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HAWAII PUBLIC HOUSING AUTHORITY
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Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

HOUSE COMMITTEE ON HOUSING

March 14, 2016 9:00 A.M.
Room 329, Hawaii State Capitol

In consideration of
SB 2563, SD 1
RELATING TO RENTAL HOUSING.

Honorable Chair Hashem and Members of the House Committee on Housing, thank you for the opportunity to provide testimony regarding Senate Bill (SB) 2563, Senate Draft (SD) 1, relating to rental housing.

The HPHA **supports** this measure that proposes to make the projects of the Hawaii Public Housing Authority (HPHA) eligible for grants from the rental housing revolving fund; make the HPHA eligible for the lease of land from the Hawaii Housing Finance and Development Corporation (HHFDC) at token lease; and revise the preferences and priorities for the funding of projects from the rental housing revolving fund.

Without this proposed bill, Hawaii Revised Statute (HRS) Section 201H-204(c) provides that a nonprofit is given preference over an equally ranked project, including the HPHA: "If the corporation, after applying the process described in this subsection, finds a nonprofit project equally ranked with a for-profit or government project, the corporation shall give preference to the nonprofit project in allotting fund moneys."

The HPHA is currently negotiating public-private partnerships to redevelop Mayor Wright Homes, the HPHA School Street Administrative Offices, and Kuhio Park Terrace Phase II. The HPHA is also endeavoring to redevelop several of its other properties within the transit-oriented development (TOD) zones of the Honolulu Rail line, envisioning the creation of vibrant, walkable, accessible and diverse communities. This measure would greatly assist the HPHA with these and other projects that are anticipated to substantially increase the number of affordable housing units.

To further clarify the ranking of preference of projects for funding, the HPHA suggests the following additional amendments to proposed HRS Section 201H-204(d) to read as follows:

> (d) If the corporation, after applying the process described in [~~this~~] subsection[~~,~~] (c) finds [~~a~~] that a Hawaii public housing authority project is equally ranked with a nonprofit project, [~~equally ranked with a~~] for-profit and or government project, the corporation shall give preference [~~to the nonprofit project~~] in allotting fund moneys[~~.~~] in the following order:
>
> (1) The Hawaii public housing project or its nonprofit;
>
> (2) The nonprofit project;
>
> (3) All other projects.

The HPHA appreciates the opportunity to provide the Senate Committee on Ways and Means with the HPHA's position regarding SB 2563, SD 1. We thank you very much for your dedicated support in addressing the affordable housing crisis in Hawaii.

DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
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IN REPLY REFER TO:

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

HOUSE COMMITTEE ON HOUSING
March 14, 2016 at 9:00 a.m.
State Capitol, Room 329

In consideration of
S.B. 2563, S.D. 1
RELATING TO RENTAL HOUSING.

HHFDC ***supports the intent*** of S.B. 2563, S.D. 1, to the extent that it is consistent with the Governor's housing strategy to:

- Build homes that people can afford, including rentals, to address the needs of those entering the work force;
- Renovate the state's public housing facilities; and
- On Oahu, identify state lands near transit stations for housing, employment centers, daycare, senior centers, and community facilities.

As such, the HHFDC stands ready and willing to assist the Hawaii Public Housing Authority with the redevelopment of its rental properties, including those located near to planned public transit stations. This includes the appropriate use of our financing tools, including the Rental Housing Revolving Fund.

Thank you for the opportunity to testify.

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March 13, 2016

Representative Mark Hashem, Chair
Representative Jo Jordan, Vice Chair
House Committee on Housing

Comments, Opposition and Proposed Amendments to SB 2563, SD1 Relating to Rental Housing. (Makes the projects of the Hawaii Public Housing Authority eligible for grants from the Rental Housing Revolving Fund. Makes the Hawaii Public Housing Authority eligible for the lease of land from the Hawaii Housing Finance and Development Corporation at token lease rent. Revises the preferences and priorities for the funding of projects from the Rental Housing Revolving Fund.)

<u>HSG Hearing</u>: Monday, March 14, 2016, 9:00 a.m., Conf. Rm. 329

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

Since the 1970's LURF and its members have built the majority of the housing for low, moderate and all income levels in the State, and have strongly supported affordable housing, including sale or lease for persons with eighty per cent (80%) Area Median Income (AMI) and below, as determined by the United States Department of Housing and Urban Development (HUD); and affordable housing projects or units funded by HUD programs and programs of the U.S. Department of Agriculture rural Development (DOA–RD). LURF members have, and continue to successfully partner with the Hawaii Public Housing Authority (HPHA) and the Hawaii Housing Finance and Development Corporation (HHFDC) on various affordable housing projects.

