

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 FINANCE

February 23, 2012, 3:30 p.m.
Room 309, State Capitol

In consideration of
H.B. 1971, H.D. 1
RELATING TO HOUSING.

The HHFDC ***opposes*** H.B. 1971, H.D. 1. If enacted, H.B. 1971, H.D. 1 would eliminate the effectiveness of the affected affordable housing financing tools in addressing the dire need for affordable housing statewide.

Because of the limited resources available to finance affordable housing development, there is an increased need for mixed income developments, in which the low-income units are subsidized by revenues derived from the moderate income units. The reduction of the allowable income groups from 140% to 120% in developments utilizing the affordable housing tools affected by H.B. 1971, H.D. 1 does not leave a large enough revenue margin to provide that subsidy. Unless government compensates by providing a large infusion of financing assistance, which is unlikely in the current fiscal environment, developers will be less likely to build affordable housing if they are restricted as proposed in this bill.

Thank you for the opportunity to testify.

ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
HOUSE BILL NO. 1971, H.D. 1

February 23, 2012

RELATING TO HOUSING

House Bill No. 1971, H.D. 1, proposes to lower the income threshold for various affordable housing programs from 140 percent to 120 percent of the median family income.

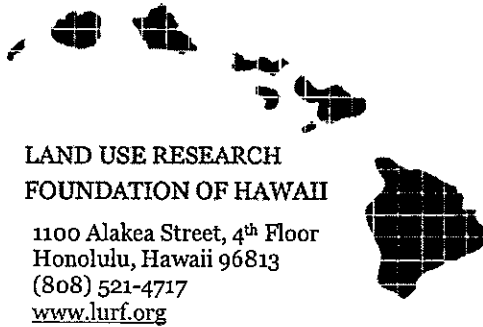
The Department has a concern on this bill. While we appreciate the intent to lower the income threshold to 120 percent of the area median income to allow affordable for sale or rental units to be available to a lower income segment of Hawaii's residents, the lowering of the income threshold will increase the degree of difficulty for developers to develop affordable units as the amount of revenues will be reduced. Additional housing subsidies will likely be needed to support the development of affordable units for families at or below 120 percent of the area median income. The scarcity of housing subsidies may force developers to reduce the number of affordable units or request additional State subsidies in order to develop affordable units at the targeted income level.

In addition, the Department is recommending clarifying the language in Section 39A-281(1)(A) to clarify that a Low- and moderate-income housing project must meet one of the three affordability criteria as follows.

“(1) All project units are offered for rent, of which at least:

(A) Twenty per cent of the units are rented to households with an income of up to fifty per cent of the area median income as determined by the United States Department of Housing and Urban Development; or”

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



LAND USE RESEARCH
FOUNDATION OF HAWAII

1100 Alakea Street, 4th Floor
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org

February 22, 2012

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
House Committee on Finance

Opposition to HB 1971, HD1 Relating to Housing (Lowers affordable housing income threshold from 140% area median family income (AMI) to 120% AMI)

Thursday, February 23 2012, 3:30 p.m., in CR 308

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to express its **strong opposition and concerns regarding HB 1971, HD1**, which lowers the income threshold relating to affordable housing from 140% to 120% of the area median family income (AMI).

HB 1971, HD1. This bill changes the definitions of "Low-and moderate-income rental housing projects," "affordable housing," and "mixed-income rental projects or units" eligible for loans or grants for rental housing projects from the existing 140% AMI to 120% AMI. **This bill lacks an introductory purpose or justification clause, because it cannot be justified by any facts, statistics or affordable housing studies.** It appears that this bill is premised on the unreasonable, irrational and unrealistic belief that hundreds of affordable housing units will magically appear just by changing 140% AMI to 120% AMI.

LURF'S POSITION. LURF is **strongly opposed to HB 1971, HD1** as it is contrary to the recommendations of affordable housing studies and affordable housing experts; it is not based on any facts, statistics or reality, and it will likely have the unintended consequence of actually decreasing the production of affordable rental units.

BACKGROUND. The lack of affordable housing remains a significant problem affecting Hawaii, and particularly the City and County of Honolulu (City). Finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, and state and county agencies, and members of the housing industry and business community. Over the period from 2006 to 2009, LURF participated in both the Mayor's Affordable Housing Advisory Group ("AHAG") for Honolulu from 2006 to 2009, and the Statewide Governor's Affordable Housing Barriers Task Force ("AHBTF") from 2007 to 2008.

Mayor's Affordable Housing Advisory Group (2006-2009). AHAG included experienced non-profit and private developers of affordable and market housing, real estate professionals, private financial institutions, State and Federal housing officials, and representatives of the City's Department of Planning and Permitting, the Department of Community Services and the City Council. AHAG focused on partnerships between these public and private groups to develop a study and a number of recommendations, as well as a housing production strategy that would provide a solution to the affordable housing needs of the people of Honolulu. AHAG produced two reports, which were accepted by the Mayor and transmitted to the City Council – the *2006 Report and Recommendations* and the *2008 Comprehensive Housing Strategy for the City and County of Honolulu*. **The City's AHAG did not recommend any change in the definition of affordable housing by lowering the upper threshold from 140% AMI to 120%AMI (as proposed in HB 1971). In fact, in 2008, AHAG recommended raising the City's threshold from 120% AMI to 140% AMI.**

Statewide Governor's Affordable Housing Barriers Task Force (2007-2008). Additionally, LURF was a participant in the Governor's AHBTF, which was a statewide task force comprised of representatives from all four counties, the State, the Legislature, business, labor unions, affordable housing developers, nonprofit providers of affordable housing, architects, and legal experts. The purpose of AHBTF was to identify, address and recommend regulatory reform and solutions, including proposed legislation, to remove the barriers to the production of affordable housing. **The AHBTF did not recommend any change in the definition of affordable housing by lowering the upper threshold from 140% AMI to 120%AMI (as proposed in HB 1971, HD1).**

