introduction:**

BED 160 HD, HHFDC Development, facilitates the development or preservation of affordable or workforce housing.

**a. Summary of program objectives.**

The HHFDC's objective is to support economic growth by increasing the supply of workforce and affordable housing and preserving the existing inventory of affordable housing.

**b. Description of program objectives and activities as discussed in the Multi-Year program and Financial Plan.**

The Development Program's activities include facilitating the development of affordable and workforce housing projects through the provision of development resources and tools. These include the provision of developable land; interim construction loans from the Dwelling Unit Revolving Fund; expedited state and county land use approvals and exemptions from planning, zoning and construction standards utilizing HHFDC's Chapter 201H, HRS development powers; and exemptions from the State's general excise taxes for qualified housing projects. The Development Program also maintains infrastructure improvements in the Villages of Kapolei and Waiahole Valley Agricultural Park.

**c. Explain how your program intends to meet its objectives in the upcoming supplemental year.**

The Program intends to meet its objectives by promoting the services as stated in II.a and working in partnership with the development community.

**2. Program Performance Results:**

**a. Discuss the performance results achieved by each program in FY07.**

The HHFDC was established on July 1, 2006 and, therefore, the following performance results are for FY 2007.

1. The HHFDC initiated an aggressive search for land suitable for the development of housing. Parcels of state land were identified for infill development on Oahu and Kauai.
2. Request for Proposals (RFP) were issued and awarded for the development of a high-rise rental complex of approximately 196 units in Kakaako and approximately 277 rental and for-sale units in the Villages of Kapolei.

3. A long-term, below market ground lease was executed with the developer of the Senior Residence at Iwilei, an affordable elderly rental housing project consisting of 159 units for the elderly.
4. A development agreement and long-term, below market ground lease were executed with the Hawaii Coalition of Christian Churches (HCCC) for Kahikolu Ohana Hale O Waianae. When completed in June 2008, the project will provide 72 emergency, transitional and affordable housing units and 40 dormitory beds.
5. Pursuant to a development agreement executed with Castle & Cooke Homes Hawaii, Inc. in FY 2006, development continues on 230 affordable for-sale and 64 affordable rental multi-family units.
6. HHFDC continued to support the Department of Hawaiian Home Lands (DHHL) in processing subdivision documents and permit drawings for the development of 326 single family homes in the Villages of Kapolei, Village 8. (This parcel was transferred to DHHL in FY 2005.)
7. The HHFDC utilized its Chapter 201H development powers to obtain zoning exemptions for Mokuola Vista, a 69 unit affordable, for-sale condominium to be built on state land in Waipahu, Oahu. Plantation Town Apartments, a 300 unit affordable, for-sale condominium on state land in Waipahu also obtained zoning exemptions pursuant to Chapter 201H.

**b. Explain how these results relate to the program's objectives and department's mission.**

The performance results facilitated private sector development of affordable and workforce housing.

**c. Explain how the effectiveness of the program is measured (i.e.: outcomes, measures of effectiveness, benchmarks, etc.) and discuss the performance results achieved during the past two years.**

The HHFDC has adopted agency-wide, outcome-based program performance measures. The HHFDC's performance measures and actual results for FY 2007 were as follows:

	<u>Benchmark</u>	<u>Actual</u>
1. The number of homebuyers assisted	80	199
2. The number of new rental units	352	442
3. The number of existing affordable rental housing units preserved	70	72
4. The number of lease rents renegotiated	1	0
5. The number of single family leasehold lots converted to fee simple	0	0

- d. Discuss the actions taken by each program to improve its performance results.**

Program staff has initiated an outreach campaign to build awareness of the tools and resources available to facilitate housing development. This has resulted in increased activity.

- e. Please identify all modifications to your program's performance measures and discuss the rationale for these modifications.**

None.