LURF supports government-funded affordable rental housing built by HPHA and the counties; and strongly supports the Administration's budget requests for HPHA and HHFDC programs. However, LURF must ***OPPOSE*** **portions of SB 2563, SD1**, because it allows HPHA to <u>circumvent the legislative appropriation process</u>; and more importantly, it is <u>*inconsisten*t with the main spirit and intent of the affordable housing programs administered by the HHFDC, which was to provide financing assistance to private, non-profit and other housing developers to build affordable housing</u>.

Perhaps this bill could be **amended** to provide that HPHA could be eligible for any remaining grants or funding administered by HHFDC that would not be used by nonprofits, housing developers and government agencies and would otherwise lapse.

SB 2563, SD1. This bill makes the HPHA eligible for the lease of land from the HHFDC at token lease rent; makes HPHA eligible for grants from the Rental Housing Revolving Fund; and provides new advantages for HPHA, by revising the preferences and priorities for the funding of projects from the Rental Housing Revolving Fund (RHRF). More specifically:

- Section 3 - Allows HPHA, or any successor agency the new authority to compete against nonprofit organizations for lease of HHFDC parcels at $1 per year for ninety-nine years;
- Section 2
    - Adds new RHRF funding source by allowing conveyance tax revenues under section 247-7 to be deposited into the RHRF, without satisfying the *nexus standard* required by Hawaii Revised Statutes (HRS), the State Auditor, and the Department of Budget and Finance;
    - Adds new HPHA authority to compete against nonprofits and other affordable housing developers to obtain RHRF grants and loans;
    - Adds new HPHA priority status for RHRF grants and loans, ahead of HUD-funded projects, ahead of projects funded by the DOA-RD, and ahead of affordable mixed-income rental projects or units;
- Section 3 - Without explanation, abolishes the RHRF program which provided grants for affordable rental units for persons and families with incomes at or below thirty per cent (30%) AMI, which had been in effect from 2005-2009;
- Section 4 –
    - New HPHA authority to compete against nonprofits and other affordable housing developers to obtain RHRF grants and loans, under 201H-203, HRS;
- Section 5 –
    - Without explanation, changes the "preferences" for RHRF grants and loans, as follows:
        - Deletes "*Attached single family units*";
        - Adds "*Semi-attached and side-by-side single-family housing units*";
        - Deletes *"Townhouses"*;
        - Deletes *"Housing"*;

    - Without explanation, changes the RHRF grant and fund allocation application process preferences, as follows:
        - Inserts a new top preference for RHRF grants and loans: *"Are committed to serving families and individuals transitioning from homeless shelters."*
        - Lowers RHRF preference to "Serve the original target group";

    - Lowers RHRF preference to: *"Provide at least five per cent of the total number of units for persons and families with incomes at or below thirty per cent of the median family income";*
    - Lowers RHRF preference to: *"Provide the maximum number of units for persons or families with incomes at or below eighty per cent of the median family income"*;
    - Lowers RHRF preference for: Commitment *"to serving the target group over a longer period of time"*;
    - Lowers RHRF preference to: *"Increase the integration of income levels of the immediate community area"*;
    - Lowers RHRF preference to: *"Meet the geographic needs of the target group of the proposed rental housing project, such as proximity to employment centers and services"*; and
    - Lowers RHRF preference to: *"Have favorable past performance in developing, owning, managing, or maintaining affordable rental housing;"*
  - Without explanation, changes the selection preferences for RHRF grant and fund allocations, by requiring HHFDC to give a new preference to HPHA and award HPHA a grant or loan, if a HPHA project is equally ranked with another project proposed by a nonprofit or for-profit affordable housing developer, or another government agency.

