



LAND USE RESEARCH
FOUNDATION OF HAWAII

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February 27, 2012

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

Opposition to HB 2412 Relating to Housing (Temporarily allows the dwelling unit revolving fund ("DURF") to reimburse the general fund for the principal of general obligation bonds issued for housing projects and programs. Appropriates the moneys reimbursed to repair and maintain public housing units.)

Tuesday, February 28 2012, 11:00 a.m., in House Conference Room 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 to, and concerns regarding this bill.**

HB 2412. This bill proposes to temporarily allow DURF to reimburse the general fund for the principal of general obligation bonds issued for housing projects and programs, and appropriate the amount reimbursed to the general fund for repair and maintenance of public housing projects. The intent of this measure is purportedly to serve the dual objectives of promoting economic recovery and job creation, and making public housing units available.

LURF'S POSITION. LURF is **strongly opposed to HB 2412**, which would, for two years, allow DURF to be appropriated to reimburse the general fund for the principal of general obligation bonds that were issued to fund it.

The subject proposal is essentially a raid on the DURF balance, which would jeopardize the Hawaii Housing Finance and Development Corporation's ("HHFDC's") ability to assist in the financing of affordable projects, thereby having the unintended consequence of actually decreasing the production of affordable rental units and negatively impacting the local construction industry.

The proposed amendment to Section 2 of H.B. 2412 authorizes the appropriation to the General Fund of "unencumbered and unexpended" DURF balances as of July 1, 2012. LURF understands that DURF is primarily used to fund interim construction loans for the development or preservation of affordable housing, and that from an accounting standpoint, no DURF interim construction loan, even after the loan closing, is ever considered "encumbered"

(such loans are commitments on the DURF, but not encumbrances). The amendment would allow the Legislature to appropriate any remaining loan balances that have not yet been drawn down by a developer as of July 1, 2012, which could potentially stop projects mid-stream.

Although this measure specifically appropriates \$8 million out of DURF in FY 2013, the authority to make additional appropriations out of DURF would continue through FY 2014. The resulting uncertainty and risk could put all affordable housing development financed with DURF funds at risk until this bill's sunset date on June 30, 2014.

The result is concerning because lack of affordable housing remains a significant problem affecting Hawaii, and finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been, and should continue to be a major objective for our elected officials, government agencies, and members of the housing industry and business community.

CONCLUSION. LURF is **strongly opposed to HB 2412**, as it is frustrates the objectives of affordable housing, and 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 2412.



The House Committee on Finance

**February 28, 2012; 11:00 a.m.
Conference Room 308**

**HB 2412
Testimony in Opposition**

Chair Oshiro, Vice Chair Lee and Members of the Committee, my name is Jon Wallenstrom and I am the President of Forest City Hawaii. It has been Forest City's honor to be a member of the Hawaii business community. Over the past seven years our company has executed on a \$2B project to redevelop Navy and Marine Corps housing, built the largest photovoltaic project on the island of Oahu, and started development in a partnering project with HHFDC on the Big Island. We are very proud of these accomplishments and would like to continue to work with the people of Hawaii to create a better built environment. HB 2412 will seriously harm any public private partnership that the State of Hawaii intends execute.

Forest City's ability to provide a better built environment and bring significant resources to the State of Hawaii is evident in our accomplishments here. It is important to note however that over the same period of time the Company has been selected to enter into public private ventures with:

- The City of New York,
- Oakland California,
- San Francisco, California
- Washington, DC
- The State of Massachusetts

In each project that Forest City has developed and in each public private partnership that we have executed or are in the midst of executing, our public partner has been a reliable, trusted part of a team working closely and steadfastly to bring important projects to fruition. By working in a teaming fashion, Forest City has provided jobs and investment through difficult financial environments on projects that otherwise might not be realized. **In the State of Hawaii alone, Forest City employed more construction trade workers through the recession than any other company in the State.** This task was accomplished because we were able to rely on our public partner, the United States Navy, and could therefore bring private sector resources. Ultimately Forest City and our private sector partners brought many times more money than did the public sector as we rebuilt the Navy and Marine Corps Housing stock.

Forest City has entered into a development agreement with HHFDC to build a 2,330-unit project in Kona on State land with an affordable housing component. This project is a wonderful example of a public private partnership that could give the State of Hawaii an important place in any thoughtful discussion about economic development and job creation. This project relies on a mixture of private sector and public sector investment. The public sector investment will come in the form of a Dwelling Unit Revolving Fund loan that is intended to be provided by HHFDC. The terms of this loan allow the State to participate in the project over a long period of time and give the private sector the assurance that it needs to invest.

Forest City has already invested millions of dollars in the Kona project and HB2412 will jeopardize this project. Capital sources across the country are already aware of the project and this sort of unanticipated change from the legislature will reverberate in ways that were certainly not anticipated in this bill.

