

HB 521

Measure Title: RELATING TO AFFORDABLE HOUSING.

Report Title: General Obligation Bonds; Appropriation; Rental Housing Trust Fund (\$)

Description: Authorizes the issuance of general obligation bonds and the appropriation of funds for deposit into the rental housing trust fund to finance affordable rental housing development.

Companion:

Package: Housing and Homeless

Current Referral: HMS, WAM

Introducer(s): JORDAN, ITO, OSHIRO, SAY, YAMASHITA

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

March 9, 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
FAX: (808) 587-0600

IN REPLY REFER TO:

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

SENATE COMMITTEE ON HUMAN SERVICES

March 9, 2013 at 3:00 p.m.
State Capitol, Room 229

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 in Fiscal Year 2012 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.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 521: RELATING TO AFFORDABLE HOUSING

TO: Senator Suzanne Chun Oakland, Chair; Committee on Human Services;
Senator Josh Green, M.D., Vice Chair, and
Members, Committee on Human Services

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

Hearing: Saturday, 3/9/13; 3:00 pm; CR 229

Chair Chun Oakland, Vice Chair Green, and Members, Committee on Human Services:

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 an allocation of \$30 million.**

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 **December 31, 2012, 4,567 affordable rental units in 58 projects statewide** 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. Five rental projects totaling 317 units went unfunded due to limited resources. Through its competitive process it can assist affordable rental projects on all islands. Housing is also an economic driver; the 4 projects awarded in FY 12, will leverage \$70,352,124 in overall development costs, creating 213 direct construction jobs and 500 indirect jobs.

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. GO bond funding can provided a much needed boost to create more units. Significantly, the RHTF mandates that 5% of the units produced address the housing needs of people at 30% of Median Income or below, who are often most vulnerable to homelessness.

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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Testimony of Hawai'i Appleseed Center for Law and Economic Justice
 Supporting HB 521 Relating to Affordable Housing
 Senate Committee on Human Services
 Scheduled for Hearing on Saturday, March 9, 2013 at 3:00 PM, Room 229

Hawai'i Appleseed Center for Law and Economic Justice 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.

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 (RHTF).

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 Hawai'i Housing Finance and Development Corporation administers the Fund through a competitive process, resulting 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.

March 9, 2013

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services
State Capitol, Room 229
Honolulu, Hawaii 96813

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

HEARING: Saturday, March 9, 2013 at 3:00 p.m.

Aloha Chair Chun Oakland, Vice Chair Green, 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.



Housing Hawaii

Advocating Creating Maintaining Affordable Housing

Board of Directors March 6, 2013

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Testimony of Housing Hawaii
Supporting HB 521 Relating to Affordable Housing
Senate Committee on Human Services
Saturday, March 9, 2013, 3:00PM, Room 229

Chair Chun Oakland, Vice Chair Green and Members of the Senate Committee on Human Services, thank you for this opportunity to testify in strong support of HB 521, which appropriates an unspecified amount of General Obligation Bond funds in Fiscal Years 2014 and 2015 for deposit into the Rental Housing Trust Fund (RHTF).

Housing Hawaii is in strong support of this bill because of the increasing demand for affordable rental housing. In the next four years, Hawai'i will need 13,000 more units to meet the need for affordable rentals. In Fiscal Year 2012 the Hawaii Housing Finance and Development Corporation (HHFDC) was only able to commit \$20.7 million to four rental projects that totaled 317 units. Requests for an additional 230 units went unfunded because of a lack of available funds. Even if HHFDC were able to fund all the developer requests we would only have produced 547 units and a portion of them would most likely have been for rehabilitation of existing units and not the development of new units. As you can see, the projected demand of 13,000 new units far exceeds our current production capability.

Housing Hawaii is aware of two affordable rental projects in the Ewa, Kapolei area that recently received a total of over 1,400 applications for 184 apartments - a glaring example of the pent up demand for housing. As a result of this housing shortfall, families struggle to keep themselves housed, multi-generational households are being stressed, and some families may even find themselves homeless. The Rental Housing Trust Fund, leveraged with other funding sources, has helped to create over 4,567 units, a noteworthy accomplishment. But there is no time to celebrate past achievements when our people need shelter from the elements. We respectfully request your unanimous support for continued funding of the Rental Housing Trust Fund.

Sincerely,



Kevin R. Carney, NAHP-e
President

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