EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

February 25, 2016

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

FROM: Scott Morishige, MSW, Governor's Coordinator on Homelessness

SUBJECT: **HB 2638 HD1 – RELATING TO PUBLIC HOUSING**

Hearing: Thursday, February 25, 2016, 1:00 p.m.
Conference Room 308, State Capitol

POSITION: The Governor's Coordinator on Homelessness offers written comments, and defers to the Hawaii Public Housing Authority (HPHA) in regards to specific details related to implementation, including cost implications generated by this proposal.

PURPOSE: The purpose of the bill is to authorize the HPHA to impose maximum rental periods of five years for state low-income housing projects which receive state funds for repair and maintenance or capital improvement, provided that the maximum rental periods to not apply to tenants who are disabled or 65 years of age or older. The bill will also require rates for the five-year rentals to be fixed for the entire term of lease, and establish a trust account for the HPHA to provide matching funds for tenants who choose to participate in those five-year rentals. In addition, the bill authorizes general obligation bonds and appropriates an unspecified amount of funds for repair and maintenance, as well as establishment of the savings accounts.

A major barrier to addressing the issue of homelessness in Hawaii is the lack of affordable housing inventory, particularly for households whose incomes are below 30% of the Area Median Income (AMI). This measure appears to address the lack of affordable inventory by attempting to create greater efficiencies within the state's low-income housing projects, which may lead to increases in availability of inventory for the very low-income. Accordingly, this measure appears to align with Goal 2, Objective 4 of the Hawaii Interagency Council on Homelessness Strategic Plan to End Homelessness, which is to "create and preserve affordable housing for people at 50% and below of area median income."

The Coordinator notes that the section of this bill relating to the establishment of a matched savings account is similar to the matched savings component of the HPHA's current Family Self-Sufficiency (FSS) program. The FSS is a voluntary program in which HPHA establishes an interest-bearing escrow account for each participating family that consents to receiving FSS case management services. As the family's income grows, funds are deposited into the escrow account for the family, who is eligible to receive the funds at the completion of the program. In October 2015, one FSS family received a check for $30,500 in savings, which had been accrued over a period of five years.

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

DAVID Y. IGE
GOVERNOR

HAKIM OUANSAFI
EXECUTIVE DIRECTOR

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DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
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BARBARA E. ARASHIRO
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Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

HOUSE COMMITTEE ON FINANCE

February 25, 2016 1:00 P.M.
Room 308, Hawaii State Capitol

In consideration of

House Bill 2638, HD 1
RELATING TO PUBLIC HOUSING

Honorable Chair Luke and Members of the House Committee on Finance, thank you for the opportunity to provide **comments** regarding House Bill (HB) 2638,House Draft (HD) 1 relating to public housing.

The purposes of this measure are to: authorize the Hawaii Public Housing Authority (HPHA) to impose maximum rental periods of five years for state low-income housing projects which receive state funds for repair and maintenance or capital improvement, provided that the maximum rental periods do not apply to tenants who are disabled or 65 years of age or older; require rates for the five-year rentals to be fixed for the entire term of lease; establish a trust account for the HPHA to provide matching funds for tenants who choose to participate in those five-year rentals; authorize GO bonds; and appropriate funds.

The HPHA agrees that multigenerational public housing is an issue that should be addressed and is one of the main reasons for long waiting lists. The HPHA appreciates the intent of this measure to assist us in achieving the goal of graduating tenants out of public housing, incentivizing tenants to remain in State public housing for a limited tenancy, and to practice financial savings and planning. However, in its current form, this measure will result in some unintended consequences, and poses the following important questions and serious concerns:

1. Is the intent of this measure to serve only families on the “five year program” waiting list or to also utilize the current State public housing waiting list?

2. As written, the measure would only allow the HPHA to renovate a vacant unit if an eligible family agrees to be in the new program. If there are no families on the waiting list for the new program, is the intent of the measure to hold the unit vacant indefinitely until there is interest?

   As an alternative, the HPHA suggests establishing an admissions preference for qualified applicants as an incentive to participate in the program, rather than only admitting families on a five-year limited basis.

3. Does “as a condition of renovation” mean that the HPHA cannot renovate a unit until the applicant is deemed qualified? If so, it is likely that there will be a delay between the applicant’s approval and when the applicant can move in for the renovation.

4. The exemption of individuals who “are sixty-five years of age or older” is inconsistent with the Hawaii Administrative Rules definition of “elder” or “elderly” as “a person who … has attained the age of sixty-two year”, as well as the definition of “elder or elderly household” which means “a household in which at least one member is sixty-two years of age, the spouse or partner has attained the age of majority, and the remaining members have attained the age of fifty-five years at the time of application to the project…” *See* HAR section 15-186-2.

5. For the exemption from the maximum rental period of “individuals who are disabled or are sixty-five years of age or older,” should the individual be a head of household or just a household member?

