

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 28, 2014

MEMORANDUM

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2540, S.D. 2, H.D. 1 – RELATING TO HOUSING**

Hearing: Friday, March 28, 2014; 2:00 p.m.
Conference Room 308; State Capitol

PURPOSE: S.B. 2540, S.D. 2, H.D. 1, proposes to establish a rental deposit loan program within the Department of Human Services to assist low-income and homeless individuals and families in obtaining affordable rental housing.

DEPARTMENT'S POSITION: The Department appreciates the intent of this bill and offers the following comments.

As pointed out by our colleagues at Hawaii Housing Finance and Development Corporation (HHFDC), we note that the estimated demand for the rental deposit loan program has not been quantified. The Homeless Programs Office recently conducted an informal survey of the service agencies statewide that provide rental deposit assistance to clients in order to determine the potential number of rental deposit loan applicants. While some agencies do not track the number of individuals who request rental deposits but are turned down, other agencies such as HOPE Services on the Big Island, Maui Economic Opportunity, Kauai Economic Opportunity, HIS, and Waianae

Coast Comprehensive Health Center reported that in aggregate about 500 requests for rental assistance were denied and would be the potential applicants for a rental deposit loan. However, additional information that was obtained through this informal survey were the reasons for the denial for the rental deposit assistance applicant. Reasons included not meeting eligibility guidelines for income, gross household income exceeded eligibility limits, applicants did not return required documentation, applicants received rental deposit assistance in the past, applicants were not U.S. citizens, applicants had no income to sustain housing, applicants requested help with mortgage payment, or applicant not qualified because they are moving into public housing. Based on this information received, it is difficult for the Department to estimate how many people would meet eligibility criteria for the assistance as proposed.

Second, previously (pre-1993), the Homeless Programs under the Hawaii Housing Authority (HHA), administered a program called the “State Homeless Emergency Loans and Grants Program”. According to former staff members at that time, that program functioned in a similar fashion as is being proposed through this bill. The contractor of that program could not manage the loans portion of the program and eventually stopped issuing loans altogether. Loan recipients were homeless individuals, and when they defaulted on the loans, they became ineligible for other state-funded homeless services until the debt owing to the State was cleared. At that time, in order to write off the individual’s debt, the Attorney General’s Civil Recoveries Division had to intervene and approve the write-off of the individual’s debt.

Thereafter, the loan capabilities of that program under the HHA were dissolved, and the program has since been operated as the State Homeless Emergency Grant (SHEG) program. Currently, two vendors (Catholic Charities and Helping Hands Hawaii) are able to assist with first month’s rent for eligible individuals and families.

Lastly, homeless families and individuals often are challenged to meet their monthly financial obligations. Adding to those obligations in the form of another debt may not be the most effective way to assist. The current level of screening implemented by service agencies who administer funds such as SHEG, Housing Placement Program, and the HUD-funded Emergency Solutions Grant strongly suggests that assistance in the forms of “grants” to eligible individuals and families is being well used and administered and may be a more reasonable method rather than through “loans”.

Thank you for the opportunity to provide comments on this bill.



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committee on Finance
Friday, March 28, 2014 at 2:00 p.m. in Conf. Rm. 308

Testimony in Support of SB2540 SD2 HD1, Relating to Housing.

Thank you for the opportunity to offer comments regarding SB2540 SD2 HD1, which establishes a rental deposit loan program to assist households to obtain permanent affordable rental housing. PHOCUSED is a statewide coalition of health, housing, and human services organizations committed to strengthening policies and programs that benefit the marginalized and underserved in Hawaii. While we **support the intent** of this bill, we offer further information for your consideration.

The Department of Human Services (DHS) currently administers a number of programs that provide first month's rent, rental security deposit, and utility deposit assistance to low-income households seeking to obtain or maintain housing. These programs include the State Homeless Emergency Loan & Grant program (SHEG), as well as partial security deposit payment available to recipients of public cash benefits like General Assistance (GA) or Temporary Assistance to Needy Families (TANF). PHOCUSED is familiar with these existing programs through the work of our member organizations throughout the state, which include the two contracted SHEG providers – Catholic Charities Hawaii and Helping Hands Hawaii.

We are concerned that establishing a new program to administer rental deposit loans when multiple programs already exist will stretch DHS' already limited financial and staffing resources, and may detract from DHS' ability to properly oversee the wide range of other homeless programs under its authority, such as emergency & transitional shelters, homeless outreach, and housing first.

If the intention is to offer rental deposit assistance to a wider range of households, we suggest either increasing the funding or modifying the eligibility criteria for existing programs, rather than establishing a new and separate program that appears to duplicate existing functions.

