
From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 22, 2011 12:37 PM
To: HSGtestimony
Cc: rphill3636@aol.com
Subject: Testimony for HCR70 on 3/23/2011 9:00:00 AM

Testimony for HSG 3/23/2011 9:00:00 AM HCR70

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Raymond Phillips
Organization: Individual
Address:
Phone:
E-mail: rphill3636@aol.com
Submitted on: 3/22/2011

Comments:

I absolutely support this measure as it will benefit the community, as well as the folks needing the affordable housing. It is a measure that can be implemented relatively quickly and with a direct beneficial result that is easily quantifiable and measurable with a minimum of peripheral costs. This bill would be of greatest benefit to the State. I support it 100% as builder and resident of Hawaii for 30 years.

My name is Justin Hughey and I am submitting testimony in favor of a task force appointed to study a statewide CLT.

Before the egregious cuts by Linda Lingle, the Department of Education use to spend over 20 million dollars to train and recruit highly qualified teachers to teach in Hawaii. I am one of those teachers they recruited. Of the teachers hired, 60 percent would leave the state after three years. Unless you have a spouse or are whiling to work a second job it is not worth trying to survive here on a teaching salary. I was able to subsidize the state by moonlighting at Sansei Seafood Restaurant. I never thought I would be able to buy a home in Hawaii. I felt winning the lottery was my only chance at financially being able to purchase a home but we don't even have a lottery system.

I am enlightened to say that I was the first lucky individual to purchase a home through Na Hale O Maui-a dream come true! My home was listed brand new at over 600,000 fifteen years ago. The house went into foreclosure. The bank wanted approximately 400,000; Na Hale O Maui eventually bought it for 350,000 and sold it to me for 270,000. NHOM put in over 20,000 in refurbishing costs, ensuring it was turn key ready to go. This also provided the community with jobs and raised the price of the surrounding properties in the process.

I felt so fortunate to have been able to purchase a home through Na Hale O Maui that I decided to join their Board of Directors. I wanted to help other people less fortunate like myself, have the same opportunity. I see teachers come and go like the wind in this state. I bare witness to elementary kids going home from school with no one to look after them because parents are bogged down with too many jobs due to the high cost of living. My mortgage for this 3 bedroom, 3 baths, 1, 521 sqft house is only 1479 dollars. I have the opportunity to rent out two rooms which would pay that mortgage. Plus if I want to sell it Na Hale O Maui already has a list of buyers ready.

With the foreclosure crisis in full swing coupled with the high cost of living, Hawaii needs a community land trust that will provide people with truly affordable housing in perpetuity. I urge you to vote for House Concurrent Resolution 70.

Mahalo,
Justin Hughey

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 22, 2011 3:46 PM
To: HSGtestimony
Cc: cesar@jwcameroncenter.org
Subject: Testimony for HCR70 on 3/23/2011 9:00:00 AM

Testimony for HSG 3/23/2011 9:00:00 AM HCR70

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Cesar Gaxiola
Organization: Individual
Address:
Phone:
E-mail: cesar@jwcameroncenter.org
Submitted on: 3/22/2011

Comments:

I am in support of HCR70, I strongly believe this will be the best way to support affordable housing in perpetuity for Hawaii's working families.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 22, 2011 1:21 PM
To: HSGtestimony
Cc: jackandkath@yahoo.com
Subject: Testimony for HCR70 on 3/23/2011 9:00:00 AM
Attachments: CLT Testimony.doc

Testimony for HSG 3/23/2011 9:00:00 AM HCR70

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Kathryn McCormack
Organization: Individual
Address:
Phone:
E-mail: jackandkath@yahoo.com
Submitted on: 3/22/2011

Comments:

Please see attached - main point is to move forward with this study based on the success of the CLT that is Na Hale O Maui that has a proven track record for converting abandoned/foreclosed properties into an affordable home for so far 8 Maui families. Mahalo for your consideration.

Aloha,

Since this is my first testimony, please excuse any proper wording I should be using. I would like to state my support for this measure to study a Community Land Trust (CLT) for the State of Hawaii. I believe that if a model can be taken from what has already proved to work on the island of Maui (in the form of Na Hale o Maui), this will be a wonderful asset to the State of Hawaii.

