

**SB 903**

NEIL ABERCROMBIE  
GOVERNOR



KAREN SEDDON  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
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IN REPLY REFER TO:

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

**SENATE COMMITTEE ON WAYS AND MEANS**

February 24, 2011 at 9:00 a.m.  
Room 211, State Capitol

In consideration of  
**S.B. 903 RELATING TO HOUSING.**

HHFDC **supports the intent of S.B. 903, but does not believe that legislation is necessary.** This measure requires HHFDC to identify HUD and USDA-RD projects with contracts that will expire on or before January 1, 2012 and attempt to negotiate with project owners to keep those projects affordable to households at or below 80 per cent of the HUD area median income. HHFDC already tracks rental projects with HUD and USDA-RD assistance. We contact the owners whose contracts are nearing expiration to make them aware of the financing and development tools that are available to assist in rehabilitating the projects and extending affordability. We also promote our financing and development tools to raise awareness in the housing industry. To date, we have assisted in preserving eleven HUD and USDA-RD rental projects with over 1,900 units.

We are concerned that the bill mandates that any public housing project that is managed with state or county funds or acquired by a nonprofit organization under the proposed Affordable Rental Housing Development Program to remain affordable in perpetuity (page 3, starting on line 15). A perpetual affordability requirement will hinder private sector participation in the preservation of affordable rental housing projects. A perpetual affordability requirement may also preclude the option for the developer/owner to redevelop the property at the end of the useful life or prevent nonprofits in the business of providing affordable housing from selling a poorly-performing project and reinvesting sales proceeds in another affordable rental project.

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



**PARTNERS IN CARE**  
**Oahu's Coalition of Homeless Providers**

<http://www.partnersincarehawaii.org/>

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**TESTIMONY IN SUPPORT OF SB 903: CREATES THE AFFORDABLE RENTAL HOUSING DEVELOPMENT PROGRAM**

**TO:** Senator David Ige, Chair, Senator Michelle Kidani, Vice Chair, and Members, Committee on Ways And Means

**FROM:** Max Gray, Chair, Partners In Care Advocacy Committee

**Hearing:** **Thursday, 2/24/11; 9:00 a.m, Room 211**

Dear Chair Ige, Vice Chair Kidani, and Members of the Ways And Means Committee,

Thank you for the opportunity to provide comments on SB 903, which would preserve Housing and Urban Development (HUD) and US Department of Agriculture (USDA) housing projects in Hawaii. Partners In Care strongly supports this bill.

This important bill ensures that critical housing resources remain affordable. HUD and USDA projects are valuable projects since they offer rents at 30% of the residents' incomes. While these projects were all built with government funding, there is a time limit on how long the owners must keep the rents affordable. When the restrictions expire, the owners, many of whom are for-profit entities, can convert them to market rents. The Hawaii Housing Finance and Development Corporation (HHFDC) has already had to provide funds to preserve some of these affordable rental projects.

Partners In Care, as a consortium of service providers from across O'ahu, advocates on behalf of a diverse population of homeless men, woman and children. The development of affordable housing is vital to the success and long-term stability of our homeless clients. It is also essential to maintain the projects' affordability in perpetuity so as to provide tenants with reliable, permanent housing. The key to keeping projects affordable in perpetuity is to link the owners to non-profits whose mission is to provide affordable housing. Partners In Care strongly supports this bill and the legislature's commitment to the development of affordable rentals.

Thank you for hearing this bill and for your support.



## CATHOLIC CHARITIES HAWAII

### COMMENTS -- IN SUPPORT OF SB 903: Relating to Housing

TO: Senator David Ige, Chair, Senator Michelle Kidani, Vice Chair, and Members, Committee on Ways and Means

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

**Hearing: Thursday, 2/24/11; 9:00 a.m.; CR 211**

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways and Means:

Thank you for the opportunity to provide comments on SB 903, which would preserve Housing and Urban Development (HUD) and US Department of Agriculture (USDA) housing projects in Hawaii. I am Betty Lou Larson, Legislative Liaison for housing issues at Catholic Charities Hawaii. Catholic Charities Hawaii strongly supports this bill.

This is an important bill to act proactively to ensure that critical housing resources remain affordable. HUD and USDA projects are valuable resources since they offer rents at 30% of the residents' incomes. While these projects were all built with government funding, there is a time limit on how long the owners must keep the rents affordable. When the restrictions expire, the owners, many of whom are for-profit entities, can convert them to market rents. The Hawaii Housing Finance and Development Corporation (HHFDC) has already had to provide funds to preserve some of these affordable rental projects.

This bill would require HHFDC to identify the at-risk HUD and USDA projects and attempt to negotiate with the projects' owners to keep these projects affordable. The key to keeping the project affordable in perpetuity is to link the owners to non-profits whose mission is to provide affordable housing. If a non-profit purchases the rentals to preserve them, the State would no longer have to provide funds to buy these projects every 25 to 30 years, etc. when the affordability periods expire. Land costs in Hawaii will only increase over time. These valuable projects may be lost in the future if the State lacks the resources to purchase them again at higher costs, as owners make an economic decision to sell the projects or convert them to market rents.

**Suggested Amendment for Section 201H- (d):** We suggest extending the timeframe for projects with expiring affordability restrictions to **January 1, 2016**. Project owners need to be approached before they develop their own plans to sell or otherwise change the use of the project. By targeting projects whose affordability expires within 5 years, HHFDC has more lead time to work with owners to urge them to partner with non-profits and HHFDC to preserve these buildings in perpetuity.

Thank you for hearing this bill and for your support to find creative ways to preserve the availability of affordable rental housing.



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