

Linda Lingle
GOVERNOR



ORLANDO "DAN" DAVIDSON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO

Statement of
Orlando "Dan" Davidson
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

February 25, 2008, 12:30 p.m.
Room 308, State Capitol

In consideration of
H.B. 3403, H.D. 1
RELATING TO AFFORDABLE HOUSING.

The HHFDC supports the intent of H.B.3403, H.D. 1. We note, however, that this appropriation was not included in the Executive's Supplemental Budget, and request that this appropriation not displace the priorities contained in that budget.

Self-help housing is an effective means to assist low- and moderate-income families in becoming homeowners. The HHFDC has provided land, financing to acquire land, and development assistance to self-help housing organizations statewide to assist them in this mission. We also have the authority to lease state lands to self-help housing nonprofits for lease rent of \$1 a year for 99 year terms, and are continuing to evaluate state lands that may be suitable for that purpose.

Thank you for the opportunity to testify.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 3403, H.D. 1

February 25, 2008

RELATING TO AFFORDABLE HOUSING

House Bill No. 3403, H.D. 1, establishes a Self-Help Housing Trust Fund administered by the Hawaii Housing Finance and Development Corporation to provide funds for land acquisition, infrastructure costs, and technical assistance to self-help housing programs in the State. The fund may be used to provide funding to self-help housing organizations for land acquisition, infrastructure, and technical assistance costs, such as, construction supervision and planning, contractor payment processing and bidding, subcontractor monitoring, recruiting and qualifying self-help housing builders, and guiding and educating families through the self-help housing process. Funds available for technical assistance will be limited to \$20,000 per unit and to projects targeted to very low-, low-, and moderate-income families. Revenues for the fund would come from legislative appropriations, private contributions, interest, and other sources. The bill makes a \$5 million general fund appropriation to be deposited into the trust fund.

As a matter of general policy, this department does not support the creation of any trust fund that does not meet the definition in Section 37-62, HRS, which states that a trust fund is a fund in which designated persons have a beneficial interest or equitable ownership; or which was created or established by a gift, grant, contribution, devise, or

bequest that limits the use of the fund to designated objects or purposes. Under this bill, the fund benefits a specific affordable housing program and a general fund appropriation is proposed to establish the fund; however, it is difficult to determine whether other sources of funding will be realized to continue the fund. It does not appear that the proposed fund meets the definition of a trust fund and requires additional appropriations from the general fund.

**TESTIMONY IN SUPPORT OF THE INTENT OF HB3403 HD1
RELATING TO AFFORDABLE HOUSING**

Finance Committee – 2/25/2008 - 12:30 p.m. Hearing

Submitted by Keith Kato, Executive Director, Hawaii Island Community Development Corp.

We support the intent of House Bill 3403 HD1 as it would increase the production of self help housing in the state and island of Hawaii. With the decline in federal support it is essential that other resources be provided to maintain production levels and allow expansion where opportunities arise.

Prior to HD1 the HB3403 targeted Technical Assistance funding as the best method of leveraging state resources in the production of self help housing. This was contemplated as the best method to expend a more modest appropriation of \$1,000,000 as it could leverage other funding by factors of 8 to 10 non-state dollars for every state dollar expended.

HD1 expanded the use of the funds and increased the proposed appropriation to \$5,000,000. Should a lesser level of funding be approved we are concerned that a lot fewer units would be produced as the funding per unit would rise above \$20,000 per unit. Therefore our support of HD1 is contingent of the appropriation of \$5,000,000.

Should lesser funding be approved we suggest that HB3403 HD1 Section 2 be amended to focus on Technical Assistance, as follows:

201H(d) The moneys available in the fund shall be used to provide, in whole or in part, additional funding to self-help housing organizations for technical assistance costs generated from self-help housing projects in the State. Permitted uses of the fund may include but are not limited to construction supervision and planning, contractor payment processing and bidding, subcontractor monitoring, recruiting and qualifying self-help housing builders, guiding and educating families throughout the entire self-help housing process, or other self-help housing services or activities as provided in rules adopted by the corporation pursuant to chapter 91.

201H(e) Funds available for self help housing projects shall be limited to \$20,000 per unit.

The Hawaii Island Community Development Corporation is a 501(c)(3) tax exempt corporation whose mission is to provide affordable housing for low and moderate income residents. In the course of our work we are involved with self help housing as a means of achieving homeownership and in developing rental housing for low income residents.

Thank you for the opportunity to submit testimony on this matter.

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February 25, 2008

To: Representative Marcus Oshiro, Chair
House Committee on Finance
Hawaii State Legislature

From: Claudia Shay
Executive Director

RE: Testimony in Support of H.B. 3403, H.D. 1

In response to the housing crisis in Hawaii the Self-Help Housing Corporation of Hawaii was founded 25 years ago as a private, non-profit housing corporation to provide technical assistance to low income families to enable them to build their own houses through the team self-help method. Technical assistance includes: procurement and development of appropriate land sites; provision of financial counseling to enable low income families to qualify for financing; provision of loan counseling and packaging; attainment of low interest mortgage loans for the families; provision of homeownership education; drafting of house plans, site plans, specifications; and instructions in home building skills through the self-help method.

