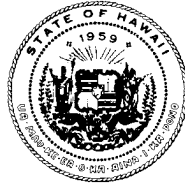


DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
EXECUTIVE DIRECTOR

**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

**SENATE COMMITTEE ON WAYS AND MEANS**

March 2, 2015 at 9:00 a.m.  
State Capitol, Room 211

In consideration of  
**S.B. 970**  
**RELATING TO RENTAL HOUSING.**

HHFDC supports S.B. 970, which creates a mechanism to monetize up to \$5,000,000 per year of the conveyance tax collections for the Rental Housing Trust Fund so that affordable rental housing development can be accelerated.

HHFDC estimates that dedication of \$5,000,000 per year would be sufficient to support the debt service on approximately \$75,000,000 in revenue bonds. This authorization would allow the HHFDC to continue to support the production of affordable rentals in the event there are insufficient funds in the RHTF.

Thank you for the opportunity to provide written comments in support of this bill.



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT OF SB 970: RELATING TO RENTAL HOUSING

TO: Senator Jill N. Tokuda, Chair, Senator Ronald D. Kouchi, Vice Chair,  
And Members, Committee on Ways and Means

FROM: Trisha Kajimura, Social Policy Director, Catholic Charities Hawaii

Hearing: **Monday, March 2, 2015; 9:00 AM; Conference Room 211**

Thank you for the opportunity to provide written testimony in **strong support** of SB 970, which allows a portion of the conveyance tax revenues dedicated to the Rental Housing Trust Fund, to be monetized and authorizes the issuance of revenue bonds, to increase funding to the RHTF.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy for the most vulnerable people in Hawaii. Catholic Charities Hawaii has a long history of working on housing issues and helping to end homelessness and change lives. One of our highest priorities is to create affordable rental housing to end homelessness.

Catholic Charities Hawaii supports the creative concept outlined in SB 970, to obtain a one-time infusion of approximately \$75 million into the RHTF in order to more quickly construct hundreds of units of affordable rental housing. We also support the Governor's budget request for \$100 million in GO bonds in FY 2016 for the RHTF. We would prefer direct funding such as the GO bonds, since SB 970 would result in the use of \$5 million per year in RHTF revenues to pay off the revenue bonds. With the current crisis in housing, immediate action is needed to produce significant number of new affordable rental units.

We see the advantage of utilizing revenue bonds with construction costs booming. With a \$75 million infusion into the RHTF, more units will be built in the near term, at a lower cost than building slowly over 15 years. Our housing crisis is NOW. The new 2014 Housing Study projects that over 27,000 new rental units are needed by 2020, for households up to 80% of the Area Median income

The Rental Housing Trust Fund can effectively and efficiently utilize these additional funds. It has a proven track record of creating affordable rental housing via public-private partnerships that leverage other resources to create more units.

Thank you for the opportunity to testify. Please contact me at (808) 527-4810 or [trisha.kajimura@catholiccharitieshawaii.org](mailto:trisha.kajimura@catholiccharitieshawaii.org) if you have any questions.





February 27, 2015  
Hearing: SB 970  
Date: Monday, March 2, 2015  
Time: 9:00 A.M.  
Room No. 211

Senate Committee on Ways and Means  
Senator Jill Tokuda, Chair  
Senator Ronald Kouchi, Vice Chair

**TESTIMONY IN SUPPORT of SB 970 RELATING TO RENTAL HOUSING TRUST FUND**

Chair Tokuda, Vice Chair Kouchi and members of the committee:

Thank you for this opportunity to submit testimony in **STRONG SUPPORT** of SB 970 which allows for the creation of a process to monetize up to \$5,000,000 per year of the Rental Housing Trust Fund (RHTF) to support the debt service on approximately \$75,000,000 in revenue bonds to be used by the RHTF to accelerate the production and preservation of low income rental housing.

I am Kevin Carney, Vice President of EAH Housing. EAH is a 48 year old non-profit public benefit corporation whose mission is to develop, manage and promote affordable rental housing. We are one of the largest non-profit affordable rental housing developers in the western United States. We have developed over 90 properties, we manage over 100 properties and we serve over 20,000 residents in communities in Northern California and Hawaii. The people we serve are primarily those with incomes at or below 60% of the area median income (AMI).

