



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:

Amended Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

**HOUSE COMMITTEE ON HUMAN SERVICES
HOUSE COMMITTEE ON HOUSING**

March 18, 2014 at 9:30 a.m.
State Capitol, Room 329

In consideration of
S.B. 2540, S.D. 2
RELATING TO HOUSING.

The HHFDC *offers the following comments* on S.B. 2540, S.D. 2.

We do not believe the proposed program has been fully vetted. The estimated demand for the rental deposit loan program has not been quantified. The Department of Human Services operates several grant programs which serve similar needs -- the Housing Placement Program for TANF eligible families, the State Homeless Emergency Grant Program, and the federal Emergency Solutions Grant program (which operates on the neighbor islands). We are uncertain what percentage of the population in need of rental deposit assistance is being served by the DHS programs and the receptiveness for assistance in the form of a loan versus a grant.

We also note that HHFDC's mission is to facilitate the development of housing statewide. The bill mandates HHFDC to enter into grants with nonprofit corporations pursuant to Chapter 103F, HRS, which governs purchases of health and human services. HHFDC does not administer Chapter 103F contracts and has no experience in this area. Accordingly, this bill should be amended to remove HHFDC as the administering agency.

Thank you for the opportunity to testify.



HAWAII SUBSTANCE ABUSE COALITION

SB2540 SD2 HOUSING: Rental Loan Program

- COMMITTEE ON HUMAN SERVICES: Representative Mele Carroll, Chair; Representative Bertrand Kobayashi, Vice Chair
- SENATE COMMITTEE ON HOUSING: Representative Mark Hashem, Chair, Representative Justin Woodson, Vice Chair
- Tuesday, March 18, 2014 at 9:30 a.m.
- Conference Room 329

HSAC Supports SB2540 SD2:

Good Morning Chair Carroll, Chair Hashem; Vice Chair Kobayashi, Vice Chair Woodson; 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.*



Housing Hawaii

Advocating Creating Maintaining Affordable Housing

March 16, 2014

Hearing: SB2540, SD2
Date: Tuesday, March 18, 2014
Time: 9:30 a.m.
Room No. 329

Committee on Human Services
Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice Chair

Committee on Housing
Representative Mark Hashem, Chair
Representative Justin Woodson, Vice Chair

Testimony in Strong Support with Amendments

Chairs Carroll and Hashem and members of the Committee on Human Services and Committee on Housing. Mahalo for the opportunity to submit these comments in support of SB2540, SD2 which will establish a rental deposit loan program in Hawaii. My name is Rene Berthiaume and I am the Vice President of Housing Hawaii Inc., a nonprofit organization created 9 years ago to advocate for affordable housing for the people of Hawaii.

Housing Hawaii has submitted testimony in support of this measure previously. I'm sure this committee is aware that one of the major barriers encountered by anyone who desires to move is the need to have a rental deposit along with a first months rent. In Hawaii this barrier is profound for the working homeless, seniors on fixed incomes, and 22% of our states families who qualify as the working poor. Additionally the federal poverty level for Hawaii is too low when compared with Hawaii's high cost of living.

Prior to the introduction of SB2540, Housing Hawaii had initiated discussion with the Hawaii Housing Finance Corporation (HHFDC), regarding the creation of a "best practices" revolving loan fund to provide loans to qualified low income families and individuals so they could improve their living situation. Needless to say HHFDC was supportive however they did not feel they could administer the program. During the first hearing of SB2540 on January 28, 2014, HHFDC offered testimony stating that "HHFDC does not administer Chapter 103F contracts and has no experience in this area". Our organization concurs with this view and we recommend the following amendments.

Proposed Amendments

Housing Hawaii, would recommend that this measure be amended, by creating a new part to Chapter 346, thus moving the revolving fund program to DHS (BESSD Division). Doing so

would allow for better coordination and facilitation between the various programs and services for housing, seniors, the homeless, and low income families.

Our second amendment pertains to the parties to the contract, page 3, line 19 item “(f). A three-party contract shall be required for participation in the rental deposit loan program. The parties to the contract shall be the nonprofit organization operating the program on behalf of the corporation, the tenant, and the rental property owner or the owner's agent.” We recommend that **the contract be a two party contract between the tenant and the property owner or his agent.** The role of the nonprofit organization administrating the program would be that of a facilitator between the two parties. As the organization providing the loan funds. The nonprofit entity would establish a separate agreement with the individual(s), requesting the load.

The third amendment pertains to whether or not the nonprofit should be a grantee or a contractor to DHS. In their testimony at the January 28, 2014 hearing the State Procurement Office offered the following testimony regarding HRS chapter 103F.