I first learned of Na Hale o Maui while doing their annual financial audit in 2009. I was very impressed by the concept to provide housing and for the organization of their financial records. Since then, I have seen the houses get purchased through their first grant, get refurbished and have affordable housing candidates move in to these houses. I stopped working for the company that did Na Hale o Maui's audit, so in January 2010 after their treasurer had moved to the mainland, I became their new volunteer treasurer. I am proud to be part of an organization that supports affordable housing that has worked!

Therefore, I strongly support this measure to provide a study to consider to take this CLT concept and apply it to the whole state.

Sincerely,

Kathryn McCormack

Taking Na Hale O Maui Statewide
A Memorandum in Support of H.C.R. No. 70
From: John M. Andersen, Executive Director, Na Hale O Maui

Overview

The great need for permanently affordable housing in Hawaii and the success of Na Hale O Maui in providing affordable housing on Maui together suggest the need to consider how that success can be extended statewide. In many ways, the stars seem to be aligned perfectly for Na Hale O Maui to share the success of its model with the rest of the state.

Background

Na Hale O Maui, a community land trust located on Maui, sells homes for ownership at affordable prices to buyers with low and moderate incomes, and restricts the resale price of those homes to keep them affordable permanently. Community land trusts (CLTs) place restrictions on price, buyer income, occupancy, use and resale; these are codified in a homebuyer regulatory agreement, typically a ground lease. Via the ground lease, the CLT separates title to the land from title to the house; it sells the house to an income-qualified buyer at a below-market price, and it holds the land in trust while leasing it back to the homeowner. Na Hale O Maui's ground lease is 99 years, and is renewable and inheritable. The CLT charges a nominal monthly ground lease fee of \$40/month as consideration for use of the land beneath each home.

Na Hale O Maui serves Maui County. CLTs are typically place-based organizations, and seek to be accountable and responsive to their community. The "classic" CLT has a tri-partite board of directors: one-third of the board seats comprises representatives of the community at large; one-third comprises representatives of the CLT's partners (public servants, related agency leaders, etc.); and one-third comprises residents of CLT homes.

Like the "classic" CLT model, Na Hale O Maui is structured as a membership organization. As such, its By-laws reserve certain core-mission decisions for the members – including whether and when to sell land out of the land trust's portfolio, and defining service area.

For the past fourteen months, Na Hale O Maui has successfully used federal Neighborhood Stabilization Program (NSP) funding to acquire bank-owned, foreclosed houses, rehab them, and sell them as CLT homes. Using \$3 million in NSP-1 funds, out of a \$20 million award to the State of Hawaii, the organization is building an inventory of renovated, affordable homes. With its NSP-1 funding, the CLT expects it will be able to complete a total of 20 homes. In a location where the median sales price for single family homes is still around \$450,000, the CLT is able to sell its homes at a significant discount, reaching buyers with stable jobs and moderate incomes who are precluded from market-rate homeownership. The CLT has completed eight single family homes; seven have been sold to income qualified households. Four more houses are currently undergoing renovation. Sale prices range from \$250,000 to \$320,000 and generally reflect a 25% to 35% discount from market appraised value at time of sale.

Na Hale O Maui has received an additional \$1.1 million in funding from Maui County, which it will use to acquire and renovate properties that do not meet the NSP funding guidelines by dint of their location or age of the structure (NSP precludes structures built before 1978 because of lead-based paint standards).

Because community land trusts accept permanent responsibility for the stewardship of properties in their trust, Na Hale O Maui is also in the process of building a long-term operating reserve to support its organizational sustainability, at the same time that it is building its portfolio of long-term affordable homes.

Untapped Potential?

Permanently affordable homeownership is working very well on Maui for many reasons. Na Hale O Maui is staffed by a real estate professional with the right experience in housing development and home sales. The organization has capitalized on NSP funding that allows it to take full advantage of the foreclosure crisis to acquire and renovate homes, re-sell them at below market prices that are within reach of the lower-income buyers the CLT serves, and recycle sale proceeds for further acquisition/rehab activities. The success of Na Hale O Maui has prompted the question of how to extend the CLT approach throughout the rest of the state. The combination of statewide need and organizational capability suggest that this may be a perfect time to look toward statewide expansion of the community land trust model.

