

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HOUSING
ON
HOUSE BILL NO. 827

February 2, 2015

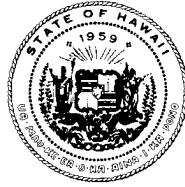
RELATING TO A MIXED-USE RESIDENTIAL PROJECT

House Bill No. 827 authorizes the issuance of general obligation bonds and the appropriation of funds for the planning, design, and construction of the mixed-use project at 902 Alder Street including a juvenile services center.

The Department has technical **comments** on this bill. Federal tax law requires, among other things, that tax-exempt general obligation bond proceeds be used to finance projects/programs that serve governmental public purposes. As it appears that private entities may derive benefit from this legislation, tax-exempt general obligation bonds cannot be used for this purpose should a private entity, such as a private developer/owner of the affordable rental units, derive benefit from the funds appropriated. The State would need to issue taxable general obligation bonds at a higher cost to fund the planning, design and construction of a mixed-use project.

In addition, to the extent that funding for these programs are not in the proposed Executive Budget, should this bill proceed or pass the Legislature, an amount for the corresponding annual debt service will need to be included in the Legislature's version of the budget.

Thank you for the opportunity to provide our testimony on this bill.



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

HOUSE COMMITTEE ON HOUSING

February 2, 2015 at 8:30 a.m.
State Capitol, Room 329

In consideration of
H.B. 827
RELATING TO A MIXED-USE RESIDENTIAL PROJECT.

HHFDC **supports** H.B. 827, which authorizes the issuance of General Obligation bonds and the appropriation of funds for the planning, design, and construction of the mixed-use project at 902 Alder Street, provided that its passage does not replace or adversely impact priorities set forth in the Executive Biennium budget.

The 1.45 acre parcel located at 902 Alder Street is ideal for the proposed development of 180 affordable rental housing units and a juvenile services/shelter. It is zoned A-2 (medium-density apartment), is within one-half mile of the planned Ala Moana rail station, and has adequate water and sewer capacity.

The parcel has been set aside by the State of Hawaii to the Judiciary and was previously used for a Detention Home. Presently, the Judiciary operates two programs at the site. Home Maluhia provides therapeutic counseling and rehabilitative services for status offenders. Hale Hilinai'i provides community-based services and programs for juveniles as part of the detention continuum, with the goal of teaching accountability and building a sense of community.

HHFDC anticipates utilizing existing financing resources for the rental housing component of the mixed-use project. H.B. 827 would provide the necessary financing for the juvenile services/shelter component which is integral to the entire project. Such funding would enable the HHFDC-Judiciary partnership to redevelop an underutilized State-owned site into a mixed-use development that will help to simultaneously address the State's affordable rental housing and juvenile justice needs.

Thank you for the opportunity to testify.



The Judiciary, State of Hawai‘i

Testimony to the House Committee on Housing

Representative Mark J. Hashem, Chair

Representative Jo Jordan, Vice Chair

February 2, 2015, 8:30 AM

State Capitol, Conference Room 329

by

Rodney A. Maile

Administrative Director of the Courts

Bill No. and Title: House Bill 827, Relating to Mixed-Use Residential Projects.

Purpose: To provide an appropriation of funds for the planning, design, and construction of the mixed-use project at 902 Alder St, including a juvenile services center.

Judiciary's Position: Support

The Judiciary supports House Bill 827 that authorizes the issuance of general obligation bonds and the appropriation of funds for the planning, design, and construction of a mixed-use project at 902 Alder Street.

The 1.45 acre parcel located at 902 Alder Street was historically used for Juvenile Detention and is ideal for the development of a Juvenile Services Center to assist youth and families entering the juvenile justice system to minimize their time and penetration into the system. The Judiciary understands the need for affordable housing and is pleased to partner with HHFDC to develop a joint-use project that combines the Juvenile Service Center with affordable rental housing. The Judiciary is aware that the central location of this property makes it ideal for joint development and that this will be the first joint development between the Executive and Judicial Branches of government.

The Judiciary is currently operating two programs at the site. They are: 1) Home Maluhia, a 24/7 shelter that provides therapeutic counseling and rehabilitative services for status offenders, and 2) Hale Hilinai‘i, which provides community-based services and programs for juveniles as part of the detention continuum, with the goal of reducing their recidivism and penetration into the



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juvenile justice system by providing counseling and treatment services, teaching accountability and building a sense of community.

House Bill 827 would provide the necessary funding to cover the costs of development of the Juvenile Services Center which is an essential component of the mixed-use development. The Judiciary is excited at the prospect of redevelopment of this parcel with HHFDC to meet a number of social needs in our community.

Thank you for the opportunity to testify on House Bill 827.