

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 521

February 14, 2013

RELATING TO AFFORDABLE HOUSING

House Bill No. 521 authorizes the issuance of general obligation bonds and the appropriation of funds into the Rental Housing Trust Fund established by section 201H-202, Hawaii Revised Statutes.

The Department has a technical comment on this bill. Federal tax law requires, among other things, that tax-exempt general obligation bond proceeds be used to finance projects that serve public purposes. As it appears that private entities will derive the benefit of the Rental Housing Trust Fund, tax-exempt general obligation bond proceeds cannot be used for this purpose. The State would need to issue taxable general obligation bonds at a higher cost in order to allow the Rental Housing Trust Fund to provide financing to private entities. In addition, any increase in general obligation bonds issuance will need to include corresponding debt service appropriation.

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



**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
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IN REPLY REFER TO:

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

**HOUSE COMMITTEE ON FINANCE**

February 14, 2013 at 3:30 p.m.  
State Capitol, Room 308

In consideration of  
**H.B. 521**  
**RELATING TO AFFORDABLE HOUSING.**

H.B. 521 appropriates an unspecified amount of General Obligation Bond funds in Fiscal Years 2014 and 2015 for deposit into the Rental Housing Trust Fund. The HHFDC supports H.B. 521, provided that passage does not adversely impact priorities indicated in the Executive Biennium Budget.

HHFDC leverages the Rental Housing Trust Fund with other funding sources to finance the development of critically needed rental housing through public-private partnerships. As of December 31, 2012, 4,567 affordable rental units have been produced or are in development in 58 projects statewide.

In Fiscal Year 2012, the Trust Fund received \$37 million in requests, but was only able to commit \$20.7 million to four rental projects totaling 317 units. Additional requests for awards to help finance another 230 units went unfunded for lack of available funds.

Because Trust Fund awards are leveraged by other financing sources, they have significant economic impact. The four awarded projects will leverage a total of \$70,352,127 in overall development costs and provide 213 direct construction jobs and 500 indirect jobs.

Thank you for the opportunity to testify.

February 14, 2013

**The Honorable Sylvia Luke, Chair**

House Committee on Finance  
State Capitol, Room 308  
Honolulu, Hawaii 96813

**RE: H.B. 521, Relating to Affordable Housing**

**HEARING: Thursday, February 14, 2013 at 3:30 p.m.**

Aloha Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,000 members. HAR **supports** H.B. 521, which authorizes the issuance of GO bonds and the appropriation of funds for deposit into the Rental Housing Trust Fund.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

Lastly, as this program helps to increase the availability of rental housing for persons who face obstacles in moving from homelessness to permanent housing and persons with lower incomes who need to find affordable rental housing, HAR believes these efforts should continue to address the homelessness issue in our State.

Mahalo for the opportunity to testify.



David Derauf, M.D.  
 Marc Fleischaker, Esq.  
 Naomi C. Fujimoto, Esq.  
 Patrick Gardner, Esq.  
 Francis T. O'Brien, Esq.  
 David J. Reber, Esq.

Victor Geminiani, Esq.

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
 Supporting HB 521 Relating to Affordable Housing  
 House Committee on Finance  
 Scheduled for Hearing on Thursday, February 14, 2013 at 3:30 PM, Room 308

Thank you for an opportunity to testify in strong favor of House Bill 521, which would authorize general obligation bonds for the Rental Housing Trust Fund.

Hawai'i Appleseed Center for Law and Economic Justice (LEJ) is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

Hawai'i faces a severe shortage of affordable housing:

- More than 75 percent of poor households are paying more than half their income in housing costs.
- Among the states, Hawai'i has the third highest rate of homelessness.
- In the next four years, Hawai'i will need 13,000 more rental units to meet the need for affordable rentals.

The Rental Housing Trust Fund is a major tool for the creation of affordable housing with a long record of success. The Fund may be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable rental housing units. Housing created with Fund monies must provide at least 5 percent of their units at rents affordable to those earning 30 percent or less of the area median income.