6. If an applicant turns 65 within the five year period, will the applicant be entitled to all or a portion of the funds, or will the applicant not be allowed to participate in the program altogether?

7. If a tenant is nonelderly upon application and admission to this program but becomes elderly during the five year tenancy, can they upon termination qualify for State Elderly Housing without having to pay back the trust fund monies?

8. Can a participant of this program that “graduates” from the program participate thereafter in Federal Public Housing or the Section 8 program?

9. HRS section 356D-44, *Administration of state-low income public housing projects and programs*, is very specific, and does not provide for broad HPHA powers. Rather, subsection (a) provides that HPHA “shall construct, develop, and administer property or housing for purpose of state-low income public housing projects and programs.” HRS section 356D-41 defines "Administer" or "administration" as “the management, operation, maintenance, and regulation of any state low-income housing project. It also includes any and all undertakings necessary therefor.” When read together, HRS sections 356D-4 and HRS 356D-44 do not clearly authorize HPHA to establish/maintain tenant “trust accounts.” Also, what does “trust account” mean? This term should be defined.

10. As written, there are significant differences and areas of conflict between the proposed changes to the State Public Housing Program and the Federal FSS program. The measure's requirement that participants participate in the FSS Program should be deleted as only Federal Public Housing and Section 8 tenants are eligible for the program.

11. There is currently no HPHA statute establishing a "FSS-style/fund matching" program for State public housing. There is only the Federal FSS program under 42 U.S.C. 1437u and 24 CFR Part 984, which is very different than what this bill proposes. See https://www.gpo.gov/fdsys/pkg/CFR-2013-title24-vol4/pdf/CFR-2013-title24-vol4-part984.pdf The Federal FSS does NOT provide for fund matching as this bill proposes. 24 CFR 984.305(a) also requires PHAs to deposit FSS tenants' funds into a single depository account in one or more of the HUD-approved investments. This bill is concerning as it turns HPHA into a financial institution/bank for tenants, where HPHA holds the funds, unlike the federal FSS program. HPHA is not set up to be a bank. Therefore, this measure should include a section providing the establishment of a "Family Self-Sufficiency Program for State Public Housing" that details the requirements of the program, how to participate in the program, termination, funding matching, etc.

12. Currently, the HPHA's contract with the City and County of Honolulu to run the FSS program has an annual budget of $284,150, which covers a total of approximately 100 participants.

13. The proposed bill also states that "no tenant subject to this section who is evicted from the tenant's unit for cause by the authority shall be eligible to receive any matching funds pursuant to subsection (d)". Is the tenant's trust account affected upon eviction? If so, how? Are there additional penalties for a tenant who is evicted, but has benefitted from the minimum rent during their tenancy?

14. We suggest, if possible, that the trust account funds be restricted towards purposes of providing housing.

15. Proposed HRS section 356D-43(c) may conflict with existing HRS section 356D-43(a). HRS section 356D-43(c) states that the HPHA shall fix the rate for the entire rental period "at the minimum amount of rent set by the authority for state-aided family public housing project units with the same number of bedrooms" whereas HRS section 356D-43(a) states that the HPHA shall fix rates that "will produce revenues that will be sufficient to pay all expenses of management, operation, and maintenance, including the cost of insurance, a proportionate share of the administrative expenses of the authority to be fixed by it, and the costs of repairs, equipment, and improvements, to the end that the state low-income housing projects shall be and always remain self-supporting." The proposed "fixed minimum rate" for the entire period may not be self-supporting for the State Public Housing Program.

The HPHA suggests that this section be amended from "shall fix the rates" to "may fix the rates" to avoid consequently having the elderly and disabled (who are not participating in the five-year program) left to pay higher rents to cover the loss of rent revenue. Alternatively, the HPHA requests the Legislature fund a permanent operating subsidy for the State public housing programs.

16. Any references to the "department of human services" should be replaced with the "authority".

17. In addition to the establishment of positions to manage the funds of the trust accounts, positions will be necessary for maintenance and repair of units. The establishment of time limits will increase unit turnover in State public housing and thus increase the number of maintenance staff needed at each property.

18. Based on the HPHA's analysis of the current tenant population in State public housing, approximately 38% of the tenants would be paying the minimum rent and would not be eligible for any matching funds at the end of five years. An additional 10% of the current public housing population would earn less than $10,000 after five years in savings and matching funds and would have their stay in public housing terminated. With $10,000 or less, a family renting in the private rental market would be able to sustain their housing for no more than six months.

    On the flip side, there is a smaller percentage of families who are paying more than the minimum rent who may be eligible for up to $100,000 at the end of the five year time limit period. Currently, this family would not be prevented from applying for and receiving federal housing assistance (e.g., Section 8 housing choice voucher). Potentially, the State could be paying $100,000 only to have this family turn around and continue to receive housing subsidy under another program.

