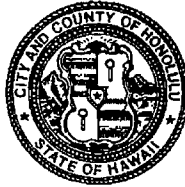


SB 1277

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
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MUFI HANNEMANN
MAYOR



DAVID K. TANOUÉ
DIRECTOR

ROBERT M. SUMITOMO
DEPUTY DIRECTOR

February 27, 2009

The Honorable Donna Mercado Kim, Chair
and Members of the Committee on Ways and Means
State Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Kim and Members:

**Subject: Senate Bill No. 1277, SD1
Related to Housing**

The department has **comments** on Part V of Senate Bill 1277, SD1. It directs the Hawaii Housing Finance and Development Corporation (HHFDC) to make recommendations on the use of tax increment financing (TIF).

We are aware that the legislature has allowed the counties to embark on TIF programs since 1985. To our knowledge, none of the counties has established such a financing program, which is commonly used by local governments on the mainland. One of the outstanding issues is whether the TIF program requires an amendment to the state constitution.

As the city department involved with transit-oriented development, we support TIF as a financing tool. We have found that is often used in TOD projects elsewhere. We would like to be able to offer this as an incentive to local TOD developers, when appropriate.

If Part V of Senate Bill 1277, SD1 can resolve the matter, it would be appreciated.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "David K. Tanoue", is written over a horizontal line.

David K. Tanoue, Director
Department of Planning and Permitting

DKT: jmf
sb1277sd1-kst.doc

kim2 - Arline

From: Jean Lilley [jean@honoluluhabitat.org]
Sent: Thursday, February 26, 2009 10:18 AM
To: WAM Testimony
Cc: 'Kathleen Hasegawa'
Subject: Testimony in Support of SB1277

Honolulu Habitat for Humanity partners with families with income levels of 30% to 60% of the Area Median Income calculated by the US Dept. of Housing and Urban Development for Oahu. We build simple, decent homes in partnership with our family's, whose equity is their labor (500 hours of sweat equity) in the construction of their home. The home is then sold to the family for the cost of the construction (approx. \$85,000 for a four-bedroom home), through a 20-year no interest mortgage.

Our challenges in building capacity to serve more families who are living in substandard homes include finding enough funding to serve more families. The Self Help Housing Trust Fund would greatly increase our ability to provide homes for more low income families! Our program offers a sense of hope for working families who simply cannot qualify to purchase, or even rebuild homes through a traditional mortgage process.

Thank you for your consideration!

Sincerely,

Jean Lilley
Executive Director
Honolulu Habitat for Humanity

Jean Lilley, Executive Director
Honolulu Habitat for Humanity
1136 Union Mall, Suite 510
Honolulu, HI 96813
Phone: 808-538-7373 (direct)
Cell: 808-230-5434
Office: 808-538-7070
www.honoluluhabitat.org
"No Hands but Yours"



*Building
houses,
building
hope*

**Testimony in Support of SB1277SD1
Senate committee on Ways and Means
February 27, 2009 9 a.m.. Room 221**

Testimony in Support of SB1277SD1

Self Help Housing offers a housing solution to families who have not only been priced out of the housing market, many of them 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. Children have pride in their parents and their new homes. They do better in school. Parents often go back to school too. A legacy for the future has been created.

Last year Self Help Housing programs in Hawaii came 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 1,500 homes in Hawaii and are poised to build more homes to help alleviate the housing crisis across the islands.

There are currently seven 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, Hawaii County Economic Opportunity Council and Lokahi Pacific.

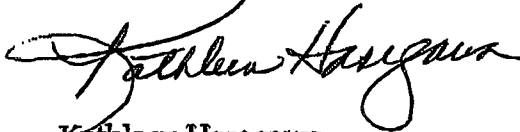
SB 1277SD1 establishes a Self Help Housing Trust Fund (SHHTF) This fund will make critical money available to the Self Help Housing Programs to enable them to ramp up the number of homes they build and would enable three newer programs to begin building. It will accomplish this by making funding available for Technical Assistance (TA), construction and land acquisition. These funds will make it possible for us 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.

This bill also includes a funding mechanism for the self help housing trust fund. While we understand that there needs to be more discussion on the mechanism we also believe that there is a direct nexus between the high cost of homeownership in Hawaii and the fact that home ownership is not available to most working people. There is also a nexus between the fact that so many apartments have been turned into timeshares and vacation homes and the fact

that people who are working poor cannot find affordable rentals or houses to purchase as homes for their families.

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 from 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 and would be used to build more homes with families in need.

Thank you for your consideration.



Kathleen Hasegawa
Hawaii Habitat for Humanity Association
1164 Bishop St., Suite 510
Honolulu, HI 96813
(808) 538-7676
Kathi@hawaiihabitat.org



SB 1277, SD 1 Relating to Affordable Housing
Senate Committee on Ways and Means

February 27, 2009
Room 211

9:00 am

The Office of Hawaiian Affairs supports the purpose and intent of SB 1277, SD 1.

The growing affordable housing problem is one of the most critical issues faced by our communities, especially our Native Hawaiian communities. This issue seems to have many of our families struggling to find adequate housing and to make ends meet.

The continued increased pressure on government to provide financing assistance for the development of affordable housing will not end until government can show what has been done to attract partnerships to assist with affordable rentals and affordable for-sale developments. This self-help housing trust fund would be a viable government partnership to assist established organizations with much needed matched funding.

OHA's experience with Hawaii Habitat for Humanity is a 5 year contract to provide self-help housing for 15 families a year at \$20,000 per family. The cost per home has risen from \$65000 to \$85000. The demand exceeds the funding availability, however, much more time is needed for homes located on Hawaiian Home Lands to be completed.