Once again, while we support the intent of this bill, we ask the committee to consider our comments in your deliberations. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at admin@phocused-hawaii.org.



HAWAII SUBSTANCE ABUSE COALITION

SB2540 SD2 HD1 HOUSING: Rental Loan Program

- COMMITTEE ON FINANCE: Representative Luke, Chair; Representative Nishimoto, Vice Chair; Representative Johanson, Vice Chair
- Friday, March 28, 2014 at 2:00 p.m.
- Conference Room 308

HSAC Supports SB2540 SD2 HD2:

Good Morning Chair Luke, Vice Chair Nishimoto; Vice Chair Johanson, And Distinguished Committee Members. My name is Alan Johnson, Chair of the Hawaii Substance Abuse Coalition, an organization of more than twenty treatment and prevention agencies across the State.

The Hawaii Substance Abuse Coalition fully supports funding a rental deposit loan program to assist low income and homeless in obtaining affordable rental housing.

Several thousand homeless people every year seek substance use disorder treatment for addiction. Many have lost financial and social support from their families due to past grievances during their addiction use. As seek supportive living in rental homes, such as clean and sober houses, to sustain and build upon their recovery, they lack the resources to pay rent until they can qualify for financial assistance.

Most people from treatment have received substantial government resources for treatment. Given this investment into their treatment, a short term, small loan would go a long way to help people to establish a supportive network and sustain their recovery.

We appreciate this opportunity to testify and are available for questions.

*For those patients
receiving an
investment in health
services, a rental loan
goes a long way to
ensure successful
transitions to
independent
functioning.*



Community Alliance for Mental Health

March, 28, 2014

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To: House Committee on Finance
Re: SB 2540, SD 2, HD 1

Aloha Representative Luke and the members of the committee,

On behalf of the Community Alliance for Mental Health along with United Self Help we strongly support passage of SB 2549, SD 2, HD 1.

The bill is elegant in its approach to solving the greatest hurdle most homeless families have in reestablishing themselves into long term housing, the deposit. They can earn enough to pay the rent, it's saving up for the first month's rent, the last month's rent, the deposit, turning on the utilities, and food and incidentals for a month.

This would go a long way in assisting the working poor achieve a permanent residence. That's why we strongly support the passage of SB 2540, SD 2, HD 1.

Scott Wall
Vice President of Policy
Community Alliance for Mental Health

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March 28, 2014

The Honorable Sylvia Luke, Chair

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

RE: S.B. 2540, S.D.2, H.D.1, Relating to Housing

HEARING: AGENDA #1, Friday, March 28, 2014 at 2:00 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 8,300 members. HAR **provides comments** on S.B. 2540, S.D.2, H.D.1, which establishes a rental deposit loan program within the Department of Human Services to assist low-income and homeless individuals and families in obtaining affordable rental housing.

HAR would appreciate technical amendments to ensure that the security deposit and any notices are in compliance with the Landlord-Tenant Code. We offer the following amendments to clarify the contractual responsibilities between the legal agency or nonprofit organization and the tenant.

Page 4:

(4) If a deduction from the security deposit is required, the deduction shall be taken only to the extent permitted by the ~~rental agreement contract~~ and in the manner provided by law. , ~~including~~ **The tenant is responsible for providing** notice to the legal agency or organization of **any deductions from the security deposit including notice**. The tenant shall have no direct use of security deposit funds during the term of the repayment agreement.

Mahalo for the opportunity to testify.



CATHOLIC CHARITIES HAWAII

COMMENTS ON SB 2540, SD2, HD1: RELATING TO HOUSING

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

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

Hearing: Friday, 3/28/14; 2:00 PM; CR 308

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

Thank you for the opportunity to provide comments on SB 2540, which would establish a rental deposit loan program within the department of human services to assist low-income and homeless individuals and families in obtaining affordable rental housing. I am Betty Lou Larson, Legislative Liaison for Catholic Charities Hawaii. While we support the intent of this bill to help families obtain affordable rental housing, we have a few comments regarding the measure.

In this time of fiscal constraint, we feel that other resources are available to provide a reasonable amount of assistance with rental deposits. The Housing Placement Programs currently provide this type of assistance. They provide grants for rental deposits to help families get back on their feet and successfully pay rent on an ongoing basis.

Grant programs have been successful because they give the families a "fresh start" for their rent and do not require repayment. Since many families spend 50% to 70% of their income on rent, they will have difficulty paying back a loan. A loan program will also have a higher administrative burden because of the staff time that will be needed to collect and process the loan payments. The program would also require a very competent and organized accounting office to ensure that all payments are recorded accurately. If not accounted for correctly, this could create disarray in the program for clients and staff.

