

Sovereign Councils
of the



Hawaiian Homelands
Assembly

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Annie Au Hoon
Administrator

March 31, 2014

To: **Senator David Ige, Chair**
Senator Michelle Kidani, Vice Chair & Members of the Senate
Committee on Ways & Means

From: **Kali Watson**
Chairman of Statewide Economic/Housing Development
SCHHA
Honolulu, Hawaii 96792

Re: **Hearing on SCR 118 on DHHL Report Concerning Rental Housing**
April 1, 2014 at 9:00 am
Hawaii State Capitol, Room 211

TESTIMONY IN SUPPORT

Dear Chair Ige, Vice Chair Kidani and Members:

Thank you for the opportunity to provide testimony in support of SRC 118 requesting that DHHL submit a report to the legislature regarding its policy to develop rental properties for its beneficiaries while maintaining their place on the waiting list.

With over 23,000 on the residential waiting list, housing is and should be the number one priority for DHHL. However, with settlement money coming to an end, fewer and fewer people being able to qualify for large mortgages needed for the new residential housing being built by the Department's contractors, it's time for the department to look at ways to help its beneficiaries in other effective ways, especially those not in a position to buy a home because of social/economic problems that plaque so many of our beneficiaries. A combination of rent to own housing and resource centers used to better position them through counseling and access to employment and education are steps in the right direction. Using the Kaupuni ahupuaa approach with its net zero energy and community farming sustainability program is culturally consistent, but clearly possible. This can and should be done on a large statewide scale. But this takes money. In examining the Department's past practices, it's very apparent that the Department is not maximizing and leveraging its resources to the fullest extent possible.

Other housing products should also include Rental Housing for low-income families (transition into homesteading program) and kupuna housing (Eg's - Hale Makana O Nanakuli, Waimanalo Kupuna Housing). Both used low-income housing tax credits, bonds and the HHFDC Rental Housing Trust Fund. The Legislature is on the right track in providing more funding to the RHTF because it provides the gap funding needed by affordable housing developers. Many projects would not be possible without this funding source.

Additionally, Community/learning centers/charter schools are needed throughout the homesteading communities. Bring other social agencies with their various resources into the communities – Waianae Comp, Kamehameha, QLCC, CNHA, Hawaiian Community Assets, UHWO, OHA, Ho'okulaiwi, Waianae

Maritime Academy, Na Mea, Charter Schools such as Ka Waihona, Native Hawaiian Hospitality Assn (NaHHA), Homestead Associations, etc.) A good example is Molokai's Kulani O Iwi where DHHL, OHA, Alu Like, QLCC, and Kamehameha combined to create a multi-service center. An advisory council made up of these and other entities should be formed and have regular monthly meetings. Similarly, Nanakuli Hawaiian Homestead Community Association is working with Kamehameha Schools, Waianae Comp., Ho'okulaiwi and UHWO to fulfill their dream of the Nanakuli Village Center.

For those that cannot qualify for the large mortgages, building rent to own housing provides a viable alternative. In many cases, the only alternative. This approach has already been used in Kapolei Village 6 – Ho'olimalima 71-unit Project. I'm glad to see that DHHL is moving forward with such a project in Kona. For others, regular long-term rentals make sense. Dedicated kupuna housing and managed low-income rentals for the homeless are needed for a large segment of our beneficiary population.

Such an initiative requires significant planning, major financial and personnel commitments on the part of the Department. The past practice of using most of its resources to build infrastructure needs to be reexamined, especially where infrastructure costs are extremely prohibitive and not justified relative to beneficiary impact numbers– eg. Waiohuli/Keokea \$20M spent, but few homes built. Significant settlement money and 70% of NAHASDA goes to infrastructure. A reprogramming of money and resources to implement a revised 5 year strategic plan is critical. Community involvement and support can be expected if the various homestead associations are part of the planning and implementation. Existing PBR general plans need to be revisited.