FACTS AND STUDIES IN OPPOSITION TO HB 1971, HD1. LURF opposes HB 1971, based on, among other things, the following:

- **The C&C's 2008 AHAG Comprehensive Housing Strategy Report, dated September 11, 2008 ("2008 City AHAG Report") specifically recommended the C&C should raise its 120% AMI to 140% AMI as the maximum threshold for affordable housing for Honolulu.** The 2008 City AHAG Report specifically recommended: *"Increasing the maximum household income level to 140% of the Honolulu area media income."*
- **C&C Resolution 09-241 (2009) increased the City's affordable housing threshold from 120% AMI to 140% AMI.** In August 2009, the Council adopted Resolution 09-241, which amended the definition of "moderate income household" and increased the affordable housing threshold from 80% AMI to 140% AMI, and prior to doing so, made the following findings in Resolution 09-241, CD1:
 - Prior to August 2009, the C&C's 120% AMI threshold was proven to be effective, workable and feasible, and has resulted in the construction of thousands of housing units available and affordable to Honolulu's workforce population (Resolution 09-241, CD1).
 - *"that amending the definition of 'moderate income household' to include only those households whose income is greater than 80 percent but which does not exceed 100 percent of the median income...may adversely impact the objective of providing affordable housing for Oahu's workforce population, many of whom earn more than 100 percent of median income." (Resolution 09-241, CD1).*

- *“that increasing the moderate income threshold to include households with incomes up to 140% of the area median would enable a larger number of workforce families to qualify for the affordable units required under unilateral agreements.”*
(Resolution 09-241, CD1).
- **The current 140% AMI threshold income limit guidelines are consistent with the State, Federal agencies and all other counties, and should not be changed to 120% AMI.** The following facts are based on the 2008 AHBTF Report, the 2008 AHAG Report and report entitled *Affordable Housing Requirements in Each County* prepared by the City Council’s Office of Council Services, and dated August 3, 2009,
 - HUD: defines moderate income as **up to 140% AMI**;
 - HHFDC: defines moderate income as **up to 140% AMI**;
 - Hawaii County: requires only 20% of the total units or lots to be affordable; and defines affordable housing as **up to 140% AMI** (note that Hawaii County has the lowest affordable housing requirement and also lacks any lower AMI threshold);
 - C&C requires 30% of total residential units to be affordable; and defines affordable housing as from 80% AMI **up to 140% AMI**;
 - Kauai County: requires 30% of the total number of units to be affordable; and defines affordable housing as 80% AMI **up to 140% AMI**; and
 - Maui County: requires 40% to 50% of total units or lots to be affordable; and defines affordable housing as 80% AMI **up to 160% AMI**.

CONCLUSION. LURF is **strongly opposed to HB 1971, HD1**, as it is contrary to the recommendations of affordable housing studies and affordable housing experts; it is not based on any facts, statistics or reality, and it will likely have the unintended consequence of actually decreasing the production of affordable rental units. Based on the above, we respectfully request that this bill be held in Committee.

Thank you for the opportunity to present testimony in strong opposition to HB 1971, HD1



The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaiiirealtors.com

February 23, 2012

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 1971, H.D.1, Relating to Housing

HEARING: Thursday, February 23, 2012, at 3:30 p.m.
AGENDA #6

Aloha Chair Oshiro, Vice Chair Lee, and Members of the Committee:

I am Craig Hirai, Chair of the Affordable Housing Subcommittee of the Government Affairs Committee, 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 **opposes Section 5** of H.B. 1971, H.D.1, which lowers the income threshold relating to second priority mixed-income Rental Housing Trust Fund projects from 140% to 120% of the median family income.

While HAR is unaware of Rental Housing Trust Fund funding for any second priority mixed-income rental projects under HRS §201H-202(e)(2), HAR believes that this provision was enacted to provide for a more useful cross-subsidization of the lower-income rental units in a mixed-income rental project. HAR further believes that mixed-income rental projects provide for a better socio-economic mix of tenants.

Lowering the income threshold for second priority mixed-income Rental Housing Trust Fund projects from 140% to 120% of the median family income would result in a less optimal socio-economic mix of tenants and most likely result in the need for larger Rental Housing Trust Fund subsidies for the same number of units in order to make up for the loss of the cross-subsidization from the rents of tenants who make between 140% to 120% of the median family income, which rents would have been used to subsidize the rents of lower-income tenants in the project.

Mahalo for the opportunity to testify.





VITUS

INNOVATIVE DEVELOPMENT

151 Hekili Street, Suite 230
Kailua, HI 96734
808-263-7657

Statement from: Office of Makani Maeva, Director
Vitus Development Group

Presented before: House Committee on Finance
February 23, 2012, 3:30pm
Room 309, State Capitol

Regarding: **Opposition** to H.B. 1971, H.D. 1

H.B. 1971, H.D. 1 redefines affordable housing from household income of 140% area median income to 120%.

H.B. 1971, H.D. 1 if implemented would be a disservice to low and moderate income tenants by effectively limiting the future availability of affordable housing stock in the State of Hawaii. Existing limited financial resources for developing low and moderate income housing results in a need for mixed-income developments. Often, the financial feasibility of a project depends upon moderate income units subsidizing low income units. If passed, this bill would reduce this subsidy and may directly result in the infeasibility of future affordable housing projects. Other significant government financial resources would be required to fill this void- this is unlikely. We respectfully oppose H.B. 1971, H.D. 1.

Thank you.