- As of June 2012, **4,250 rental units** have been created or are in development thanks to the assistance of the Rental Housing Trust Fund and other leveraged funding.
- The public-private partnerships created by the fund help build long broader, long-term strategies to address our affordable housing needs on **all islands**.
- However, the Fund is not able to fund many qualified projects due to lack of funds. It received \$37 million in project requests in FY 2012 alone, but was only able to commit \$20.7 for four of the nine projects submitting requests. Many projects are ready to be developed and only waiting on funding.
- The conveyance tax is the only dedicated source of funding for this program, and the amount allocated has been dramatically reduced over the last six years, from 50 percent in 2006 to 30 percent.
- The RHTF also plays a crucial role in meeting the needs of our state's most vulnerable residents, since 5 percent of units developed with RHTF monies must be allocated for households earning less than thirty percent of the area median income.

The HHFDC's competitive process results in public-private partnerships that leverage state resources and ensure that Hawai'i's affordable housing stock is meaningfully increased. The RHTF's flexibility allows it to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. This dynamic capacity means that the RHTF is particularly well-suited to create and preserve affordable housing.



## PARTNERS IN CARE

### Oahu's Coalition of Homeless Providers

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#### TESTIMONY IN SUPPORT OF HB 521: RELATING TO AFFORDABLE HOUSING

TO: Representative Sylvia Luke, Chair; Representative Scott Y. Nishimoto, Vice Chair; Representative Aaron Ling Johanson, Vice Chair, and Members, Committee on Finance

FROM: Gladys L. Peraro, Advocacy Committee Co-Chair, Partners In Care (PIC)

**Hearing: Monday, 2/14/13; 3:30 P.M.; CR 308**

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members, Committees on Finance:

Thank you on behalf of Partners In Care (PIC), for the opportunity to provide testimony in support HB 521, which authorizes the issuance of General Obligation (GO) bonds and appropriates funds to the Rental Housing Trust Fund (RHTF). I am Gladys L. Peraro, Advocacy Committee Co-Chair for Partners In Care, the coalition care providers focused on the needs of homeless persons and strategies to end homelessness. Partners In Care **strongly supports this bill and respectfully urges you to commit \$30 million for this purpose.**

Partners In Care continues to support the Rental Housing Trust Fund (RHTF) as an essential tool in the State's efforts to promote the creation of new affordable rental housing inventory as well as preservation of low-income rental units. As of June 30, 2012, **4,250 rental units** have been created or are underway with the assistance of the RHTF and other leveraged funding. The RHTF has many more applications than can be funded with the current funds. In FY 2012, the Trust Fund received \$37 million in project requests but was only able to commit \$20.7 million for 4 out of the 9 projects due to limited resources. The Hawaii Housing Finance and Development Corporation has the ability to quickly and efficiently utilize appropriations through the RHTF. Through its competitive process it can assist affordable housing projects on all islands.

Hawaii's need for affordable housing is immense- listed third amongst all the states with the highest rate of homelessness. Approximately 6,000 homeless people in the state are in need shelter each night with an anticipated increase to at least 13,000 more expected by 2016. However, the only dedicated source of funding to the RHTF is 30% of the conveyance tax, which is projected to yield about \$12 million for FY 13. More funding is critical for the RHTF to have an even greater impact on the development of more affordable rentals. Significantly, the RHTF mandates that 5% of the units produced must target people at 30% of Median Income or below. HB 521 will provide increased opportunity to spread out these units in many projects, and serve those who are most vulnerable and often most at risk for homelessness in our state.

Client residents who reside in projects funded by the RHTF tell us many stories of how these affordable rentals have saved their lives by creating financial stability and freedom from the worry of becoming homeless due to the lack of other affordable housing- these buildings are a legacy for future generations of Hawaii's seniors and families in need.

