

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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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 WAYS AND MEANS

February 22, 2008, 11:00 a.m.
Room 211, State Capitol

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

The HHFDC opposes S.B. 2560 due to the cost implications generated by this proposal. This measure 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, to be funded by a general fund appropriation that is not included in the Executive Supplemental Budget or the Six-Year Financial Plan.

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 provide written testimony in opposition to this bill.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2560

February 22, 2008

RELATING TO AFFORDABLE HOUSING

Senate Bill No. 2560 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.

SELF-HELP HOUSING CORPORATION OF HAWAII
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808-842-7111 (ph)/ 808-842-7896(fax)

February 20, 2008

To: Senator Rosalyn H. Baker, Chair
Senate Ways and Means Committee

From: Claudia Shay
Executive Director

RE: Testimony in Support of S.B. 2560

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 twice the house costs the "sweat equity" is used as the down payment; thereby, enabling very low and low income families to qualify for financing. Priced out of the conventional market, the self-help method has shown itself to an effective vehicle to provide homeownership opportunities to low, and median income families, the workforce of the state.

As the President of the National Rural Housing Coalition, and the Secretary of the National Rural Self-Help Housing Association, I can testify that there are not enough resources at the federal level for agencies developing self-help housing projects. In fact the President's budget for FY 2008-2009 has completely zeroed out funds for self-help housing technical assistance programs, and loan funds. Funds from alternative sources are needed now more than ever. Even during a recession Hawaii has an active investment market. It is critical to appropriate funds for non-profit agencies developing affordable houses for the residents of Hawaii before the land is speculated on again.

The Self-Help Housing Corporation of Hawaii supports S.B. 2560 setting up a self-help housing trust fund for self-help housing projects. SHHCH offers the following suggestions to the bill: 1) to request a \$5,000,000 appropriation for the self-help trust fund which will enable self-help corporations in Hawaii to produce 50 more units/corporation per year; 2) to allow the funds to be used 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.

TESTIMONY IN SUPPORT OF SB2560 RELATING TO AFFORDABLE HOUSING

Ways and Means Committee – 2/22/2008 - 11:00a.m. Hearing

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

We support the passage of Senate Bill 2560 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.

We urge that Section 3 be amended by including a minimum of \$1,000,000 in appropriations. This would ensure a minimum of 50 self help homes would be completed in the coming year. Additional funding would further stabilize the programs in place and would be most useful in that regard.

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.

ALPIS HALE

P.O. Box 1077
Naalehu, Hawaii 96772

February 21, 2008

Senate Committee on Ways and Means

Date: Friday February 22, 2008

TIME: 11:00 a.m.

SB 2560 Relating to Affordable Housing

Legislative Testimony

Aloha Chairman and Members of the Senate,

Ali'is Hale is a small multi-tasked, community based non-profit located in the rural District of Kau, Hawaii. Because of its extreme rural settings the area has the highest statistics in drug abuse, homelessness, domestic violence and illiteracy in schools. Much of State funding is not generated in the area specifically because of its remoteness.

Our journey began out of the need of a Native Hawaiian family who were evicted from their home not because of non-payment but rather because of Hawaii Revised Statute 70-1. During this time, the islands only shelter was in transition and this family was forced to live on the (aina) land. As we began to look for assistance we found that there was none.

In the last three years, this island has seen development spurring from 'baby boomers' who have relocated to the islands making Hawaii their home. This has created economic sustainability for many local residents. However, because they have built homes the real estate market has reached levels where local residents cannot afford to rent let alone purchase homes. Because of this, many have relocated here in this remote area because real estate is affordable. The set back with this kind of purchase is, that there is no County amenities such as water and electricity. Coupled with the fact of continuing rising fuel costs many families with both partners employed find putting food on the table and quality time for parent child relationships an arduous task.

Initially, Aliis Hale's objective was to provide housing initiatives for qualified Hawaiians who were a) employed but could not afford the continual rise of home ownership b) the majority of homeless persons were of Hawaiian ethnicity. We felt that partnering with Habitat for Humanity, our local HCEOC and USDA RD which provides self-help

housing incentives is the quantitative solution. We also believe that self-help housing projects not only minimize building costs but is a form of Native Hawaiian cultural practice of combined community effort.

As stated prior, we created this entity out of concern for the Native Hawaiian who were statistically on the forefront of every criteria. As we ventured into our community we began to see other minorities who were also in critical and desperate scenarios. Our Board, decided to assist them as well. This was concluded based on our definition of the word 'Homo sapiens'. We defined it as a group of people who reside in a common area called community. Because Hawaii is multi-racial and our histories melted together by many a fore-father or mother who made our State and County what it is today, we could not isolate, discriminate or exclude other minorities. We further concluded that these same descendants were now forced into situations of helplessness and despair.

Homelessness, is an atrocity in any society but it is even more despicable in a nation as wealthy as our own. Oddly enough, Hawaii's own (kamaaina) or local residents are now the minority in the majority of homeownership; because they can no longer afford the spiraling cost of real estate, rent and homeownership.

We believe that Hawaii's Legislative Body can implement perhaps rent control to minimize higher rent costs and also to implement more funding for housing initiatives which would maximize future possibilities for our local people.