We recognize that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability, and environmental health be sustained without a coherent and supportive physical framework. A self-Help Housing Trust Fund could be part of a physical framework.

Mahalo nui loa for the opportunity to provide this testimony and request your support.

kim2 - Arline

From: Jean Lilley [jean@honoluluhabitat.org]
Sent: Thursday, February 26, 2009 11:30 AM
To: WAM Testimony
Cc: 'Kathleen Hasegawa'
Subject: Testimony in Support of SB1277

**SB1277 SD1: Relating to Housing
Senate Committee on Ways and Means
Friday, Feb. 27 at the 9 a.m. Conference Room 211**

Testimony In Support of SB1277SD1

Honolulu Habitat for Humanity partners with families with income levels of 30% to 60% of the Area Median Income calculated by the US Dept. of Housing and Urban Development for Oahu. We build simple, decent homes in partnership with our family's, whose equity is their labor (500 hours of sweat equity) in the construction of their home. The home is then sold to the family for the cost of the construction (approx. \$85,000 for a four-bedroom home), through a 20-year no interest mortgage.

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Thank you for your consideration!

Sincerely,

Jean Lilley
Executive Director
Honolulu Habitat for Humanity

Jean Lilley, Executive Director
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Phone: 808-538-7373 (direct)
Cell: 808-230-5434
Office: 808-538-7070
www.honoluluhabitat.org
"No Hands but Yours"

kim2 - Arline

From: WMSESSIONS@aol.com
Sent: Thursday, February 26, 2009 9:31 AM
To: WAM Testimony
Subject: SB1277 SD1

My name is Michael Sessions and I am speaking on behalf of Hawaii Habitat for Humanity and Dreambuilders Foundation. Both groups are charitable organizations that believe self help housing is the most efficient and cost-effective way to provide shelter for the lower income families in Hawaii.

The self help program allows families to work for a down payment using skilled supervision to create a home for themselves. The program is not a handout as each family will have a mortgage to repay for the land and/or materials. Building permits are obtained and regular inspections are made to assure a quality and code-compliant home is constructed.

The main benefits are the following:

1. Since it is very difficult for low income families to save money, the sweat equity plan allows them to earn approximately \$50,000 in 8-12 months by virtue of their labor and efforts. This becomes their down payment or investment into the home.
2. The costs run about \$80 to \$100 per square foot rather than the \$135 to \$150 that contractors charge for the same house.
3. Once the home is completed, it is better maintained since the families have so much time invested in it. By seeing first hand how things go together, they learn skills that help in the minor repairs that need to be done.

The hardest thing for self help programs is finding funding for the supervision and materials. The families will have approximately 750 to 1,000 hours invested before the home is completed. They work hard and in the end become tax payers and contributors to the next families needing help.

You have the opportunity to provide a program that will immediately bear fruit. There are several projects that are stalled due to funding. Families have been waiting for over 5 years in some cases. I encourage you to make this a reality and a giant step toward helping those that need it the most.

Sincerely,

W. Michael Sessions
92-6044 Iliohe St.
Kapolei, HI 96707
808-275-7451

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Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS

February 27, 2009, 9:00 a.m.
Room 211, State Capitol

In consideration of
S.B. 1277, S.D. 1
RELATING TO HOUSING.

The HHFDC has the following specific comments on new Part V of this bill of S.B. 1277, S.D. 1. Act 267, Session Laws of Hawaii 1985 amended Chapter 46, Hawaii Revised Statutes, to authorize the counties to establish tax increment districts and issue tax increment bonds. While HHFDC could conduct a study to develop recommendations regarding the use of tax incremental financing, we believe the counties may be in a better position to do so.

Thank you for the opportunity to provide written comment on this bill.



The REALTOR® Building
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Honolulu, Hawaii 96816

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Email: har@hawaii Realtors.com

February 26, 2009

The Honorable Donna Mercado Kim, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 1277, S.D. 1, Relating to Housing

HEARING DATE: Friday, February 27, 2009 at 9:00 a.m.

Aloha Chair Kim and Members of the Committee on Ways and Means:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawaii Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawaii. HAR **strongly opposes Section 4** of S.B. 1277, S.D.1, Relating to Housing, which increases the Conveyance Tax on real property transfers in the State of Hawaii.

Section 4 proposes to increase the maximum Conveyance Tax rate on the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption on the Real Property Tax from 35 cents per \$100 (0.35%) to \$8 per \$100 (8%), an increase of **2,285%**; and to increase the maximum Conveyance Tax rate on the sale of all other real property from 30 cents per \$100 (0.30%) to \$4 per \$100 (4%), an increase of **1,333%**.

Please note that the Conveyance Tax applies whether or not a property is sold at a gain or a loss and only applies to properties that are being sold at any given time. Please note that Section 4 could also have the immediate effect of reducing the value of a \$10,000,001 commercial property to a business owner by 4% or \$400,000, the Conveyance Tax due on a sale of the property.

To illustrate this situation, if a \$10,000,001 commercial property were to transfer its property via a deed in lieu of foreclosure, it might be subject to a \$400,000 Conveyance Tax under Section 4, and whether a subsequent sale of the \$10,000,001 real estate owned by the lender would be subject to another \$400,000 Conveyance Tax. If this were the case, the State of Hawaii will receive \$800,000 which would otherwise have been applied against amounts already owed to the lender.

HAR believes that, while self-help housing may have value, the Conveyance Tax increases set forth in S.B. 1277, S.D.1, will drastically increase the already high cost of housing, living and doing business in Hawaii inasmuch as the proposed Conveyance Tax increase will apply to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands, as well as condominium and single-family homes worth more than \$1,000,000.



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HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.