The Sovereign Councils of the Hawaiian Homelands Assembly, formerly the State Council of Hawaiian Homestead Associations was founded more than 25 years ago to unite homestead communities and to advocate for the beneficiaries of the Hawaiian Homes Commission Act of 1921. The SCHHA is the oldest statewide advocacy organization representing the interests of more than 30,000 beneficiaries and families residing in the communities of the Hawaiian Home Land Trust. Its mission is to promote the self determination of native Hawaiians and the well-being of homestead communities. As Chairman of Economic/Housing /Committee, I can appreciate the importance of requesting a DHHL report detailing their position on rental housing. This would be extremely helpful in addressing the lack of affordable housing for our beneficiaries.

I respectfully urge you to pass SCR 118

Sincerely,



Kali Watson
Chairman of Housing/Economic Development



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April 1, 2014

Senate Ways and Means Committee
Conference Room 211
April 1, 2014, 9am



RE: Support Testimony – SCR 118

Aloha Senator Ige and Committee Members,

I am testifying in strong support of SCR 118, a resolution that will require the State Department of Hawaiian Home Lands (DHHL) to report on its policy for rental housing development for occupancy by native Hawaiian beneficiaries. SCR 118 will be the first step in a broader action on increasing access to affordable rental housing for our families most in-need, reducing the state's homelessness epidemic, and providing a sustainable path to permanent housing for our next generation of homeowners, including the 26,550 individuals currently waiting for their lease award on Hawaiian home lands.

My name is Jeff Gilbreath, Executive Director of Hawaiian Community Assets, a HUD-certified housing counseling agency and Native community development financial institution providing access to financial education and capital to assist very-low and low-income Native Hawaiians secure and sustain permanent housing. Founded in 2000 our organization has served more than 13,000 individuals with free financial education since our inception, assisting 1115 low-income families secure or sustain housing across the state.

Our programs are rooted in a philosophy of kahua waiwai, or foundation of wealth, which views the home as the kahua, a stable foundation that provides for the sharing of spiritual, cultural, and social wealth, waiwai. This philosophy is manifest in a comprehensive service model that includes group education, individualized counseling, and match savings and micro-loans to assist low-income individuals and families move from the beach to the biggest investment in their life – a home.

In our experience, delivering services to native Hawaiian beneficiaries across the state, we see this resolution as providing a pathway to housing for thousands of individuals waiting for their Hawaiian homes lease, but most importantly, a bridge to permanent housing and a breaking of the cycle of homelessness for our kupuna, our disabled, and our children and their single parents.

Increase Access to Affordable Rental Housing

HCA recently completed a 3-year pilot project funded by the Office of Hawaiian Affairs and Administration for Native Americans to assist homeless individuals residing in transitional shelters on the Leeward Coast of Oahu with financial education, rental housing counseling, and financial products to increase transition into permanent housing. Through the project, HCA provided services to 382 individuals residing in 3 transitional shelters – Ulu Ke Kukui, Ohana Ola o Kahumana, and Kumuhonua. Overall, the project was successful in assisting 142 homeless families secure rental housing with 78 being Native Hawaiian families, providing stable, permanent housing to 149 homeless Native Hawaiian children and adults. Furthermore, according to our Final Project Report released January 2014:

- 57% of project participants identified themselves as Native Hawaiian
- 10% of all participants reported being native Hawaiian beneficiaries with the majority above age 62 and living on approximately \$640 in social security income
- 38% of all participants were surviving on Social Security income
- \$1,118.92 was the average monthly income of participants
- 6 out of 10 individuals served verified they receive some form of public assistance including Med-Quest/Medicare, Disability, Unemployment Insurance, Welfare, or Veterans Benefits.
- The average Native Hawaiian family served through the project would qualify for less than \$80,000 in mortgage financing.

In light of the fact that our state is dealing with an affordable housing crisis, a crisis that has swept up native Hawaiian families, the community and DHHL have the opportunity to think broader, more up-to-date, and dynamic about housing, especially for those most in-need – our elderly, our disabled, and our children and their parents.

SCR 118 would set in-motion a plan for increasing access to affordable rental housing for those of us most in-need.