Please reconsider this bill. If Hawaii is to receive investment from important capital sources it must vest projects and the full intent of any loan commitment it makes. Actions like HB 2412 have profound impacts that touch any private sector investment and give the State of Hawaii a very bad name the capital markets. The capital markets have an important role in maintaining and creating employment in the State of Hawaii and providing a better future for our residents.

Thank you,

Jon C. Wallenstrom
President
Forest City Hawaii

SELF-HELP HOUSING CORPORATION OF HAWAII

1427 DILLINGHAM BLVD., STE. 305

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808-842-7111(ph)/808-842-7896 (fax)

**To: Representative Marcus Oshiro, Chair
Housing Committee on Finance
House of Representatives
State of Hawaii**

**From: Claudia Shay, Executive Director
Self-Help Housing Corporation of Hawaii
1427 Dillingham Blvd., Ste. 305
Honolulu, Hawaii 96817**

**RE: Strongly Oppose H.B. 2412
Hearing Date: February 28, 2012 11:00 am**

The Self-Help Housing Corporation of Hawaii, a private, non-profit housing corporation, is building a 72 lot subdivision with funds from the DURF funds of the Hawaii Housing Finance and Development Corporation. Upon completion of the 72 lot subdivision SHHCH will provide technical assistance to 72 very low and low income families to build their own houses for \$256,000-\$276,000 fee simple. It is my understanding from the HHFDC staff that even though the DURF funds have been approved for this project through HHFDC Board action, and there is a recorded mortgage, and promissory note, that these funds are not considered encumbered funds. Should H.B. 2412 be passed SHHCH may not be able to complete the infrastructure for the subdivision nor complete the project if the State of Hawaii could pull the funds out of the DURF fund.

Furthermore, given the delays in having subdivisions approved through the City and County of Honolulu, SHHCH could count on the DURF funds for a development only to find them not available after the State "raided" the funds. There are too many excellent projects underway with the State HHFDC to tamper with the DURF funds and potentially cause a project to go in default with their funders due to lack of funding which was previously available and committed. It is critical that DURF funds be available for the development of affordable housing in Hawaii, especially with budget cuts for housing at the federal level. Building affordable housing in Hawaii is one way to rebuild the economy in Hawaii with benefits for the homeowners, building supply houses, sub-contractors, appraisers, lenders, title companies, and the counties by expanding the property tax base. Please do not hamper these efforts by taking funding away even on a temporary basis.



STANFORD CARR DEVELOPMENT, LLC

February 27, 2012

House Committee on Finance
State Capitol, Hearing Conference Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

RE: Testimony Opposing HB2412: Relating To Housing.
Hearing date Tuesday, February 28, 2012 at 11:00 a.m.
via Capitol website: <http://www.capitol.hawaii.gov/emailtestimony/>

Dear Honorable Chair Representative Marcus R. Oshiro:

We are writing in **OPPOSITION** to HB2412 which temporarily allows the Dwelling Unit Revolving Fund (DURF) to reimburse the General Fund for the principal of General Obligation Bonds issued for housing projects. The DURF is an important and integral funding source to the development of affordable housing.

We understand that the proposed bill includes the possibility to appropriate any "unencumbered and unexpended balances" of DURF which includes distributing funds already set-aside by HHFDC Board and staff as existing funding commitments. This would directly negatively affect numerous projects, including Halekauwila Place.

DURF is generally used with the Low Income Housing Tax Credit program for the new construction or preservation of affordable housing throughout the state. During this challenging economic climate, construction of these projects is important to the local economy by providing valuable construction jobs, preserving DURF allocation is important.

Thank you for considering our testimony. Please feel free to contact Jesse Wu (808-547-2274) if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanford S. Carr".

Stanford S. Carr, President



February 27, 2012

The Hon. Marcus R. Oshiro, Chair, and Hon. Marilyn B. Lee, Vice-Chair,
and Members of the House Committee on Finance
State Capitol Room 308
Honolulu, Hawaii 96813

Re: Testimony in Opposition of House Bill No. 2412, Relating to Housing
Scheduled Hearing: 11:00 AM, Tuesday February 28, 2012

Dear Chair Oshiro, Vice-Chair Lee and Members of the Committee:

I am submitting this testimony on behalf of THM Partners, a small, Hawaii-based real estate development group. We are the firm responsible for the development of Holomua, a 176-unit workforce housing project currently under construction at 1315 Kalakaua Avenue. This project not only will provide affordable homes for 176 families but, is creating valuable construction jobs during the estimated 18-month build-out period. This project is partially financed with Dwelling Unit Revolving Funds (DURF) and without such funds would not have been financially feasible.

While we appreciate the intent of the bill to repair and maintain public housing we strongly oppose HB No. 2412 because the bill proposes to pay for such repairs by allowing funds from the Dwelling Unit Revolving Fund (DURF) to be used to reimburse the general fund for the principal of general obligation bonds issued for housing projects and programs.