**3. Problems and Issues:**

- a. Discussion of problems and issues encountered, if any.**

The Development Program maintains infrastructure in Waiahole Valley, Oahu. The potable water system, which is owned and operated by the HHFDC, has required costly repairs which are funded by the Dwelling Unit Revolving Fund (DURF). Funds utilized from DURF for infrastructure improvements are not recouped and, thereby, reduce the balance of funds available for housing development. Compounding the problem is the water tank and transmission lines must be replaced.

- b. Program change recommendations to remedy problems.**

The HHFDC has submitted a supplemental request for Capital Improvement Program funds to replace the Waiahole Valley potable water system. When completed, the HHFDC plans to dedicate the system to the Board of Water Supply.

- c. Identify any program issues or problems that have affected or will affect the implementation of the program, and the corrective measures or remedies established or planned.**

None.

**4. Expenditures for Fiscal Year 2007-2008:**

	Act 213/SLH 2007	Collective Bargaining	Transfer In/(Out)	(Restriction)	Net Allocation	Estimated Total Expenditures
(Pos. Counts)	(4.00)				(4.00)	(4.00)
Personal Services	1,466,670	51,609			1,518,279	1,518,279
Current Expenses	113,926				113,926	113,926
Equipment					-	
Motor Vehicles					-	
<b>Total</b>	<b>1,580,596</b>	<b>51,609</b>			<b>1,632,205</b>	<b>1,632,205</b>
(Pos. Count) Special Funds					-	-
(Pos. Count) Federal Funds					-	-
(Pos. Count) Other Funds	(4.00) 1,580,596	51,609			(4.00) 1,632,205	(4.00) 1,632,205
(Pos. Count) General Fund	-				-	-

**a. Explain all transfers within the Program I.D. and the impact on the program.**

None.

**b. Explain all transfers between Program I.D.'s and the impact on the program.**

None.

**c. Explain any restrictions and the impacts on the program.**

None.

As applicable, provide a description of the impact of the transfers that have occurred within the program I.D. between the various cost elements, transfers occurring between different program I.D.'s, and restrictions imposed.

Not applicable.

**5. Supplemental Budget Requests for Fiscal Year 2008-2009:**

	Appropriation FY 2008-09	Budget Adjustment	Supplemental Request FY 2008-09
(Pos. Counts)	(4.00)		(4.00)
Personal Services	1,467,805		1,467,805
Current Expenses	63,926		63,926
Equipment			
Motor Vehicles			
Total	1,531,731		1,531,731
(Pos. Counts) Special Funds			-
(Pos. Counts) Federal Funds			-
(Pos. Counts) Other Funds	(4.00) 1,531,731		(4.00) 1,531,731
(Pos. Counts) General Funds			-

**a. Workload or program request:**

None.

**b. For all position count reductions, please specify whether the positions were filled or vacant.**

Not applicable.

**6. Program Restrictions:**

Identify restrictions carried over from FY 08 as well as additional reductions due to Department of Budget and Finance budget ceilings for FY 09. If no reduction is being proposed, please indicate "none".

- a. A description of the reduction, the reasons for the reduction, and the impacts to the objectives to be accomplished by the program.

None.

- b. A listing/description of the positions cut including source of funding, please specify whether the positions were filled or vacant.

None.

**7. Capital Improvement Program (CIP) Requests for Supplemental Year 2008-2009: CIP data for all projects within the agency being heard shall be combined into a single appendix in the department's testimony (if no request is being made, please indicate "none").**

Fiscal Year (w/MOF)		2008	2009
1.	HFDC 01 Waiahole Valley Portable Water System Replacement Construction C	0	2,800,000
	Total	0	2,800,000
2.	HFDC 03 Kukui Gardens Rental Housing Complex Construction C	25,000,000	26,000,000
	Total	25,000,000	26,000,000
3.	HFDC 04 Rental Housing Trust Fund Infusion Construction C		25,000,000
	Total		25,000,000
4.	HFDC 05 Dwelling Unit Revolving Fund Infusion Construction C		25,000,000
	Total		25,000,000

1. HFDC 01 Waiahole Valley Potable Water System Replacement: Construction of a new potable water reservoir tank and distribution system to replace existing dilapidated water system.