The HPHA welcomes the opportunity to work with the Committee to address these questions and significant concerns to further develop the proposed program to achieve the best outcome to benefit the most vulnerable of our population.

The HPHA appreciates the opportunity to provide the House Committee on Finance with the HPHA's comments regarding HB 2638, HD 1. And, we thank you very much for your dedicated support in addressing the affordable housing crisis in Hawaii.

DAVID Y. IGE
GOVERNOR

RACHAEL WONG, DrPH
DIRECTOR

PANKAJ BHANOT
DEPUTY DIRECTOR

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

February 25, 2016

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

FROM: Rachael Wong, DrPH, Director

SUBJECT: **HB 2638 HD1 – RELATING TO PUBLIC HOUSING**

Hearing: Thursday, February 25, 2016; 1:00 p.m.
Conference Room 308, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) provides comments on this measure. This measure as written does not appear to ensure the available inventory of state low-income housing for able-bodied individuals and families. The Department defers to the Hawaii Public Housing Authority (HPHA) with regards to impact to federal funding if the measure should pass, as well as administrative and other issues related to implementing such a proposal.

PURPOSE: The proposed bill authorizes the Hawaii Public Housing Authority (HPHA) to impose maximum rental periods of five years for state low-income housing projects which receive state funds for repair and maintenance or capital improvement, provided that the maximum rental periods do not apply to tenants who are disabled or 65 years of age or older. Requires rates for the five-year rentals to be fixed for entire term of lease. Establishes a trust account for the Authority to provide matching funds for tenants who choose to participate in those five-year rentals. Authorizes GO bonds and appropriates funds for this purpose.

The Department's focus is to ensure that the low-income individuals and families that we serve are given the opportunities and the resources to pursue the objective of self-sufficiency and self-reliance. The Department supports the concept of the trust account that is proposed in this measure as a resource that aides our families to move towards self-sufficiency.

The Department also understands the desire to establish time limits on public housing tenancies to reestablish the transitional nature of public housing and address multi-generational occupancy of the limited inventory of public low-income housing, which would then address the stagnation of the current waiting list. The measure attempts to address these issues through the creation of maximum rental periods for tenants, though the maximum rental period would not apply to tenants who are disabled or 65 years of age or older.

The Department notes that there is no provision that a set number, or percentage, of public housing units would be set aside for low income individuals and families who are not disabled or 65 years of age or older. Even with such a provision, without an inventory of private low income housing alternatives for able bodied individuals and their families to move to after five years in public housing, time limited tenancies may result in more individuals with families experiencing homelessness.

Additional unintended consequences may include the properties of the public housing authority becoming predominately populated by disabled and elderly tenants that are not time limited, thus revenue from rental receipts may dramatically decrease, retrofitting properties to accommodate disabled and elderly tenants will be required, and eventually, there will be a return to stagnation of the waitlist. With the exception of senior housing facilities, potential violations of the Fair Housing Act may occur if public housing facilities become inaccessible to families with children.

The Department requests that the Committee encourage further dialogue and support funding requested in the Executive Budget for HPHA to maintain, renovate and refurbish existing public housing properties.

Thank you for the opportunity to testify on this bill.

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GCA of Hawaii
GENERAL CONTRACTORS ASSOCIATION OF HAWAII
Quality People. Quality Projects.

Uploaded via Capitol Website

February 25, 2016

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE SCOTT NISHIMOTO, VICE CHAIR, HOUSE COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 2638, HD1, RELATING TO PUBLIC HOUSING.** Authorizes the Public Housing Authority to impose maximum rental periods of five years for state low-income housing projects which receive state funds for repair and maintenance or capital improvement, provided that the maximum rental periods do not apply to tenants who are disabled or 65 years of age or older. Requires rates for the five-year rentals to be fixed for entire term of lease. Establishes a trust account for the Authority to provide matching funds for tenants who choose to participate in those five-year rentals. Authorizes GO bonds. Appropriates funds. (HB2638 HD1)

HEARING
DATE: Monday, February 8, 2016
TIME: 8:30 a.m.
PLACE: Conference Room 329

Dear Chair Luke and Vice Chair Nishimoto and Members,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred seventy general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. GCA's mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

H.B. 2638, Relating To Public Housing would appropriate funds to renovate existing low income housing units to be rented to eligible applicants for public housing who agrees to rent the unit for no more than five (5) years, and who agrees to establish a trust account for the Authority to provide matching funds for tenants who choose to participate in those five year rentals.

The GCA **supports** this measure as another approach to address the need for additional low income housing as the next step for current homeless residents residing in transitional shelters as well as provide an incentive for residents to move into market rental apartment or purchase their own homes by reducing their rent and matching the deposits. The bill should also require that in order for the account holder to receive a state match at the termination of the rental, the deposit be used for the intended purpose and not spent for other purposes.

This proposal could be a pilot project for five (5) years to determine whether the idea works and additional units become available. The GCA recommends that the bill be passed by the House Committee on Finance.