HB 2412 would render DURF financing essentially useless. Currently, the DURF program is the only feasible way to finance new construction of affordable to moderate priced housing due to the razor-thin margins associated with such developments. Without this program, many of these lower-priced units could not be built due to the substantially higher costs, equity requirements, and restrictions imposed by commercial lenders. The commitment of the availability of DURF funds is key to the developer, who is at risk for a great deal of funds should the monies fail to materialize such as, the value of the construction contract, land carrying costs, etc. The availability of DURF funds is also key to the commercial bank or other lender that typically provides the balance of the funds to complete a project. Should this bill pass, it removes this commitment of the availability of DURF funds to complete a project and creates a great deal of risk for both the developer and the lender. Such risk that neither party would be willing to take. This not only reduces the supply of new affordable housing in the marketplace but also adversely impacts the possibility of new construction jobs.

Puts existing projects at risk. Further, if this bill passes as written, it jeopardizes the completion of existing projects such as Holomua, removing current jobs from the marketplace. We are currently

THM PARTNERS LLC
PO BOX 26043, HONOLULU, HAWAII 96825
PHONE: 808.237.5287 FAX: 808 275.3235

drawing on DURF monies for construction of our Holomua project. As we understand it, the DURF funds for our project may be considered "unencumbered" by DAGS and subject to such appropriation out of HHFDC. If this happens, future funding of our Holomua project is at risk along with the associated jobs and the ability for the State to re-coup the amount already invested.

In consideration of the above, we strongly encourage you to NOT approve HB 2412.

Thank you for the opportunity to testify on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read 'Serge M. Krivatsy', written over a horizontal line.

Serge M. Krivatsy, MAI

Cc: David L. Bierwert & Samuel J. Chung



CATHOLIC CHARITIES HAWAII

TESTIMONY OPPOSING SB 2412: RELATING TO HOUSING

TO: Representative Marcus Oshiro, Chair, Representative Marilyn Lee, Vice Chair, and Members, Committee on Finance

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

Hearing: Tuesday, 2/28/12, 11:00 am; CR 308

Chair Oshiro, Vice Chair Lee, and Members of the Committee on Finance:

Thank you for the opportunity to provide testimony on HB 1905, which would divert money from the Dwelling Unit Revolving Fund (DURF). Catholic Charities Hawaii strongly opposes this bill. I am Betty Lou Larson, Legislative Liaison for housing and homelessness issues at Catholic Charities Hawaii.

While Catholic Charities Hawaii supports the need for public housing to repair and maintain their units, this bill could have dire consequences for the production of more affordable rental housing. Rather than taking funds out of DURF, more money is actually needed to be allocated to DURF if the state intends to seriously address the dire need for affordable rental housing.

Catholic Charities Hawaii operates the Ma'ili Land Transitional Housing program. We assist homeless families with children to turn their lives around, get jobs and learn the budgeting and other skills needed to be successful when they transition to permanent housing. The hold up in moving families onto permanent housing is the lack of affordable rentals. By taking funds away from DURF, this compromises the State's ability to promote the creation of more affordable housing.

The wording in HB 1905 is very problematic. The bill would create great uncertainty as to the availability of DURF funds. Even projects which have already been awarded DURF funds could lose these funds if the legislature appropriated any loan balances that were not actually drawn down by the developer as of July 1, 2012. Good projects could be stopped. Other projects may not be able to obtain funding commitments from other resources if their DURF funding is put at risk or is uncertain. The DURF funds are highly leveraged with money from other resources to make the budget of these projects pencil out. DURF is often key to getting other commitments for funding. In addition, the uncertainty created by this bill would extend to the bill's sunset date on June 30, 2014.

We urge the Committee on Finance to defer this bill due to its adverse impact on the creation of more affordable rental housing.





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570 Lexington Avenue
24th Floor
New York, NY 10022

**House Committee on Finance
Testimony in Opposition to HB 2412
Relating to Housing**

Testimony Submitted by: Makani Maeva, Director of Vitus Development
Hearing Date: February 28, 2012
Time: 11:00 a.m.
Room: Conference Room 308

Dear Honorable Chair Representative Marcus R. Oshiro & Committee members:

Thank you for the opportunity to testify in OPPOSITION to House Bill 2412, which temporarily allows the Dwelling Unit Revolving Fund ("DURF") to reimburse the General Fund for the principal of General Obligation Bonds issued for housing projects.