The HHFDC is the fee simple owner of the Waiahole Valley Agricultural Park and Residential Lots Subdivision, and administers 167 residential agricultural leases therein. In addition to the HHFDC lessees, the Waiahole Potable Water System serves 22 kuleana lots, 20 Department of Hawaiian Home Lands lessees, and the Waiahole Elementary School. Due to the poor condition of the tank and the transmission system and the current location of the tank, replacement is the only reasonable method of ensuring the potable water is available for Waiahole residents and students. If the water system is not replaced, it will likely fail and jeopardize the Waiahole Valley residents' health and safety. Additionally, the domestic water system provides water for the fire safety devices within the subdivision.

If the system fails, these fire safety devices will also fail. The existing potable water system, which has not been dedicated to the Board of Water Supply, has repeatedly failed, and requires replacement. Pursuant to Senate Concurrent Resolution 195 (2006), the HHFDC has consulted with the Board of Water Supply on the technical requirements and cost estimates of a replacement water system.

The existing potable water system is reaching the end of its useful life, and replacement of the system will avert costly repairs, and ensure that Waiahole Valley residents and schoolchildren continue to have safe drinking water.

2. HFDC 03 Relating to Kukui Gardens Rental Housing Complex: To preserve affordable housing by authorizing the issuance of General Obligation Bonds for the purchase of a portion of real property at Kukui Gardens.

HHFDC's goal is to preserve affordable housing by authorizing the issuance of General Obligation Bonds for the purchase of a portion of real property at Kukui Gardens. This request is for the second part of funding for the acquisition of a portion of Kukui Gardens to preserve it as affordable rental housing for low-income households in the Honolulu urban core.

3. HFDC 04 Rental Housing Trust Fund Infusion: There is a substantial need for affordable rental housing throughout the State of Hawaii. In 2006, monthly rents for existing renters averaged \$1,274. If additional funding is not provided, approximately 266 affordable rental units will not be developed or preserved.

As of October 31, 2007, the rental housing trust fund (RHTF) had \$13,884,571 in available funds with \$24,600,000 in pending applications. It is anticipated that an appropriation of \$15.0 million pursuant to Act 213, SLH 2007 and deposits of conveyance tax revenues into the RHTF will cover this immediate shortfall, but will not permit the HHFDC to pursue aggressively the development of additional affordable housing projects. The requested one-time infusion of \$25 million is needed to ensure that the HHFDC can act in response to the demand for affordable rentals.

4. HFDC 05 Dwelling Unit Revolving Fund Infusion: The dwelling unit revolving fund (DURF) may be used for various purposes such as the acquisition of real property,

the development of infrastructure, and for interim construction and permanent loans for the development of for-sale and rental housing. The infusion of a total of \$25 million into DURF would enable the HHFDC to partner with private developers and other government agencies, to produce workforce and affordable housing.

G.O. Bond funds infused into the DURF can be leveraged with other existing funding sources to finance the development of workforce and affordable housing. Upon the sale of improved land or dwelling units, the DURF funds will be repaid by the developers and made available for additional affordable housing development.

**a. Senate and House district(s) for the project.**

- |                |            |
|----------------|------------|
| 1. Senate: 23  | House: 47  |
| 2. Senate: 28  | House: 12  |
| 3. Senate: All | House: All |
| 4. Senate: All | House: All |

**8. Proposed Lapses of CIP projects:**

**a. Project Title**

Item No. A-17 HFDC 01 Waiahole Valley Potable Water System Replacement.

**b. Act and year of project appropriation (include all applicable amendments).**

Act 213, SLH 2007.

**c. Amount requested for lapse and means of financing.**

\$2,500,000 (W).

**d. Justification for lapse of the project.**

In place of this project, the HHFDC is requesting \$2,800,000 in CIP funds (MOF: C) in FY 2008-2009 to finance the replacement of the water system.