



**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
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Honolulu, Hawaii 96813  
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IN REPLY REFER TO

Statement of  
**Orlando "Dan" Davidson**

Hawaii Housing Finance and Development Corporation  
Before the

**SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND  
AFFORDABLE HOUSING**

January 30, 2008, 9:00 a.m.  
Room 229, State Capitol

In consideration of  
**S.B. 2560**  
**RELATING TO AFFORDABLE HOUSING**

The HHFDC opposes S.B. 2560, 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 S.B. 2560, 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.

TESTIMONY IN SUPPORT OF SB2560 RELATING TO AFFORDABLE HOUSING  
Submitted by Keith K...b, Executive Director, Hawaii Island Community  
Development Corporation appearing before the Senate Committee on  
Commerce, Consumer Protection and Affordable Housing

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 Senate Bill 2560 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 the 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 Senate Bill 2560 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 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.



*Building  
houses,  
building  
hope*

**Testimony in Support of SB 2560: Relating to Affordable Housing**  
Committee on Commerce, Consumer Protection and Affordable Housing  
January 30, 2008  
9 A.m.  
Conference Room 229

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. 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.

SB 2560 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 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.

In the case of Habitat for Humanity, we have seven home building programs across the islands. They are located in Honolulu and Leeward Oahu, Hilo and West Hawaii on the Big Island, Maui, Kauai and Molokai. We need the TA funds to build but we are not able to access the USDA funds because they are short term interest bearing loans. Most Self Help Housing programs link their families with banks or the USDA for low interest mortgages and then they can repay the USDA construction loans from the mortgage repayments.

In the case of Habitat for Humanity we do not borrow funds with interest and we hold our mortgages so that we can provide them at zero interest for 20 years. We have to find the funds to build and piece them together. The cost of a Habitat home is averaging \$75,000 to build so we might get \$20,000 from the Office of Hawaiian Affairs, \$10,000 from Home Depot, \$10,000 from a housing development corporation, \$5,000 from a church, \$5,000 from a civic group etc. Finding funds to build several homes with such small sums is a possible but daunting task and means that homes are built more slowly than need be. If we can put together larger sums from entities such as the State of Hawaii and the Office of Hawaiian Affairs we can begin building more quickly and can build more homes with more families. With an average mortgage of \$75,000 most Habitat mortgages payments are under \$300 a month. These affordable mortgages make it possible for low income families to afford their property taxes and home repairs and to afford transportation to work and school supplies for their children.

Therefore, Habitat for Humanity would like to a Self Help Housing Trust Fund which has the inclusion of other uses of funds as is found in SB 2736. We would also like for the conveyance tax to provide dedicated funding in addition to the seed money from bonds as proposed in this bill.

When all of these pieces are combined self help housing will rapidly become a vital and expanding part of the solution to the housing crisis in Hawaii.

Thank you.

Kathleen Hasegawa  
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Legislative Testimony

**SB 2560 Relating to Affordable Housing**

Senate Committee on Commerce, Consumer Protection, and  
Affordable Housing

January 30, 2008

9:00 am

Room 229

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The Office of Hawaiian Affairs supports SB 2560. Our interest in this legislation is based on our own experience with Habitat for Humanity. In today's housing market, many Native Hawaiians with low or very-low incomes find it virtually impossible to become homeowners. This is true even for those families receiving Hawaiian Home Land leases, State leases, and others who have land on which they can build. For these families, the main obstacle to becoming homeowners is their lack of access to financing. Their low incomes and related credit problems make them ineligible for home construction financing from most lenders.

Self-help housing projects have proven to be the most affordable means for low and very low income Native Hawaiians to achieve their dreams of homeownership. We are in the third year of program with Habitat for Humanity. Their reports indicate to OHA the need to fund these programs by more than one agency with leveraged funds can help to meet the demand for the families of Hawaii with incomes from thirty to sixty per cent of the median income.

The establishment of a self-help housing technical assistance trust fund under the Hawaii Housing Finance and Development Corporation will provide some of the necessary funds for leveraging to encourage capacity building for self-help housing projects with public and private sectors to help sustain homeownership particularly among low-income homeowners.

Mahalo nui loa for the opportunity to present testimony.



# HAWAII COUNTY ECONOMIC OPPORTUNITY COUNCIL

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January 29, 2008

## LATE TESTIMONY

Senator Russell S. Kokubun, Chairman  
Senator David Y. Ige, Vice Chairman  
Committee on Commerce, Consumer Protection and Affordable Housing  
Wednesday, January 29, 2008  
Time: 9:00 a.m.  
Conference Room 229

### **REVISED IN SUPPORT: SB 2560 - Relating to Affordable Housing; Technical Assistance; Fund; Appropriation**

We support this measure because

- 1) Homeownership is one of the fastest ways to create wealth/increase family net worth/ lift a family out of poverty and Habitat homes and self help housing are about the only economically feasible options for low and very low income families to become homeowners in Hawaii today.
- 2) Self help housing can often be produced for less than the rent families have to pay to live in Hawaii today.
- 3) Homebuilding adds to local economy.
- 4) Turning families from renters to owners brings hope to our next generation of citizens and creates sustainable island communities.
- 5) Self-help projects create outlets for friends and neighbors who want to help/provides opportunities to build strong communities.
- 6) **State TA money would provide the missing critical piece that would allow us to produce 8 to 10 units per year of self-help housing. Low and very low income families we work with would be able to obtain financing of self help homes with funding that's available from USDA Rural Development 502 Direct Loan Program.**

As part of HCEOC's mission to prevent, alleviate and eliminate poverty, we have helped to facilitate the production of 76 units of self-help housing in Keaukaha (east Hawaii) and Milolii (west Hawaii) county c. 1991 - 2000.

Thank you for the opportunity to testify on this matter.

If there are any questions, please contact Mary Finley at 961-2681 Extension 413 or email [hceocgy@hawaii.rr.com](mailto:hceocgy@hawaii.rr.com).

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George Yokoyama, Executive Director