Partners In Care respectfully urges your support of this bill to provide a legacy of housing for generations to come, and to fund this economic driver to help the State's economy to improve. Thank you.

Partners In Care, c/o Aloha United Way, 200 N. Vineyard Blvd. Suite 700  
Honolulu, Hawaii 96817

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*Partners in Care is a membership organization of homeless service providers, other service professionals, units of local and state government, homeless consumers, and other community representatives located in Hawai'i on O'ahu. It is a planning, coordinating, and advocacy body that develops recommendations for programs and services to fill gaps in the Continuum of Care on O'ahu.*



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT OF HB 521: RELATING TO AFFORDABLE HOUSING

TO: Representative Sylvia Luke, Chair; Representative Scott Y. Nishimoto, Vice Chair, and Members, Committee on Finance

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

**Hearing: Thursday, 2/14,13; 3:30 PM; CR 308**

Chair Luke, Vice Chair Nishimoto, and Members, Committee on Finance:

Thank you for the opportunity to testify on HB 521, which authorizes the issuance of GO bonds and appropriates funds to the Rental Housing Trust Fund (RHTF). I am Betty Lou Larson, Legislative Liaison for Catholic Charities Hawaii. Catholic Charities Hawaii **strongly supports this bill and urges you to commit \$30 million for this purpose.**

Catholic Charities Hawaii continues to support the Rental Housing Trust Fund (RHTF) as a critical tool in the State's efforts to promote the creation of new affordable rental housing inventory as well as preservation of low-income rental units. As of June 30, 2012, **4,250 rental units** have been created or are underway with the assistance of the RHTF and other leveraged funding. The RHTF has many more applications than can be funded with the current funds. In FY 2012, the Trust Fund received \$37 million in project requests but was only able to commit \$20.7 million for 4 out of the 9 projects due to limited resources. The Hawaii Housing Finance and Development Corporation has the ability to quickly and efficiently utilize appropriations through the RHTF. Through its competitive process it can assist affordable housing projects on all islands.

Hawaii's need for affordable housing is immense. Hawaii is 3<sup>rd</sup> among all the states for the highest rate for homelessness. Approximately 6,000 homeless people in the state need shelter each night. At least 13,000 affordable rental units are needed in the state by 2016. Yet the only dedicated source of funding to the RHTF is 30% of the conveyance tax, which is projected to yield about \$12 million for FY 13. More funding is critical for the RHTF to have a greater impact on the development of more affordable rentals. Significantly, the RHTF mandates that 5% of the units produced must target people at 30% of Median Income or below. So we have an opportunity to spread out these units in many projects, and serve those who are most vulnerable and often most at risk for homelessness in our state.

Our clients who live in projects funded by the RHTF tell us many stories of how these affordable rentals have saved their lives by created financial stability and freedom from the worry of becoming homeless due to the lack of other affordable housing. These buildings are a legacy for future generations of Hawaii's seniors and families.

We urge your support of this bill to provide a legacy of housing for generations to come, and to fund this economic driver to help the State's economy to improve. Thank you.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822  
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**HB521**

Submitted on: 2/12/2013

Testimony for FIN on Feb 14, 2013 15:30PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Troy Abraham	Individual	Support	No

Comments:

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**HB521**

Submitted on: 2/13/2013

Testimony for FIN on Feb 14, 2013 15:30PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Alika Campbell	Individual	Support	No

Comments: As you know the Rental Housing Trust Fund is a vital tool to encourage the development of affordable housing, which is sorely lacking in Hawaii. I strongly support this bill and encourage committing \$30 million to this vital cause.

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**HB521**

Submitted on: 2/13/2013

Testimony for FIN on Feb 14, 2013 15:30PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Cynthia K.L. Rezendes	Individual	Support	No

Comments: I support the intent of providing GO bonds to the Rental Housing Trust Fund to assist in providing additional funds to be used for providing affordable housing inventory.

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