Revive a Sustainable Path to Homeownership

In our work providing homebuyer education and counseling over the last 13 years, affordable rental housing is seen as a stepping stone to realizing the dream of homeownership. Based on a sampling of 304 native Hawaiian beneficiaries enrolled in HCA's homebuyer program in 2013, the average median-income beneficiary family could qualify for \$202,830 in mortgage financing, despite the fact that the median sales price on Hawaiian home lands was reported at \$278,750. If those same families had access to affordable rental housing and 36 months of HUD-certified housing counseling, they could qualify for as much as \$263,882. The problem is, with a Fair Market Rent of \$1,862 for a 2-bedroom apartment in Honolulu County, they cannot find affordable housing to live in while working toward their long-term housing goals. Furthermore, subsidizing mortgages of native Hawaiian beneficiaries held by financial institutions is not a long-term plan to achieve sustainable and affordable, permanent housing. In fact, even on Hawaiian home lands families have seen purchase prices increase over time based on this approach employed by DHHL.

SCR 118 will help revive a path to sustainable homeownership for our next generation of median-income native Hawaiian homeowners.

Prevent Homelessness Due to Foreclosure and Lease Cancellation

Lastly, the mortgage delinquency crisis on Hawaiian home lands compels the community, DHHL, the State Legislature and the Governor to act quickly to provide a safety net for the 23.9% of native Hawaiian homeowners – or approximately 724 – are at least 30 days late on their mortgage. According to HCA client data on native Hawaiian homeowners served with lease cancellation prevention services since October 1, 2012, 79% of these families are late due to loss of income. In 2013, DHHL referred 143 families to lease cancellation for being delinquent on their mortgage, threatening an estimated 572 children and adults with the prospect of joining the state's homeless epidemic.

SCR 118 will prevent homelessness in the event that families experiencing foreclosure and lease cancellation due to loss of income and other financial hardships.

Local and National Expertise to Report and Strengthen DHHL Policy

The possibility of what SCR 118 presents can be seen in the recent Hale Makana o Nanakuli rental housing complex. Through the beneficiary-led development project 48 very-low and low-income families secured permanent housing on the Waianae Coast. The Nanakuli Homestead beneficiaries and the Hawaiian Community Development Board provided the blueprint for how development can be accomplished on Hawaiian home lands. Similar projects like Kupuna Hale in Waimanalo also lend themselves to the opportunity of rental housing development on Hawaiian home lands in insuring the kupuna are provided a healthy, stable home as they live out their days. Fortunately, DHHL has these two projects as clear guidance on policy for rental housing development.

Across the nation, nonprofit developers have opened the door for innovation and affordability for very-low and low-income families. One of the nation's leading nonprofit developers is Rural Community Assistance Corporation (RCAC), a nationally recognized organization serving the community development needs of 13 states in the Western part of the Continent and Hawaii. RCAC has experience working in Hawaii and providing access to affordable rental housing. Fortunately, DHHL also has RCAC as a resource to provide expertise in guiding the Department's policy on rental housing development. RCAC was awarded approximately \$725,000 in grant funds from HUD through ONAP (Office of Native American Programs) to provide DHHL technical assistance as it relates to their NAHASDA allocation. In short, the local expertise of the Nanakuli Homestead beneficiaries and the Hawaiian Community Development Board and national expertise of RCAC are shovel-ready for DHHL to tap into for both reporting on, and strengthening, their policy to develop rental properties for occupancy of native Hawaiian beneficiaries.

The reality of this situation is that the stars are aligned. The demand for affordable rental housing is extremely high. The number of native Hawaiian beneficiaries unable to qualify for a mortgage is extremely high. The call for affordable rental housing development has been articulated by community as evidenced in the Native Hawaiian Housing Plan and the results of the State Task Force on Affordable Housing. The local and national expertise available to assist DHHL on this endeavor is here. Now is the time to seize this opportunity to lay the foundation to increase access to affordable rental housing, to prevent homelessness for families at-risk of losing their home to mortgage delinquency, and to provide a bridge for rising generations and those most in-need to realize affordable, permanent housing on their ancestral lands.

Mahalo for your consideration and leadership in supporting SCR 118.

Sincerely



Jeff Gilbreath
Executive Director
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