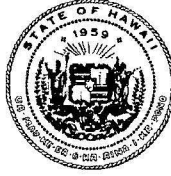


Linda Lingle
GOVERNOR



ORLANDO "DAN" DAVIDSON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
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IN REPLY REFER TO

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

HOUSE COMMITTEE ON HUMAN SERVICES AND HOUSING

February 12, 2008, 8:40 a.m.
Room 329, State Capitol

In consideration of
H.B. 3403
RELATING TO AFFORDABLE HOUSING.

The HHFDC opposes H.B. 3403, which establishes a self-help housing technical assistance trust fund administered by the HHFDC to provide funds to cover technical assistance costs generated by self-help housing projects in the State. The trust fund would be funded by a general fund appropriation. The HHFDC appreciates the over-all concept of H.B. 3403, as it includes initiatives supportive of our goals and objectives, but we are concerned about the cost implications generated by this proposal.

The HHFDC does support self-help housing as an effective means to assist low- and moderate-income families in becoming homeowners. The HHFDC has provided land, development assistance and financing 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 HUMAN SERVICES AND HOUSING
ON
HOUSE BILL NO. 3403

February 12, 2008

RELATING TO AFFORDABLE HOUSING

House Bill No. 3403 establishes a Self-Help Housing Technical Assistance Trust Fund to provide funds for technical assistance to self-help housing programs in the State. The fund may be used for technical assistance costs, including 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. Revenues for the fund would come from legislative appropriations, private contributions, interest, and other sources. The bill makes a 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 HB3403 RELATING TO AFFORDABLE HOUSING

House Committee on Human Services and Housing– 2/12/2008

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

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.

We speak in favor of House Bill 3403 as it provides resources for carrying out the Technical Assistance that is vital to the success of the self help housing program. The services included under the term Technical Assistance include recruiting families, assisting them through homebuyer counseling, and mortgage qualification. During the construction phase Technical Assistance includes organizing and coordinating all aspects of construction from house design, to permitting, bidding, material ordering, sub-contracting, payment processing, as well as guiding the families in the house construction process and keeping the peace through the long and arduous process.

The families contribute hundreds of hours of sweat equity by doing all of the carpentry, painting, and general labor that goes into constructing the homes. In our program the families work in groups, each member working on all homes, and no one moves in until all of the homes are complete. There are other models, such as that run by the Habitat for Humanity, which operate differently but they all include and require hundreds of hours of labor by the benefitting families.

The self help programs are supported financially in a variety of ways, typically we draw funding from several sources for land acquisition, site preparation, and house construction financing. In varying degrees many of these funding sources are being stressed by budget reductions at the federal level while construction costs continue to escalate.

By funding the Technical Assistance portion of this program the State of Hawaii will enable the programs to expand and allow the non-profit providers to leverage other funding that is available. Typically Technical Assistance costs roughly \$20,000 per home. The cost of the land and house can run from \$150,000 to \$230,000 depending primarily on the cost of the land. While the leveraging is significant finding the Technical Assistance portion is the most difficult thing to do due to funding constraints in other programs.

We would be supportive of expanding the use of funds under House Bill 3403 if the bill carried with it several millions of dollars in appropriations. Added funds will only help but if funds are limited we believe that they should be concentrated where they can leverage the most from other programs.

The self help homes are of modest wood frame construction and are designed simply to be compatible with the self help program. However, while they are simple in design the homes provide a tremendous sense of accomplishment for the families and bring all of the positive aspects homeownership to the family and the community at large.



Hawaii
Habitat
for Humanity[®]
Association

*Building
houses,
building
hope*

Testimony in Support of HB3403: Relating to Affordable Housing
Committee on Human Services and Housing
February 12, 2008 8:45 a.m. Conference Room 329

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 Affordable Corporation and Hawaii County Economic Opportunity Council. Additionally the Cosuelo Zobel Alger Foundation built 73 homes in Waianae in the 1990s.

What Self Help Housing programs have in common is that they are non-profit organizations 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.

HB3403 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. The TA funds are important to all of the Self Help Housing programs because it allows us to have the person who plans the build, supervises and trains the families, orders the materials, etc. For many of the Self Help Housing programs it also enables them to access housing loans from the U.S. Department of Agriculture to build homes at low interest rates. Some of these monies that would be so helpful in Hawaii are now going back to Washington because we self help housing programs in Hawaii don't have access to TA funds to staff the housing construction.

Having this TA funding would be very helpful to the work of Habitat for Humanity.

However, there are two bills which establish a Self Help Housing Trust Fund. This one focuses only on funding for Technical Assistance. HB 3427 is more broad-based and we will be testifying in support of that bill also.

Thank you for your consideration.

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