“HRS chapter 103F for purchases of health and human services does not have a grants award process. Pursuant to HRS §103F-401, “all contract for purchases of health and human services shall be awarded by competitive purchase of services...” unless another chapter 103F method of selection (restrictive, treatment, small purchases, or crisis purchase of services) is utilized. Contracting with other government agencies, such as counties, is exempt under HRS Chapter 103F. It is appropriate to select non-profit agencies to administer the grants program competitively pursuant to HRS 103F and suggests the following change “The corporation shall **contract** non-profit agencies pursuant to chapter 103F...””

We would strongly recommend to the Committee’s that the nonprofit entities involve be as contractors pursuant to the recommendation of the State Procurement Office **“The corporation shall contract non-profit agencies pursuant to chapter 103F...”**

In closing I would just like to reiterate why this bill is important. A revolving fund that would provide the up front cost would enable many of or residents, including the homeless, seniors, and working poor the ability to obtain more suitable housing than what they reside in presently. This could mean a move from transitional to a more permanent rental unit or an upgrade from a 1 bedroom unit housing a family of 4 or more to a more comfortable 2 or 3 bedroom unit. It may also allow a family sharing a home with others to move into their own apartment.

Please pass SB2540, SD2 so that it may move the House Finance Committee for further hearings, and a determination of funding requirement necessary to get the program up and running. SB2540, SD2 is a very good pragmatic common sense measure that will provide both hope and assistance to many of our residents who have contemplated moving but are unable to do.

Mahalo,

Rene’ Berthiaume
Vice President
Board of Directors



Community Alliance *for* Mental Health

March, 18, 2014

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To: House Committees on Health and Housing
Re: SB 2540, SD 2

Aloha Representatives Carroll, Hashem, and the members of their committees,

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

The bill is elegant in it's 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.

Scott Wall
VP/ Legislative Advocate
Community Alliance for Mental Health

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March 17, 2014

Hearing: SB2540, SD2
Date: Tuesday, March 18, 2014
Time: 9:30 a.m.
Room No. 329

Committee on Human Services
Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice Chair

Committee on Housing
Representative Mark Hashem, Chair
Representative Justin Woodson, Vice Chair

Testimony in Strong Support with Amendments

Chairs Carroll and Hashem and members of the Committee on Human Services and Committee on Housing, thank you for the opportunity to submit these comments in support of SB2540, SD2 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. We currently manage over 1,600 units of affordable rental housing on Kauai, Maui and Oahu. EAH has been in operation since 1968 and currently manages over 9,000 units in California and Hawaii.

Based on our working experience with families, singles and seniors in need of housing, EAH strongly support SB 2540 SD2. As members of Housing Hawaii we also support the proposed amendments submitted with their testimony. These amendments include:

1. Create a new part to Chapter 346, thus moving the revolving fund program to DHS (BESSD Division). Doing so would allow for better coordination and facilitation between the various programs and services for housing, seniors, the homeless, and low income families.
2. Amend page 3, line 19 item “(f)”: A three-party contract shall be required for participation in the rental deposit loan program. The parties to the contract shall be the nonprofit organization operating the program on behalf of the corporation, the tenant, and the rental property owner or the owner's agent. It is recommended that **the contract be a two party contract between the tenant and the property owner or his agent.** The role of the nonprofit organization administrating the program would be that of a facilitator between the two parties. As the organization providing the loan funds, the nonprofit entity would establish a separate agreement with the individual(s), requesting the load.
3. The third amendment pertains to whether or not the nonprofit should be a grantee or a contractor to DHS. In their testimony at the January 28, 2014 hearing the State Procurement Office offered the following testimony regarding HRS chapter 103F.

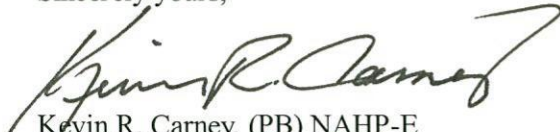
“HRS chapter 103F for purchases of health and human services does not have a grants award process. Pursuant to HRS §103F-401, “all contract for purchases of health and human services shall be awarded by competitive purchase of services...” unless another chapter 103F method of

selection (restrictive, treatment, small purchases, or crisis purchase of services) is utilized. Contracting with other government agencies, such as counties, is exempt under HRS Chapter 103F. It is appropriate to select non-profit agencies to administer the grants program competitively pursuant to HRS 103F and suggests the following change "The corporation shall **contract** non-profit agencies pursuant to chapter 103F..."

We would strongly recommend to the Committee's that the nonprofit entities involved be contractors pursuant to the recommendation of the State Procurement Office "**The corporation shall contract non-profit agencies pursuant to chapter 103F...**"

Please consider these proposed amendments and pass SB2540, SD2 so that it may move to the House Finance Committee for further hearings, and a determination of funding requirement necessary to get the program up and running. Thank you again for this opportunity to express our support of this measure.

Sincerely yours,



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

March 18, 2014

The Honorable Mele Carroll, Chair
House Committee on Human Services

The Honorable Mark J. Hashem, Chair
House Committee on Housing
State Capitol, Room 329
Honolulu, Hawaii 96813

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

HEARING: Tuesday, March 18, 2014, at 9:30 a.m.

