

January 28, 2013

The Honorable Rida T.R. Cabanilla, Chair

House Committee on Housing
State Capitol, Room 329
Honolulu, Hawaii 96813

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

HEARING: Monday, January 28, 2013, @ 8:45 a.m.

Aloha Chair Cabanilla, Vice Chair Woodson, 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.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 521: RELATING TO AFFORDABLE HOUSING

TO: Representative Rida T. R. Cabanilla, Chair, Representative Justin H. Woodson, Vice Chair, and Members, Committee on Housing

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

Hearing: Monday, 1/28/13; 8:45 am; CR 329

Chair Cabanilla, Vice Chair Woodson, and Members, Committee on Housing:

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. We are also a member of Partners in Care, Oahu's coalition of homeless providers, which also supports increasing funding to the RHTF.

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 (HHFDC) 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. GO bond funding can provided a much needed boost to create more units.

The only dedicated source of funding to the RHTF is 30% of the conveyance tax. While this is projected to yield about \$12 million for FY 13, this will not achieve the production of the 13,000 affordable rental units that are needed in the state. More funding is required for the RHTF to have a greater impact on the creation of more affordable rentals. Significantly, the RHTF mandates that 5% of the units produced address the housing needs of people at 30% of Median Income or below.

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.



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January 25, 2013

Date: January 25, 2013

To: Rep. Rida Cabanilla, Chair, Rep. Justin Woodson, Vice Chair, and the Committee on Housing

From: Jenny Lee, Staff Attorney

Hawai'i Appleseed Center for Law and Economic Justice

Re: Testimony in favor of HB 521

Scheduled for a hearing on January 28, 2013

Dear Chair Cabanilla, Vice-Chair Woodson, and committee members;

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

My name is Jenny Lee, and I am a staff attorney at the Hawaii Appleseed Center for Law and Economic Justice (formerly Lawyers for Equal Justice). 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.

Clearly, Hawai'i is facing an affordable housing crisis, which has in turn resulted in alarmingly high rates of homelessness. Hawai'i's housing costs exceed the national average by fifty percent, with more than seventy-five percent of people living in poverty spending over *half* their income on housing. Hawai'i's high cost of living, heavy tax burden on low-income people, and relatively low wages have created a perfect storm that has left low-income people in desperate need of affordable housing. By 2016, Hawai'i will need 13,000 units to meet the demand for affordable housing according to the Hawai'i Housing Planning Survey. Often, even working families cannot secure and maintain affordable housing and are vulnerable to homelessness.

Revenues from the conveyance for the Rental Housing Trust Fund (RHTF) have dropped significantly over the last six years, and general obligation bonds are an important way to increase this funding. Currently, the RHTF's only dedicated source of funding is thirty percent of the conveyance tax on real property, a figure that has fallen from fifty percent in 2006. This allocation falls far short of the funds needed to increase Hawai'i's affordable housing stock to meeting the community's needs. The RHTF also plays a crucial role in meeting the needs of our state's most vulnerable residents, since all units developed with RHTF monies must be allocated for households earning less than thirty percent of the area median income.

The RHTF has a proven track record: 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—a significant dent in the aforementioned 13,000 affordable housing units that Hawai'i needs. This represents a significant effort toward meeting Hawai'i's need for affordable housing. The RHTF has many more applications than can be funded with the current funds. The

RHTF receives far more qualified applicants than it is able to fund. In 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, meaning that a number affordable housing units were not built due to lack of funding, even though the Hawaii Housing Finance and Development Corporation (HHFDC) can maximize the efficiency of these funds. 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.

In its position as an advocate for people experiencing homelessness, LEJ has researched affordable housing and how to address the homelessness crisis here in Hawai'i. Affordable housing is the fundamental solution to homelessness, and we must tackle our affordable housing stock's shortfall by funding development of affordable units. Authorizing general obligation bonds to support the Rental Housing Trust Fund furthers a much-needed program that has proven its worth.

Again, thank you for providing us with an opportunity to testify in strong support of HB 521.

Aloha,

A handwritten signature in black ink, appearing to read "Jenny Lee", written over a light grey rectangular background.

Jenny Lee
Staff Attorney



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 HOUSING

January 28, 2013 at 8:45 a.m.
State Capitol, Room 329

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.

The Trust Fund is leveraged with other funding sources to develop 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.

Currently, the sole dedicated source of funding for the Rental Housing Trust Fund is 30% of conveyance tax proceeds. Based on the first five months of receipts, the projected yield is about \$12 million for Fiscal Year 2013.

In Fiscal Year 2012, the Trust Fund received \$37 million in requests, but was only able to commit \$20.7 million to eligible projects due to limited resources. This was sufficient to fund the development of only 317 of 547 potential affordable rental units, therefore 230 potential units were not developed.

Thank you for the opportunity to testify.

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

January 28, 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.

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