

NEIL ABERCROMBIE  
GOVERNOR



KAREN SEDDON  
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**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 WATER, LAND AND HOUSING**

February 3, 2011 at 1:15 p.m.  
Room 225, State Capitol

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

Chair Dela Cruz, Vice Chair Solomon, and Members of the Committee on Water, Land and Housing,

HHFDC ***supports the intent*** of S.B. 903 that strives to preserve the long-term affordability of rental housing projects assisted by the U.S. Department of Housing and Urban Development (HUD) or the U.S. Department of Agriculture – Rural Development (USDA-RD). However, we do not believe 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 presently 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 remain affordable in perpetuity (page 3, starting on line 15). We believe that a perpetual affordability requirement may 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 testify.