LURF's Position. LURF understands that this measure may be well intended, however, it must **oppose portions of SB 2563, SD1,** and respectfully recommends that this measure be **held** by your Committee, **or amended**, based on, among other things, the following unintended consequences:

- **SB 2563, SD1 circumvents the legislative appropriation process.** LURF understands that HPHA is a State agency that is funded through legislative appropriations for, among other things, its operations, repair, maintenance and capital improvements – and that the legislature scrutinizes these appropriations very closely. This measure would allow HPHA an alternative to obtain unlimited funding for its projects and operations, outside of the legislative appropriation process, by means of a new HPHA *"preference and priority"* relating to obtaining HHFDC grants and loans, under 201H-204. *(C-Effect)*

- **This measure is contrary to the original spirit and intent of HHFDC grants and programs - which was to provide funding assistance to *nonprofits and other housing developers* who face major challenges to finance and build affordable housing.** This bill is also contrary to the original spirit, purpose and intent of the RHRF, which was to provide funding assistance to *nonprofits and other housing developers*, who face major challenges to finance and build affordable housing. LURF understands that the State of Hawaii has the largest income of any entity in Hawaii; and that State has the power to increase State revenues to fund the costs of HPHA programs, by raising the General Excise Tax and/or income tax, as well as through increasing other government taxes and fees. This bill seems unusual because it *"reverses"* the benevolent spirit, purpose and intent of the RHRF program – instead of helping the "little guys" (nonprofits and affordable housing developers), it appears that the **richest person in the State**, is attempting to create a new process, preferences and priorities to funnel millions of dollars to one of its own State department (HPHA), which could possibly shut-out HHFDC funding to assist non-profits and other housing developers to build affordable housing. *(T-Effect)*

- **SB 2563, SD1 establishes new processes, preferences and priorities that favor HPHA projects, thus creating unfair competitive advantages, which could result in allocating the entire RHRF funding balance for HPHA projects, and preclude any funding for, and cause the demise of nonprofits and other affordable housing developers.** Currently, Subsection 201H-202(e), HRS, authorizes the RHRF to provide loans or grants for rental housing projects in order of the following priorities: First priority are projects which are allocated Low-Income Housing Tax Credits (LIHTCs); second priority are projects or units in projects funded by HUD or USDA-Rural Development Programs; and third priority are mixed-income rental projects. However, this bill would change the existing priorities, and would insert *"grants for HPHA projects"* as the second priority. Given the size and scope of the HPHA's redevelopment plans, this could have the unintended consequence of allocating the entire RHRF balance for HPHA projects and, thereby, precluding funding of other low-income housing developments which face strict completion deadlines. It is unfortunate and regrettable that this favoritism for HPHA will severely limit the funding for nonprofits and other affordable housing developers, and will cause their demise. (*W-Effect*)

- **This measure would allow the use of the RHRF for grants to HPHA, which would reduce the extent to which funds could be efficiently leveraged for HPHA projects that utilize LIHTCs.** According to HHFDC, "grants" reduce the eligible basis of the project, and therefore will adversely affect the amount of LIHTCs for which a given project qualifies. Any potential financing scenario for the redevelopment of the HPHA's large public housing properties would require the extensive use of LIHTCs.

- **This bill lacks reasonable justification for the deletion of attached single family units and townhouses as preferred types of housing for RHRF funding.** LURF strongly objects to Section 5 of the current version of this bill, which amends subsection 201H-204(b), HRS, by deleting *"attached single family units and townhouses"* from the preferred types of projects that may be funded by the RHRF. LURF understands that HHFDC has utilized the RHRF to successfully assist a number of recent attached single family units and townhouse projects, including, but not limited to:
  - ✓ 70-attached single family units at *Kapolei Ho'olimalima*, under the Department of Hawaiian Home Lands' *Rent to Own Program*;
  - ✓ 192-townhouse units at *Villages of Moa'e Ku;*
  - ✓ 150-townhouse units at *Franciscan Vistas Ewa*;
  - ✓ 308-townhouse units at Ko'oloa'ula; and
  - ✓ 48-townhouse units Hale Makana O Waianae.

- **HHFDC should be allowed the flexibility to consider different housing types, and should not be restricted, as proposed in this bill.** It appears that this measure intends to increase unit production, however, HHFDC should be allowed to retain its flexibility to consider different housing types depending upon the needs of the specific community in which the projects are located. Further refinements to modernize housing types can then be made in administrative rule amendments to HHFDC's programs.

For the reasons stated above, LURF **must oppose SB 2563, SD1,** and respectfully requests that this bill be **held** in your Committee, or **amended** to provide that HPHA could be eligible for any remaining grants or funding administered by HHFDC that would not be used by nonprofits, housing developers and other government agencies and which would otherwise lapse.

Thank you for the opportunity to present testimony regarding this matter.