The RHTF is a key financing element in that it helps to fill the financing gap between the amount of debt necessary to make a property feasible and what the property's restricted rental income can support. The more RHTF support in a property the less hard debt it has to cover and the more viable the project becomes. Over the past seven (7) years EAH has utilized \$34,866,411 from the RHTF in 5 projects that are providing 348 apartment units on Oahu and Maui all serving those at 60% and below of the AMI.

We most strongly support the additional infusion of funds into the RHTF and would like to see a more consistent source of funding similar to what is being proposed in SB 970. As developers of low-income rental apartments we depend on knowing that there will be funding available 2 – 4 years before we are able to apply for it. This needed consistency helps to lessen the risk and increases our confidence that our efforts in attempting to produce this much needed housing will not be for naught when we reach the critical financing stage. We know from our 18 years of experience in serving Hawaii residents on Kauai, Maui and Oahu that the demand for affordable rental housing at 60% of the area median income and below is huge. We have the waiting lists at our properties to prove it. Please give your full support to SB970. Thank you.

Sincerely,

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

February 28, 2015

TO: Senator Jill Tokuda, Chair, and Members  
Senate Committee on Ways and Means

FROM: Bob Nakata, Co-Chair  
FACE Housing Task Force

**HEARING: Monday, March 2, 2015**  
**Testimony in Strong Support of SB970, Relating to Rental Housing**

Thank you for this opportunity to testify in strong support of SB970, which allows for the monetizing of a portion of the conveyance tax revenues dedicated to the Rental Housing Trust Fund and authorizes the issuance of revenue bonds to increase the funding to the Trust Fund.

Faith Action for Community Equity (FACE) is a twenty year old interfaith organization dedicated to quality of life issues. Affordable Housing and Homelessness have been core issues of FACE for its entire existence. These issues have never been so critical and SB970 is one of the better responses to them. We urge you to pass it.

**SB970**

Submitted on: 3/1/2015

Testimony for WAM on Mar 2, 2015 09:00AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
David Z. Arakawa	Land Use Research Foundation of Hawaii	Support	No

Comments: The Land Use Research Foundation of Hawaii SUPPORTS SB 970, relating to Rental Housing, which allows a portion of conveyance tax revenues dedicated to the Rental Housing Trust Fund to be monetized to increase the amount of funding for the Rental Housing Trust Fund. Authorizes the issuance of revenue bonds to Finance the Rental Housing Trust Fund.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



# PARTNERS IN CARE

## Oahu Continuum of Care

*Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.*

### TESTIMONY IN SUPPORT OF SB 970: RELATING TO RENTAL HOUSING

TO: Senator Jill N. Tokuda, Chair, Senator Ronald D. Kouchi, Vice Chair,  
And Members, Committee on Ways and Means

FROM: Betty Lou Larson, Advocacy Committee, Partners in Care

**Hearing: Monday, March 2, 2015; 9:00 AM; Conference Room 211**

Thank you for the opportunity to provide written testimony in support of SB 970, which allows a portion of the conveyance tax revenues dedicated to the Rental Housing Trust Fund (RHTF), to be monetized and authorizes the issuance of revenue bonds, to increase the funding to the RHTF. I am Betty Lou Larson from the Advocacy Committee of Partners in Care. One of our highest priorities is to create affordable rental housing to end homelessness.

Partners in Care (PIC) supports developing more tools to promote the construction of affordable rental units. This bill would add one more opportunity for the state to move forward on housing. We support the creative concept outlined in SB 970, to obtain a one-time infusion into the RHTF in order to more quickly construct hundreds of units of affordable rental housing. We also support the Governor's budget request for \$100 million in GO bonds in FY 16 for the RHTF. We would prefer direct funding such as the GO bonds, since SB 970 would result in the use of \$5 million per year in RHTF revenues to pay off the revenue bonds. With the growing crisis in affordable housing, immediate and significant funding is needed to quickly respond to the ever growing housing needs of Hawaii's people.

We see the advantage of utilizing revenue bonds with construction costs booming. With a \$75 million infusion into the RHTF, more units will be built in the near term, at a lower cost than building slowly over 15 years. The crisis is NOW; we need to build over 27,000 rental units by 2020, according to the state's newly released 2014 Housing Study.

*Out of Reach 2014* reported that **Hawaii topped the list of most expensive states for housing**. A full time worker would need to make \$31.54/hour to afford a two-bedroom unit at fair market rent. Yet the median wage of a renter in Hawaii is just \$13.86. **78 percent of extremely low income households are paying more than half of their income in rent**, and almost half of all households do not live in affordable housing. The situation is desperate; we need to take action NOW to create thousands of units of affordable rentals.

Thank you for hearing our testimony. Please contact me at (808) 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) if you have any questions.



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

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TO: Senator Jill N. Tokuda, Chair  
Senator Ronald D. Kouchi, Vice Chair  
Members, Senate Committee on Ways & Means

FROM: Scott Morishige, MSW  
Executive Director, PHOCUSED

HEARING: **Monday, March 2, 2015 at 9:00 a.m. in Conference Room 211**

**Testimony in Support of SB970, Relating to Rental Housing**

Thank you for the opportunity to provide testimony in support of SB970, which allows a portion of the conveyance tax revenues dedicated to the Rental Housing Trust Fund to be monetized and authorizes the issuance of revenue bonds to increase the funding to the trust fund. PHOCUSED is a nonprofit membership and advocacy organization that works together with community stakeholders to impact program and policy change for the most vulnerable in our community, such as the homeless.

Since March 2014, PHOCUSED has surveyed 2,200+ homeless individuals and families across Oahu to assess their level of need and determine appropriate interventions. Based on our survey data, **over a quarter (26%, or 570 homeless households) indicate a need simply for affordable housing** – meaning that they do not require case management or intensive social services, but would be able to successfully transition to stable housing if affordable rental options were available. The Rental Housing Trust Fund (RHTF) is one strategy to create truly affordable housing for these individuals.

The RHTF is critical because it is the only financing mechanism for households at 30% of the Area Median Income (AMI) or below. The RHTF also has a proven track record of creating affordable rental housing. This is critical because rental units are the greatest demand for low-income households, but the market does not normally build for this population. An additional \$60 million to the RHTF would support the development of approximately 360 new affordable rental units for Hawaii.

Once again, PHOCUSED urges your support for an increased level of funding for the RHTF. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at [admin@phocused-hawaii.org](mailto:admin@phocused-hawaii.org).

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Disposition of revenue

BILL NUMBER: SB 970

INTRODUCED BY: Chun Oakland, Harimoto and 1 Democrat

EXECUTIVE SUMMARY: This bill would require a portion of the conveyance tax revenue deposited into the rental housing trust fund to be used for the repayment of revenue bonds and revenue refunding bonds issued by the Hawaii housing and finance development corporation (HHFDC). A direct appropriation to this program area, however, would increase transparency and accountability.

BRIEF SUMMARY: Amends HRS section 247-7 to require \_\_\_% of the conveyance tax revenues deposited into the rental housing trust fund to be used for the repayment of revenue bonds and revenue refunding bonds issued by the HHFDC; provided that such amount does not exceed \$5 million per fiscal year.

Amends various sections of HRS chapter 201H to allow the HHFDC to issue up to \$125 million in revenue bonds for the financing of the rental housing trust fund.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: The adoption of this measure would allow the HHFDC to issue up to \$125 million in revenue bonds with the proceeds of the bond issue to finance the rental housing trust fund. The measure also allows up to \$5 million per fiscal year to be used for repayment of such revenue bonds. While the measure specifically delineates that the rental housing trust fund is a special fund under Article VII, section 13 of the State Constitution, it further specifies that this fund is NOT a special fund for purposes of: (1) HRS §36-27 central service fees, the mechanism by which a percentage of the special fund is paid into the general fund for costs of administering the special fund; and (2) HRS §36-30 departmental administrative expense reimbursements, the mechanism by which the agency administering the fund can charge part of its overhead costs against the fund.

The state auditor's examination of special funds stated that "experts have questioned the benefits of special funds. As larger sums of money are set aside in this way and not lapsed to the general fund, there can be a cumulative effect on the overall financial condition of government. Special funds can give agencies control of their unappropriated cash reserves, provide a way to skirt the general fund expenditure ceiling, and, over time, erode the general fund. The experts say that special funds are likely to hamper budget administration. From a legislative perspective, they are less desirable because they are not fully governed by the appropriations process and thus lessen the Legislature's control of the budget." Therefore, a general fund appropriation would be better to enhance transparency and accountability.

Digested 1/30/15





**Testimony to the Senate Committee on Ways and Means  
Monday, March 2, 2015 at 9:00 A.M.  
Conference Room 211, State Capitol**

**RE: SENATE BILL 970 RELATING TO RENTAL HOUSING**

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

The Chamber of Commerce of Hawaii (“The Chamber”) **supports the intent** of S.B. 970 which proposes to allow a portion of conveyance tax revenues dedicated to the rental housing trust fund to be monetized to increase the amount of funding for the rental housing trust fund.

The Chamber is the largest business organization in Hawaii, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state’s economic climate and to foster positive action on issues of common concern.

The Chamber strongly supports the need to provide government assistance to develop housing units for the 80% AMI and below income group. The economics associated with developing units for people in this income group and below require some type of government assistance. The private sector is unable to provide units at these price points without government assistance.

The Chamber maintains its position that the Conveyance tax is not the appropriate means to fund the rental housing trust fund. We are deeply troubled by the manner in which the Conveyance Tax has been used to generate reviews for unrelated purposes. There is no rational nexus between the real estate transactions that are being taxed at conveyance, and the uses identified in HRS 247 as the beneficiaries of the tax. We do not believe that the conveyance tax is being used in an appropriate manner. We believe the Auditor of the State of Hawaii had similar findings.

In July 2012 the Auditor of the State of Hawaii prepared a report entitled, “Study of the Transfer of Non-general Funds to the General Fund,” Report No. 12-04. On page 26 of the report, the Auditor found:

“In 2002, the Legislature set the criteria for determining whether special or revolving funds should be established or continued through Act 178, SLH 2002 and codified in Sections 37-52.3 and 37-52.4, HRS. To justify the creation and continuance, the Legislature must ensure that a special or revolving fund:



# Chamber of Commerce HAWAII

*The Voice of Business*

- Serves the purpose for which it was originally established;
- Reflects a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process; . . .”

If the conveyance tax were limited to “the administrative costs of recording the real estate transactions” it is questionable if the legislature would be attempting to identify the specific types of transactions that the conveyance tax would be applied to. The question that needs to be answered is should the conveyance tax be limited to covering the administrative costs of recording the real estate transactions? If not, what other uses of the conveyance tax would withstand the rational nexus test?

Thank you for the opportunity to express our views on this matter.

TO: Senator Jill N. Tokuda, Chair  
Senator Ronald D. Kouchi, Vice Chair  
Members, Senate Committee on Ways & Means

FROM: Jon Shindo, Master's in Social Work Student at UH Manoa and student  
intern at PHOCUSED

HEARING: **Monday, March 2, 2015 at 9:00 am in Conference Room 211**

**Testimony in Support of SB970, Relating to Affordable Rental  
Housing**

Thank you for the opportunity to provide testimony **in support of SB970**, which allows monetization of Rental Housing Trust Fund (RHTF) conveyance tax revenues for issuance of revenue bonds. These revenue bonds, combined with FY 16 GO bonds, will result in an injection of \$100 million to the RHTF to be used for development of critically needed affordable rental housing units.

The RHTF is critical because it is the only financing mechanism that builds housing priced at or below 30% of Area Median Income (AMI). The free market will not build for this area of the market without public-private partnership provided in part by the RHTF. I commend the Hawaii Housing Finance and Development Corporation's efforts towards addressing the affordable housing shortage. RHTF funds were used to fund four of nine rental housing developments in 2013-2014, resulting in 348 new units. Using the \$100 million enabled by this bill could potentially add 600 more units.

Again, I **support the passing of SB970**. Thank you for your time and consideration with my testimony. Please contact me with any questions at 808-722-7585 or [jon.shindo@gmail.com](mailto:jon.shindo@gmail.com).

Respectfully Signed,  
*Jon M. Shindo*