The question to ponder is this, is it possible to heal communities plagued with homelessness? We, believe that it is possible if we start one (ohana) at a time and one (hale) at a time.

The Board of Alii's Hale wholeheartedly supports Senate Bill SB 2560

O wau iho nui mekaha'ha'a

Leilani Resurreccion
President of Aliis Hale

testimony

From: Raymond Carr [rayandmaile@msn.com]
Sent: Thursday, February 21, 2008 11:56 AM
To: testimony
Subject: Senate Bill #2560, Relating to Affordable Housing--IN SUPPORT

Testimony in Support of Senate Bill #2560, Relating to Affordable Housing

Senate Ways and Means Committee

Chairman: Rosalyn H. Baker

Vice Chairman: Shan S. Tsutsui

February 22, 2008, 11:00 A.M. Room 211

As a lessee in the Department of Land and Natural Resources (DLNR) subdivision of Kikala-Keokea, I would like to testify in support of State financing for a self-help building project. I am currently one of the few lessees who have completed my home and am currently living in the subdivision. I am a retired teacher and my husband is the retired Energy Coordinator for the County of Hawaii. If not for the fact that we were lucky enough to sell our house in Volcano during the recent real estate boom, we would have had to dig deeply into our retirement funds to build here. Building a house is a costly enterprise that very few couples can afford without some assistance, especially in light of the fact that it is difficult to obtain a mortgage on these leased lots that do not have a secondary market.

I would also like to address a requirement that I feel is a real burden for lessees here--that is the requirement that we procure and maintain a comprehensive general liability or homeowner's liability insurance in an amount of at least \$300,000 for each occurrence and \$500,000 aggregate. You can imagine my chagrin to find out from my long time agent Herb Spector of Royal Insurance Agency that none of the insurance companies in Hawaii will cover liability in that amount. The norm is \$100,000 per single occurrence and \$300,000 aggregate. The only company that would cover us was Lloyd's of London. They required \$2,486.83 on my 1700 sq. ft house - up front with no installment payments permitted. This was triple what I was paying for a similar sized place in Volcano. I wrote a letter to Russell Tsuji, Land Administrator in October about this matter and never heard a word back.

With the house completed, I am ready to begin working on the Community Center and Cultural Center on which we have already completed a feasibility study. We just need a community here.

Sincerely, Yuk Lin Maile Moulds-Carr

p9.2

February 21, 2008

Sen. Rosalyn H. Baker, Chair

Sen. Shan S. Tsutsui, Vice Chair

Committee on Ways & Means

Friday, February 22, 2008

Conference Rm. 211

Time: 11:00 a.m.

Re: Relating to SB 2560 - Relating to
Affordable Housing

Aloha,

My name is Aunty Tootsie Pekihalani
and I represent 48 Hawaiian families
from Kalapana who lost their homes in
the lava flow from 1984 - 1990.

As Vice-President of Na Ohana O Kalapana
we have been diligently seeking funds
for housing so our Ohana can ^{re}build

p9. 3

their homes, their community, and their lives.

It has been an on going project (almost 20 yrs.) to re-locate back "home." Affordable housing (self-help housing) is the most "affordable" means for us as disaster victims.

Please kokua and support SB 2560.

Mahalo,

Aunty Tootsie Peleholani, Vice Pres.
Na Ohana O Kalapana



Hawaii
Habitat
for Humanity[®]
Association

*Building
houses,
building
hope*

Testimony in Support of SB 2560: Relating to Affordable Housing
Committee on Ways and Means
February 22, 2008
11 a.m. Conference Room 211

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.

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 plans the build, supervises and trains the families, orders the materials, etc.

We request that the funding for the Self Help Housing Trust Fund be allocated at the level of \$5 million. This would enable the Technical Assistance staffing for 250 homes and would enable us to reach and house more families as part of the solution to the housing crisis in Hawaii.

Thank you.

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**Rike Weiss
P. O. 37346
Honolulu, Hawai'i 96837**

Date: February 21, 2008

To: Senator Rosalyn H. Baker, Chair
Senate Ways and Means Committee

Re: Testimony in support of SB 2560

I am testifying as an individual, but want to state that I work for Hawai'i Habitat for Humanity (HHH). As housing campaign coordinator for HHH, I have become quite familiar with the benefits of self-help housing. As a renter, I can speak to the difficulties—or near impossibility—of finding and keeping affordable housing.

Self-help housing programs provide low-interest loans to their house-building families (zero-interest in the case of Habitat), so that monthly mortgage payments are far lower than any rent could possibly be for an equivalent space. Families are required to participate actively in building their or others' homes.

Amazing changes occur in families who have invested 'sweat-equity' in their property. Parents are often able to upgrade their jobs or return to school to upgrade their jobs in the future. Children, in a stable environment, do better in school. Health issues improve. The family is invested in its community and contributes on many different levels, while building assets for future generations.

Self-help housing is the most cost effective solution to our housing crisis. It is also a way to prevent homelessness for the many who are one pay-check away from losing the roof over their heads. Establishing a self-help trust fund would help Hawai'i's coalition of non-profit self-help housing providers build more desperately needed homes for low and very low income families.

While \$1,000,000 would certainly be helpful, \$5,000,000 would be more adequate to address Hawai'i's acute housing crisis.