A Model for a Statewide Organization

There are as many options for how to create statewide capacity for permanently affordable housing as there are statewide organizations in Hawaii. Fully exploring these options is important as part of an effort to make affordable housing effective statewide. However, one model in particular – the model of expanding the current capacity of Na Hale O Maui – may do more, more quickly and more effectively than any of the other options.

There are many others reasons to think that a single statewide CLT would be feasible.

- There is a strong need for more affordable homeownership in Hawaii.
- It appears that funding opportunities may position Na Hale O Maui to expand its activities.
- Centralization of fiscal responsibility and leadership under one roof would obviate cost redundancy created by establishment of separate organizations (use of federal funds in excess of \$500,000 triggers a more expensive A-133 fiscal audit – particularly relevant when NSP funds are driving the bulk of the real estate growth opportunity).

Na Hale O Maui could expand its activities statewide in a way that creates a strong, centralized professional core supported by local community-based programs. This model has the potential to create instant capacity and extend the current capability for affordable housing statewide. For such a model to succeed, the following elements would need to be incorporated into a statewide-growth strategy.

1. **Create a single, centralized organization.** *Ensure that a single organization centralizes administrative functions including financial oversight; efficiently deploys professional housing development, home sales, and stewardship staff; and brings economies of scale to work statewide.*

Na Hale O Maui has an nine-person board and is staffed by three real estate professionals. The organization has a portfolio of eight completed homes with four more currently undergoing renovation. If the leadership and administrative functions remained centralized in Na Hale O Maui's current offices, with additional staff capacity added at the main office, the central services approach could give Na Hale O Maui the accountability, professionalism

and efficiency to go statewide. It would likely need to be supported, however, by local community-based connections to make it work.

The effort to run a community land trust – particularly one like Na Hale O Maui, which could be poised to make a real difference in Hawaii’s affordable housing landscape – takes a high level of professional capability. A state-wide organization could help facilitate building that high-functioning professional staff, expanding on the talent already held within the CLT.

- 2. Develop strong local presence as part of a more organized and capable statewide organization.** *Help these local leaders bring greater support to their local housing projects, while elevating the most important state-wide projects to an entirely new pool of funding.*

Building local leadership – perhaps through some sort of “local councils” or local boards – could also provide one approach through which a statewide community land trust could adapt the “classic” CLT leadership structure, in terms of providing a way for community accountability.

- 3. Attract high-profile leaders able to leverage strategic relationships and significant funding.** *These leaders will be responsible for building strategic relationships and attracting significant funding in support of affordable homeownership.*

Board development will be a critical component of any process that involves building on Na Hale O Maui’s current work, even if the organization decides not to serve the entire state. The current Board of Directors of Na Hale O Maui is appropriately scaled to a local CLT organization. An assessment of the current board – its mix of knowledge, skills and connections; geographic diversity; process for nominating, recruiting, orienting, training, evaluating and recognizing board members for the service; decision-making processes, etc. – could help identify ways to take advantage of the strengths of the current board, and expand its capability to more completely meet the needs of a statewide organization.

A statewide effort would have the potential to attract a high-profile board: people who can build strategic relationships with funders and high-net-worth individuals, and bring significant funding to the organization. Leaders on a statewide board typically bring a very high level of business acumen, sophistication about organizational development and oversight, and strategic networks.

- 4. Develop strategies and tools to grow revenue that surpasses the capacity needs of the organization.** *Invest in organizational capacity building, including staff development, in a way that provides for planned portfolio growth and establishes strong support among donors at every level, and encourages their commitment to annual, capital and planned giving.*

Community land trusts have the potential to generate significant earned income over time as their portfolios grow. For any CLT, but especially for Na Hale O Maui as it considers how it might expand its operations, organizational cash flow projections are important for understanding the potential for revenue growth. For Na Hale O Maui to expand statewide, staffing and overhead expenses would increase, perhaps significantly.

Step 1: Opportunity Assessment

The best first step is to examine the viability of a statewide expansion, from both a financial perspective and an organizational perspective. This requires scanning external factors, including the market and available subsidy, and also looking inside the organization to evaluate strengths and weaknesses. It also requires an analysis of how various organizational structures might best thrive. A complete analysis includes:

- Market need and pricing by submarket throughout the state – essentially an “affordability gap” analysis – to serve the target homebuyer market of buyers with incomes up to 120% of Area Median Income;
- Level of community support, gauged by key opinion leaders;
- Anticipated sources of housing subsidy (federal, state, local) in the next two to five years;
- Projected development pipeline over the same time frame;
- Potential earned income from developer fees, sale fees, and lease fees;
- Community engagement and support for new affordable housing programs;
- Organizational capacity and capability, both current and required for expansion (this is focused on human resources, though it also touches on systems and infrastructure).