Aloha Chair Carroll, Chair Hashem, and Members of the Joint Committees:

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**, which establishes a Rental Deposit Loan Program within the Hawaii Housing Finance and Development Corporation to assist low-income and homeless individuals and families in obtaining affordable rental housing.

HAR recommends that the three-party contract referenced in this measure should be a two-party contract between the nonprofit organization operating the program on behalf of the corporation and the tenant.

In general, if a tenant decides to borrow funds for a 24 month term to pay a security deposit, an agreement is made only between the lending institution (lender) and the tenant (borrower). The tenant would receive the loan and pay the deposit to the landlord. The lender would not require notice from the landlord or pay the deposit directly to the landlord. If a tenant moves out before the 24 month term, the tenant would still owe the balance to the lender pursuant to its contractual arrangements. At that point, it should be the tenant's decision to either repay the loan with the lender or use it to find another rental opportunity.

By removing the landlord from the loan process, it would help to alleviate any conflicts between the party contract and the Landlord-Tenant Code. As such, we have attached amendments.

Mahalo for the opportunity to testify.

Page 3-4:

(f) A two-party contract shall be required for participation in the rental deposit loan program. The parties to the contract shall be the nonprofit organization operating the program on behalf of the corporation and the tenant, and the rental property owner or the owner's agent. The contract shall include but not be limited to the following terms:

- ~~(1) Agreement by the rental property owner or the owner's agent to accept the security deposit and first month's rent from the nonprofit organization on behalf of the family or individual who will occupy the premises;~~
- (1) Upon execution of the agreement, the nonprofit organization shall encumber or reserve funds through the program;
- (2) Agreement by the tenant to a payment schedule of a specific number of months not to exceed twenty-four months; provided that the deposit held by the owner or owner's agent shall be returned directly to the tenant upon vacating the premises;
- ~~(4) At any time during the term of the lease agreement, any claims made by the owner or owner's agent against the tenant shall only be against the tenant and not against the nonprofit organization; and~~
- ~~(5) If a deduction from the security deposit is required, the deduction shall be taken only to the extent permitted by the contract and in the manner provided by law, including notice to the legal agency or organization. The tenant shall have no direct use of security deposit funds during the term of the repayment agreement.~~

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

March 17, 2014

Hawaii State Capitol
Committee on Human Services, Representative Mele Carrol, Chair
Committee on Housing, Representative Mark Hashem, Chair

Hearing: SB2540, SD2
Date: Tuesday March 18, 2014
Time: 9:30 a.m.
Place: State Capitol, Rm. 329

Testimony in Support

Thank you for the opportunity to provide testimony in strong support of SB2540, SD2. This bill would create a rental deposit loan program. The program 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 both committees' are aware that Hawaii has a housing crisis which impacts our low income residents.

One of the factors contributing to this crisis is the federal poverty level, which for Hawaii is too low when compared our state's high cost of living. Another factor and major barrier preventing families and individuals from moving from less that adequate housing to more suitable housing, is the requirement by rental property managers and landlords that a prospective tenant pay in advance their first months rent as well a security deposit equal to the first months rent. For many of our hard working poor residents this barrier is very hard to overcome.

With respect to the measure before you today 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 needing to access 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, and when enacted will provide a realistic mechanism from 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.

Once again thank you for allowing this testimony here today.

Respectfully,
George S. Massengale



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

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TO: Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice Chair
Members, Committee on Human Services

Representative Mark Hashem, Chair
Representative Justin Woodson, Vice Chair
Members, Committee on Housing

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committees on Human Services & Housing
Tuesday, March 18, 2014 at 9:30 a.m. in Conf. Rm. 329

Testimony in Support of SB2540 SD2, Relating to Housing.

Thank you for the opportunity to offer comments regarding SB2540 SD2, 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 would also like to share further information with the committee.

The Department of Human Services, through its Homeless Programs Office, currently contracts with nonprofit organizations to provide similar services for first month's rent, security deposit, and utility deposits through the existing Housing Placement Program (HPP) and State Homeless Emergency Grant & Loan program (SHEG). We note that the SHEG program provides grants, as well as loan assistance, to low-income individuals or families seeking to obtain or maintain long-term rental housing. The nonprofit organizations responsible for administering HPP and SHEG include PHOCUSED member organizations, such as Helping Hands Hawaii and Catholic Charities Hawaii.

In addition to the security deposit assistance available through HPP and SHEG, the Department of Human Services also offers partial security deposit assistance to individuals currently receiving financial assistance through TANF, TAONF, GA, or AABD.

In recognition that State financial sources are limited, PHOCUSED has some concerns about establishing a new program when current programs already exist to address the needs raised by proponents of this legislation.

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.