

# HB 1398, HD1

Measure Title: RELATING TO THE HAWAII PUBLIC HOUSING AUTHORITY.

Report Title: Hawaii Public Housing Authority; Public-Private Partnerships

Description: Authorizes the Hawaii public housing authority to develop public housing projects under a partnership or development agreement with a private party. Provides exemptions from chapters 103 and 103D if not prohibited by federal law or regulation. Requires annual report to the legislature. Effective July 1, 2030. (HB1398 HD1)

Companion:

Package: None

Current Referral: HMS/WLH/PGM, WAM

Introducer(s): JORDAN

NEIL ABERCROMBIE  
GOVERNOR



PATRICIA MCMANAMAN  
DIRECTOR

BARBARA YAMASHITA  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
Honolulu, Hawaii 96809-0339

March 20, 2012

TO: The Honorable Susan Chun-Oakland, Chair  
Senate Committee on Human Services

The Honorable Donovan M. Dela Cruz, Chair  
Senate Committee on Water, Land and Housing

The Honorable Will Espero, Chair  
Senate Committee on Public Safety, Government Operations  
and Military Affairs

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 1398, H.D. 1 – RELATING TO THE HAWAII PUBLIC HOUSING  
AUTHORITY**

Hearing: Tuesday, March 20, 2012; 11:00 a.m.  
Conference Room 225, State Capitol

**PURPOSE:** The purpose of H.B. 1398, H.D. 1 is to encourage joint ventures between the Hawaii Public Housing Authority and private developers for the development of public housing in Hawaii.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports the intent of this bill to engage the private sector in a joint venture development agreement with the Hawaii Public Housing Authority (HPHA) on any public housing project under the jurisdiction of the HPHA. The HPHA currently has over 9,000 families on its waiting list for public housing. The average rental market price for a two bedroom unit in Honolulu is over \$1,400 a month and most low income families cannot afford this rent amount and the

accompanying equal amount for advance deposit required under most rental agreements.

The number of homeless families continues to increase over the past five years.

Increasing the housing inventory of the HPHA will have a significant and favorable impact to the low-income families in our community who are in need of affordable housing.

While the preamble of the bill includes the words "improvement" and "maintenance" of public housing facilities, it is not clear from the language of section 2 of the bill whether a development agreement with a private party includes renovation of existing public housing units. Or does the bill intend to address only the creation of new or additional public housing units? Either of these goals is laudable, although the DHS would prefer that additional language be included that any joint agreement between HPHA and a private developer must result in an increase of units for any particular HPHA property under consideration.

Given the urgency of meeting the housing need of our low-income families in Hawaii, we support a limited time period of exempting the HPHA from the procurement laws of Chapters 103 and 103D, Hawaii Revised Statutes, and suggest a sunset provision of three to five years. The HPHA remains accountable to the legislature for the status of all public housing projects being developed under a joint public-private partnership agreement by requiring the HPHA to submit annual report on all public-private partnership projects, thus ensuring that any agreement with a private party is in the interest of the public taxpayers.

Thank you for the opportunity to submit testimony on this measure.

NEIL ABERCROMBIE  
GOVERNOR



HAKIM OUANSAFI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
DEPARTMENT OF HUMAN SERVICES  
HAWAII PUBLIC HOUSING AUTHORITY  
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BARBARA E. ARASHIRO  
EXECUTIVE ASSISTANT

Statement of  
**Hakim Ouansafi**  
Hawaii Public Housing Authority  
Before the

**SENATE COMMITTEE ON HUMAN SERVICES**

**SENATE COMMITTEE ON WATER, LAND, AND HOUSING**

**SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS  
AND MILITARY AFFAIRS**

March 20, 2012 11:00 A.M.  
Room 225, Hawaii State Capitol

In consideration of  
**House Bill 1398, House Draft 1**  
**Relating to the Hawaii Public Housing Authority**

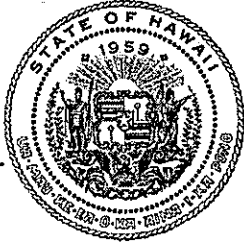
Honorable Chairs and Members of the Senate Committees on Human Services; Water Land, and Housing; and Public Safety, Government Operations, and Military Affairs, thank you for the opportunity to provide you with comments regarding House Bill 1398, as amended by House Draft 1, relating to the Hawaii Public Housing Authority (HPHA).