We do not want to place a higher administrative burden on the Department of Human Services' Homeless Programs Office, which is currently getting Housing First and other major initiatives underway. These programs are the priorities we feel will best benefit the homeless and at-risk populations.

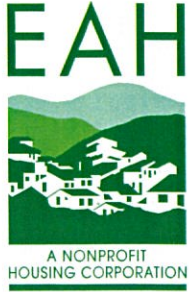
Thank you for the opportunity to provide comments. We thank you for your concern for families facing homelessness.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822
Phone (808)373-0356 -- bettylou.larson@catholiccharitieshawaii.org

• www.CatholicCharitiesHawaii.org





March 27, 2014

Hearing: SB2540, SD2 HD1
Date: Friday, March 28, 2014
Time: 2:00 pm
Room No. 308

Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair

Testimony in Strong Support

Chair Luke, Vice Chairs Nishimoto and Johanson and members of the Committee on Finance, thank you for the opportunity to submit these comments in support of SB2540, SD2, HD1 which will establish a rental deposit loan program in Hawaii. I am Kevin Carney, Vice President – Hawaii of EAH Housing. We are a developer and manager of affordable rental housing primarily serving those with incomes at 60% of the area median income and below. EAH currently manages over 1,600 units of affordable rental housing on Kauai, Maui and Oahu and we are currently developing more affordable rental housing on Oahu in Ewa Beach. EAH has been in operation since 1968 and currently manages over 9,000 units in California and Hawaii.

We have submitted testimony on this measure previously and continue to support its passage because we know how helpful it will be to the many individuals and families that we have been unable to serve because they are unable to raise the required one month's rent security deposit and first month's rent. We believe this is a very practical measure, the results of which will be verifiable. EAH urges you to move this measure to conference so that the differences between the House and Senate can be worked out and an appropriation amount determined.

Thank you again for this opportunity to express our support of this measure.

Sincerely yours,

Kevin R. Carney, (PB) NAHP-E
Vice President, Hawaii

George S. Massengale
4348 Waiialae Avenue, #501
Honolulu, HI 96816

March 27, 2014

Hawaii State Capitol
Committee on Finance, Representative Sylvia Luke, Chair, and
Representatives Scott Nishimoto & Aaron Johanson, Vice Chairs

Hearing: SB2540, SD2, HD1
Date: Friday, March 28, 2014
Time: 2:00 p.m.
Place: State Capitol, Rm. 308

Testimony in Support

Thank you for the opportunity to provide testimony in strong support of SB2540, SD2, HD1. This bill if enacted would create a rental deposit loan program, which would assist many of our low income families, seniors and individuals, and even the homeless in accessing long term housing.

I'm submitting this testimony today as a former board member of Housing Hawaii. Needless to say I'm sure that the members of the committee are aware that Hawaii has a housing crisis which impacts our low income residents.

With respect to this measure I would just like stress three points that you should be aware of. First, a number states including; New Hampshire, Massachusetts, Connecticut, Washington, and seven counties in California have established successful rental deposit loan programs. In all these states the programs are working well, and data indicates a default rate of between 2 and 4%.

The second point I would like to make, is the impact the loan deposit program would have on our social services and homeless providers. As people move form transitional housing to permanent housing, beds and services become available for other families and individuals who could benefit from those services.

My final point is, that for every \$1 million invested in the program, 225 family units representing 900 individual family member would be able to access better housing.

In closing I would just add that this is a good bill, it would provide a realistic mechanism for removing the high cost burden from moving from what may be unsuitable housing to a unit better suited to meet a families or individual's specific needs. Perhaps moving closer to a place of employment, a better school for their children, or a family member who my be providing child care so a mother can work.

Please move this measure forward so that the differences between the Senate and House versions can be worked out.

Respectfully,

A handwritten signature in black ink, appearing to read "G. Massengale", written in a cursive style.

George S. Massengale

LATE



March 28, 2014, Friday
House Committee on Finance
Representative Sylvia Luke, Chair
Testimony in Strong Support of SB2540, SD2 HD1

Chair Luke and Members of the Committee on Finance,

Thank you for the opportunity to submit testimony in support of SB2540. Housing Hawaii is a non-profit advocacy agency supports and advocates for affordable housing in Hawaii. We have submitted testimony in support of this bill as it worked through the legislative process this session. This program, if enacted, would add to the menu of services for homelessness in a very positive way. It is not so much that it would take homeless persons off the streets, as it will prevent those at risk of becoming homeless and adding to our burden of eliminating homelessness. It is a much more cost effective way of addressing homelessness.

Mahalo for your consideration in support of this measure.

Sincerely,

Rene Berthiaume, Vice President
Board of Directors, Housing Hawaii