This analysis supports the development of organizational cash flow projections, a crucial piece of information in making a business decision to expand.

The Board of Directors of Na Hale O Maui has retained the services of Decisions Decisions of Portland, Oregon to conduct the opportunity assessment described above. This firm was selected since it has just completed the successful merger of the 4 Hawaii conservation land trusts into the statewide organization of Hawaiian Islands Land Trust. The assessment will be completed by June 2011 and will be available to the HHFDC Task Force if H.C.R. No. 70 is adopted by the Legislature.

A Vision for the Future

Growing the capacity and capability of Na Hale O Maui to serve the needs of the entire state is to follow a vision that puts affordable homeownership into the lives of more Hawaii residents. What does that vision look like? That’s for the leadership of the state and the land trust to decide, but perhaps it looks a bit like this:

*It is the year 2020. **Na Hale O Hawaii** has helped 300 households of modest means to make the largest investment of their lives: purchasing a home. The land trust has a local presence on every island where it works, and strong support in the communities where its members and homeowners live. It has overseen more than thirty re-sales of its homes, and has demonstrated that its resale restriction ensures that its homes remain affordable, resale after resale. As property values have continued to climb in Hawaii, Na Hale O Hawaii has made a real difference in people’s lives: making it possible for them to stay, invest, raise their families in the place where they grew up, and build wealth through asset ownership. The trust’s many partners and supporters – other nonprofits, local government, real estate professionals, funders and donors – and its community-based membership, now spread over six islands, have provided the backbone of support that has made this possible.*

NEIL ABERCROMBIE
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

HOUSE COMMITTEE ON HOUSING

March 23, 2011 at 9:00 a.m.
Room 325, State Capitol

In consideration of
H.C.R. 70/H.R. 62

**REQUESTING THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION TO CONVENE A TASK FORCE TO STUDY THE ESTABLISHMENT
OF A STATEWIDE COMMUNITY LAND TRUST TO PROMOTE HOMEOWNERSHIP
OPPORTUNITIES IN HAWAII.**

The HHFDC ***supports the intent*** of H.C.R. 70/H.R. 62. Community land trusts can be a means to preserve long-term housing affordability and promote homeownership. If passed, we would be willing to convene the task force requested in this concurrent resolution.

Thank you for the opportunity to testify.



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March 22, 2011

The Honorable Rida Cabanilla, Chair

House Committee on Housing
State Capitol, Room 325
Honolulu, Hawaii 96813

RE: H.C.R. 70, REQUESTING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO CONVENE A TASK FORCE TO STUDY THE ESTABLISHMENT OF A STATEWIDE COMMUNITY LAND TRUST TO PROMOTE HOMEOWNERSHIP OPPORTUNITIES IN HAWAII.

HEARING: Wednesday, March 23, 2011, at 9:00 a.m.

Aloha Chair Cabanilla, Vice Chair Chong, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,500 members. HAR **supports** H.C.R. 70, which establishes a Task Force to study the establishment of a Statewide Community Land Trust to promote homeownership opportunities in Hawai'i.

The Na Hale O Maui Community Land Trust ("Trust") program has proven to be a unique community-based program, which takes foreclosed properties and turns them into affordable homes for working families. Much like the Hawaiian Homestead program, the Trust provides homes on trust-held property and guarantees that these homes be affordable in perpetuity.

Moreover, the Trust has been successful in using federal Neighborhood Stabilization funds and County Affordable Housing funds to acquire foreclosed homes, renovate them, and return them to the market at affordable rates.

Maui REALTORS® were early supporters of the Trust, and the Trust is unique in the nation for being REALTOR®-run, using the REALTORS® Code of Ethics as its underlying philosophy.

For the above reasons, HAR believes that the creation of a Task Force to explore a Statewide Community Land Trust is a positive step towards creating affordable housing opportunities in this State. **Furthermore, HAR would respectfully request to have a member on the Task Force.**

Mahalo for the opportunity to testify.

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