The HPHA supports enactment of the measure, which would add a section to Chapter 356D to explicitly authorize our agency to enter into public-private partnerships for the increased development of new public housing developments, as well as the improvement of existing public housing units. The public-private partnership model for the improvement of public housing projects is currently being encouraged by the U.S. Department of Housing and Urban Development (HUD) and the HPHA has demonstrated the success that is possible through such agreements with the mixed finance public-private partnership at Kuhio Park Terrace. The value of this project is manifest: \$150 million in capital repairs have been removed from the agency's backlog of physical needs and the Agency is requesting to reappropriate \$13,450,000 from the current Biennium Capital Improvement Program (CIP) budget previously allocated to this property.

This measure proposes a statutory amendment that would provide the agency with greater flexibility and control over the process. It would offer certain limited exemptions

from the procurement code and allow the exercise of rulemaking authority to go forward to other housing developments statewide and further reduce the capital needs of the HPHA. Such future projects would lessen HPHA reliance on diminishing Federal Capital Funds and State CIP funds while enabling our agency to improve our existing public housing stock and investigate the development of new affordable options statewide. Please note that exemption from the relevant State Procurement Code would not exempt the HPHA from Federal procurement regulations, which are extremely stringent with respect to public-private partnerships that redevelop HUD public housing properties.

The HPHA appreciates the opportunity to provide the Senate Committees with the agency's position regarding H.B. 1398, H.D. 1. We respectfully request the Committees to pass this measure favorably, and we thank you very much for your dedicated support.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE  
GOVERNOR

RICHARD C. LIM  
DIRECTOR

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Statement of  
**RICHARD C. LIM**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON HUMAN SERVICES**  
and  
**SENATE COMMITTEE ON WATER, LAND AND HOUSING**  
and  
**SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS,  
AND MILITARY AFFAIRS**

Tuesday, March 20, 2012  
11:00 a.m.  
State Capitol, Conference Room 225

in consideration of  
**HB 1398, HD 1**  
**RELATING TO THE HAWAII PUBLIC HOUSING AUTHORITY.**

Chairs Chun Oakland, Dela Cruz, and Espero, Vice Chairs Ihara, Solomon, and Kidani, and Members of the Committees.

The Department of Business, Economic Development, and Tourism supports HB 1398, HD1. DBEDT agrees with the Legislature that the ability of the State to provide safe and affordable public housing will be enhanced by public-private partnerships that authorize private entities to conduct planning, design, construction, operation and maintenance of public housing projects.

DBEDT notes that the exemptions afforded private entities under this bill are similar to those afforded to partnerships created by the Hawaii Housing Finance and Development Corporation which has been able to successfully create low income rental projects through development agreements with private partners.

Thank you for the opportunity to offer comments on this measure.



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**STATE PROCUREMENT OFFICE**  
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TESTIMONY  
OF  
AARON S. FUJIOKA  
ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE  
SENATE COMMITTEES  
ON  
HUMAN SERVICES,  
WATER, LAND, AND HOUSING  
AND  
PUBLIC SAFETY, GOVERNMENT OPERATIONS, AND MILITARY AFFAIRS

March 20, 2012

11:00 am

HB 1398, HD1

RELATING TO THE HAWAII PUBLIC HOUSING AUTHORITY.

Chairs Chun Oakland, Dela Cruz and Espero, Vice Chairs Ihara, Solomon and Kidani, and committee members, thank you for the opportunity to testify on HB 1398, HD1 that authorizes the authority to develop a partnership or development agreement with a private party exempt from public disclosure and open competition pursuant to HRS chapter 103D.

The State Procurement Office (SPO) opposes the exemption language on page 2, subsection (b) of this bill. Any governmental agency with the authority to expend funds should be in compliance with HRS chapter 103D, which promotes the policy of fair and equitable treatment of all persons who deal with procurement system; fosters effective broad-based competition and increases public confidence in public procurement.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion or fraud in awarding of contracts.

There is no compelling reason to statutorily exempt the HPHA from the requirements of HRS chapter 103D. To legislate that any one agency should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equality in the law's application.

Thank you.