SHHCH has completed 42 projects in which 544 low income families on Oahu, Kauai, Maui, and Molokai have built their own three and four bedroom homes for \$120,000-\$230,000 fee simple depending on the project. With appraisals at \$450,000, the value of the houses is twice the cost. The "sweat equity" is therefore used as the down payment, and enables very low and low income families to qualify for financing.

With the average sales price for a single family home at \$600,000, the self-help method enables low income families, and increasingly median income families, to become homeowners. The self-help housing method has been effective in offering homeownership opportunities to the work force of Hawaii.

The Self-Help Housing Corporation of Hawaii supports H.B. 3403, H.D. 1 setting up a self-help housing trust fund for self-help housing projects with the following features: 1) a \$5,000,000 appropriation for the trust fund enabling self-help corporations to produce 50 more units/corporation per year; 2) the flexibility to utilize the funds for land acquisition, infrastructure costs, and technical assistance fees capped at \$20,000/unit produced. To receive the funds the corporation would have to be a non-profit agency offering self-help housing services in the State of Hawaii, and have an option on the land it intends to develop.

FINtestimony

From: Kathleen Hasegawa [kathi@hawaiihabitat.org]
Sent: Friday, February 22, 2008 4:38 PM
To: FINtestimony
Subject: 2/25/2008 HB3403 Agenda

HAWAII HABITAT FOR HUMANITY
1164 Bishop St. Suite 510
Honolulu, HI 96813

Testimony in Support of HB3403HD1: Relating to Affordable Housing

House Committee on Finance

February 25, 2008 12:30 p.m. Room 308

Self Help Housing offers a housing solution to families who have not only been priced out of the housing market, they have been priced out of the rental market also. By using "sweat equity" as they build their own homes, very low and low income families lay the foundation for the security, success and happiness of their families. Most importantly the children have pride in their parents and their new homes. They do better in school. Their parents often go back to school too. A legacy for the future has been created.

This year Self Help Housing programs in Hawaii have come together in a coalition to increase the number of homes being built with low and very low-income families in our state. Self Help Housing programs have built approximately 1,150 homes in Hawaii but are poised to build more homes to help alleviate the housing crisis across the islands.

There are currently six Self Help Housing programs building or hoping to soon build. They are: Self Help Housing Corporation of Hawaii, Hawaii Habitat for Humanity, Hawaii Island Community Development Corporation, Hawaii Intergenerational Community Development Corporation, Molokai Home Ownership Made E-ffordable Corporation and Hawaii County Economic Opportunity Council.

What Self Help Housing programs have in common is that they are non-profit housing development corporations, which work with low and very low income families to build their own homes. All together we are a vital but little known piece of the housing solution. There are so many families across the islands who are working poor. Good, solid families with respectable jobs as teachers aids, hairdressers, hotel housekeepers etc. are teetering on the brink of homelessness. Some lose their rental apartment, some can't afford new rents, some can't even find places that will rent to them because of family size or income. Why should this happen when there is such an elegant solution in self help housing? Of course it is true that we can't build homes with all of the families in need of homes. However, we can do more than we are doing now. We are ready to do more.

HB3403HD1 establishes a Self Help Housing Trust Fund (SHHTF) This fund will make critical money available to the Self Help Housing Programs to enable programs currently building to ramp up the number of homes we build and would enable three newer programs to begin building. It does this by making funding available for Technical Assistance (TA), such as construction site supervision and the recruiting and training self-help housing builders at a rate of \$20,000 per home and for construction and for land acquisition.

We appreciate that the Committee on Human Services and Housing asked that the initial funding of the Self Help Housing Trust Fund be \$5,000,000. We need those funds to build with families who are waiting and hoping for their families to have the benefits of homeownership and who are ready to build that future with their own hands.

Speaking for Habitat for Humanity, we need access to funds such as these. In the case of Habitat, we don't borrow from banks or interest bearing programs. We carry our own zero percent interest 20 year mortgages with the families. Every penny that the state would make available to us would be paid back to us in the mortgage of the Habitat Homeowner. Every penny of this money would help build more homes with more families in need.

Thank you for your consideration.

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FINtestimony

From: exec [exec@kauaihabitat.org]
Sent: Friday, February 22, 2008 3:42 PM
To: FINtestimony
Subject: 2/25/2008 HB3403 Agenda #3

Kauai Habitat for Humanity would like to offer our support to the establishment of a Self-help Housing Trust Fund. We have built a total of 89 low income homes on Kauai since 1993 and have an additional 10 under construction. The need is so great on Kauai that we have 1,100 families on a waiting list for our low income self help program. Multiple families are jammed into one home, for example our last selected homeowner family (Husband and Wife with 2 small children) are living in one room with their parents home. The home is also in poor condition. If they could find a rental it would be very difficult to afford the high rent payments here on Kauai. We are in the process of installing infrastructure on our land for an additional 107 lots. The funding from this bill would help us to build at a faster rate and increase capacity to help relieve the lack of affordable housing for Kauai's low income working families.

Thanks you,

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