I am an affordable housing developer that has been developing affordable housing for over almost 20 years. My company owns over 7,000 affordable rental units in 13 states and rents to tenants who earn between 30 and 60 percent of the area median income. Our recent Hawaii affordable developments include Kekaha Plantation, a 37-unit senior project on Kauai, the Lokahi Apartments, a complex of 306 new low income housing tax credit units in Kailua-Kona, Banyan Street Manor, 55 Section 8 units in Kalihi purchased from the Hawaii Public Housing Authority, and Whitmore Circle Apartments, a 44-unit senior project in Wahiawa. We are also the local development partners involved in the Kuhio Park Terrace revitalization.

HB 2412 will drastically cripple future and existing affordable housing developments in Hawaii. As proposed, HB 2412 allows for the appropriation of "unencumbered and unexpended balances" of DURF, including funds that have already been set-aside by the HHFDC Board and staff as existing funding commitments. This renders DURF unusable for financing the development of projects and, more importantly, would stop current projects in their tracks. These current projects generate jobs for people in Hawaii, including jobs for contractors, architects, engineers, accountants, lawyers, bankers, real estate employees, property management workers, building and material suppliers, landscapers, plumbers, electricians, and laborers.

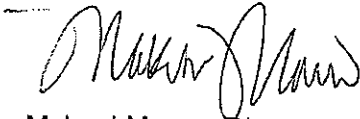
The need for affordable senior and family housing is dire. Without government assistance, low-income housing is impossible to be underwritten. DURF is a critical component of low-income housing

Honorable Chair Representative Marcus R. Oshiro
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February 27, 2012

financing and should remain in its current form if the state is serious about alleviating the shortage of low-income housing.

Thank you for considering our testimony. Please feel free to contact me at (808) 263-7657 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Makani Maeva', written in a cursive style.

Makani Maeva, Director

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2012 7:54 PM
To: FINTestimony
Cc: Brenda.Kosky@gmail.com
Subject: Testimony for HB2412 on 2/28/2012 11:00:00 AM

Testimony for FIN 2/28/2012 11:00:00 AM HB2412

Conference room: 308
Testifier position: Support
Testifier will be present: No
Submitted by: Brenda Kosky
Organization: Individual
E-mail: Brenda.Kosky@gmail.com
Submitted on: 2/27/2012

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2012 12:51 PM
To: FINTestimony
Cc: gary@gsfhi.com
Subject: Testimony for HB2412 on 2/28/2012 11:00:00 AM

Testimony for FIN 2/28/2012 11:00:00 AM HB2412

Conference room: 308
Testifier position: Oppose
Testifier will be present: No
Submitted by: Gary Furuta
Organization: Individual
E-mail: gary@gsfhi.com
Submitted on: 2/27/2012

Comments:

I am a low-income housing development consultant, and I strongly oppose HB 2412. It drastically will cripple future and existing affordable housing development in Hawaii. The degree of uncertainty that HB 2412 generates essentially renders it unusable for financing development of projects. Also, rather than take dollars out of DURF, more money should be placed into DURF if the state is serious about reducing the dire need for affordable housing. I am currently directly involved in development of 547 low-income senior and family rental housing units in seven building projects in Hawaii, that would not be developed were it not for DURF funding as it currently exists. The uncertainty of the availability of DURF funding even after commitment as proposed in the bill, would jeopardize all of projects with DURF financing, and make it impossible to obtain other necessary financing needed for the projects. These projects that I am involved in generate jobs for between 600 to 1,000 people of Hawaii, e.g., contractor workers, architect workers and employees, engineering employees, planning employees, accounting, legal, banking employees, real estate and property management workers, building and material supply workers, subcontractors, e.g., landscape, plumbing, electrical, labor, etc., workers, etc. Without DURF financing as currently exists, the 547 low-income senior and family rentals, and related jobs would not be there... nor will future projects. I have been involved with completed projects with DURF financing, and know its importance in the development of affordable housing.

The need for affordable senior and family housing is dire. Rather than remove dollars from the DURF, more needs to be added. Without government assistance, low-income housing is impossible to be underwritten. DURF is a critical component of low-income housing financing. I also am involved with projects that are on hold that could move ahead with infusion of more DURF funds. There are properties that are available for development of affordable senior and family projects that could be pursued if more DURF funds were available.

If the state is serious about alleviating the shortage of low-income housing, DURF as it is currently exists must remain and funded to the "max". Anyone serious about wanting to promote affordable housing in Hawaii has to be opposed to HB 2412. Please do not pass. Thank you.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2012 9:37 AM
To: FINTestimony
Cc: jwu@stanfordcarr.com
Subject: Testimony for HB2412 on 2/28/2012 11:00:00 AM
Attachments: 2012 02 27 HB2412 SCD Testimony.pdf

Testimony for FIN 2/28/2012 11:00:00 AM HB2412

Conference room: 308
Testifier position: Oppose
Testifier will be present: No
Submitted by: Jesse Wu
Organization: Stanford Carr Development
E-mail: jwu@stanfordcarr.com
Submitted on: 2/27/2012

Comments: