



**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
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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**

February 9, 2017 at 9:00 a.m.  
State Capitol, Room 423

In consideration of  
**H.B. 1267**  
**RELATING TO RENTAL HOUSING.**

The HHFDC **opposes** H.B. 1267, as studies have shown that rent control is an ineffective and often counterproductive housing policy.

Rents serve two functions: first, to compensate landlords and developers for the cost of providing housing, and second, to provide an economic incentive sufficient to attract new investment in rental housing, and preservation of existing rental housing stock. When rents are artificially constrained through rent control laws, it removes an important incentive for rental housing development and preservation. In the long run, rent control has been found to reduce, rather than expand, the supply of rental housing.



The major financing programs administered by HHFDC for the development of affordable rental housing, (i.e. the Hula Mae Multifamily Bonds, Low-Income Housing Tax Credits, and Rental Housing Revolving Fund) regulate rents. The maximum rents are computed from the Very-Low Income Limits established by the U.S. Department of Housing and Urban Development for different household sizes according to the following table:


<b>LIHTC Maximum Rent Derivation from HUD Very Low Income Limits (VLILs)</b>					
<b>Unit Size</b>	<b>0 Bedroom</b>	<b>1 Bedroom</b>	<b>2 Bedroom</b>	<b>3 Bedroom</b>	<b>4 Bedroom</b>
<b>50% MFI Unit</b> Maximum Monthly Rent is 1/12 of 30% of:	1-Person VLIL	(1-Person VLIL + 2-Person VLIL)/2	3-Person VLIL	(4-Person VLIL + 5-Person VLIL)/2	6-Person VLIL
<b>60% MFI Unit</b> Maximum Monthly Rent is 1/12 of 30% of:	120% of 1-Person VLIL	120% of [(1-Person VLIL + 2-Person VLIL)/2]	120% of 3-Person VLIL	120% of [(4-Person VLIL + 5-Person VLIL)/2]	120% of 6-Person VLIL
NOTE: Maximum rents for larger units are set by assuming an additional 1.5 per bedroom.					

Because rents are derived from the Very Low Income Limits, rent increases are tied to increases in these income limits. Therefore, we do not believe a pilot rent control program is necessary.

Thank you for the opportunity to testify.



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February 9, 2017

**The Honorable Tom Brower, Chair**  
House Committee on Housing  
State Capitol, Room 423  
Honolulu, Hawaii 96813

**RE: H.B. 1267, Relating to Rental Housing**

**HEARING: Thursday, February 9, 2017, at 9:00 a.m.**

Aloha Chair Brower, Vice Chair Nakamura, and Members of the Committee.

I am Myoung Oh, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 9,000 members. HAR **opposes** H.B. 1267 which requires the Hawaii Housing and Finance Development Corporation (HHFDC) and each county to initiate a rent controlled housing pilot project for new housing constructed in a total of 5 representative districts and for housing constructed in those districts prior to 1990.

HAR believes that rent control does nothing to increase the supply of rental housing and, ultimately, increasing supply is the true long-term solution to Hawaii's rental housing shortage.

One tool of making housing affordable can be accomplished by subsidizing affordable housing projects. For example, a fair amount of rent controlled housing is done collaboratively with the developers of buildings in exchange for tax credits, rather than being forced upon smaller landlords without compensation.

Unless a rent control law permits a fair rate of return over time, landlords (including landlords of affordable rentals) may not be able to maintain their units. For example, one problem resulting from an inadequate rate of return over time is the backlog of deferred maintenance.

We also note that Section 46-1.5(20), Hawaii Revised Statutes, already authorizes the counties to enact rent control by ordinance.

Mahalo for the opportunity to testify.



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**Cc:** laurenelaide721@yahoo.com  
**Subject:** \*Submitted testimony for HB1267 on Feb 9, 2017 09:00AM\*

**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lauren Ampolos	Individual	Support	No

Comments:

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**To:** HSGtestimony  
**Cc:** adandrea@hawaii.edu  
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**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Alana Dandrea	Individual	Comments Only	No

Comments: Aloha, my name is Alana Dandrea and I am born and raised from Haiku Maui. I am testifying today to express my deeps concerns with the way the housing and rent prices are greatly affecting our Hawaii community. I strongly believe that ever district in every state should have a large affordable housing project area. For every resort, hotel, gated community or mainland home and land buyer- there needs to be an affordable housing unit built or sold as well. The amount of rent people are charging here in Maui and Oahu is out of control. I have been looking to move out of my parent's property for a while but I can't due to the fact that everything is way too overpriced. It is unrealistic and unfair for the local full time living and working residents. There needs to be a law that states if you were born in Hawaii then this is the price for rent and other items. Then there is a separate price for all other people not born here. Maybe there could be an exception if you have lived for more than 20years or so. Why do the people in charge want to keep seeing the Hawaii community/their people struggle? Why do you continue to sell the Hawaiian lands to mainlanders who don't care about anything but their money? This way of doing business needs to stop! Rent needs to be affordable to the full time living and working people of Hawaii. If tourist have the money to vacation here, they also have to money to pay extra. Every single city and town needs to have affordable housing for the local community. This is a major issue and the people have spoken. Please do what is pono and make some changes to help the people and community that really matter. Mahalo nui for the opportunity to voice my opinion. Alana D'Andrea

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**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Robert Raikes	Individual	Oppose	No

Comments: I STRONGLY oppose this bill!! If you want lower rents stop taxing rental income and introducing bills such as HB180.

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**Cc:** nataliejeanf@gmail.com  
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**HB1267**

Submitted on: 2/8/2017  
Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
natalie forster	Individual	Support	No

Comments:

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## HSGtestimony

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### HB1267

Submitted on: 2/9/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Teresa L. Nakama	Individual	Oppose	No

Comments: I oppose any control over free enterprise...Don't blame the public...What happen to free enterprise...if anything it is the State and County Housing that contracts out the management of these low rental units...they are the very ones to blame not the housing markets...Our own low rental income housing are the very ones that kick out our low income renters, because of our government outsourcing the management and control over our low income housing projects, that the management company up the rents...so wrong!!! For every new development, there must be a rule that low income housing be built also..this is the fault of our legislatures,planning department, and permits given to new development without demanding low income housing in every new project to be built. Don't blame free enterprises..legislation must demand and justify low income housing projects to full fill the need of housing the homeless, and those living in our streets.

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**HB1267**

Submitted on: 2/9/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Siddartha Savara	Individual	Oppose	No

Comments: I am writing in opposition to rent control. Basic economics dictates that this will result in less housing, and less maintenance of existing housing. Our issue is simple. We do not have enough housing supply for the people residing here, at all price levels. Rent control does nothing to increase the supply and actually disincentivizes additional supply. If we want to decrease rents, one way to do it is to put incentives and disincentives in place that increase the supply from existing housing that is in Hawaii, but not placed in the rental market. For example, perhaps increase property taxes statewide, but allow some kind of tax deductions for primary residences AND for deductions on rental income. This would very quickly disincentivize second homes being left vacant as vacation homes.

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Subj: Opposition to HB1267

To Whom it may concern,

After reviewing HB1267, I would like to express my opposition to this measure. I can empathize with the need for more affordable housing in Hawaii, but locking owners into a 30% cap of the medium income for the area will put an inordinate amount of burden on the home owner. I am not sure if State Rep. Kaniela Ing considered that home owners who rent have mortgages that need to be paid. With the price of purchasing a home in Hawaii at all-time highs, this could cause some serious problems.

As of 2015, the median income for Oahu was \$77,273. If this bill was enacted, 30% of that would be \$23,181 or \$1,931.00 per month. The medium mortgage for 2015 was \$2,248 per month. That means that owners could see a loss of \$317 per month on their investments.

My suggestion is to cap it based on a percentage over the actual mortgage. Have owners submit their mortgage payment to HUD, and authorize no more than inflation rate + 5% over the cost of the mortgage owners could charge in rent. That 5% would cover a portion of general repairs, taxes, and other costs that are associated with rental property.

In conclusion, I oppose HB1267 in the way it is written as of today. However, I think an adjustment as outlined above would be a more reasonable way to approach affordable housing with both the renters and owners in mind.

Thank you.

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**To:** HSGtestimony  
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**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Trinette Furtado	Individual	Support	No

Comments: Aloha! My name is Trinette a Furtado and I live in Hamakualoa on Maui. I am writing to ask that you SUPPORT HB1267. Too many families across the islands can barely afford to purchase a home let alone rent one on the close-to-minimum wages they earn. Our government must do more to either curb rampant illegal vacation rentals, build more truly affordable housing and offer assistance to those homebuyers. We MUST look to creating opportunities for those not yet ready for homeownership, by ensuring their rents aren't determined arbitrarily or steadily increasing. We MUST also take into consideration those who DON'T want to own a home and prefer to rent. Should they be penalized for their lifestyle choice with rising rents that multiple jobs won't even pay for? I applaud the efforts of Rep Ing and Rep DeCoite in this step to address one of the details within the larger and more complicated issue of chronic homelessness. When thinking about the people of Hawai'i, we MUST think of ALL the people; not only those who don't have to worry about a home. I urge you once again to SUPPORT HB1267. Mahalo for your time and attention.

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**To:** HSGtestimony  
**Cc:** fitzformaui@gmail.com  
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**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John Fitzpatrick	Individual	Support	No

Comments: Aloha Honorable Representatives, I fully support rent control measures at the state level! Rents across the state are increasing exponentially and it is pushing good hard working families out of their homes and out of the state. I know scientists at the Academy of Sciences in Sanfrancisco that currently benefit from similar rent control measures. It is time we take action to tackle homelessness, and keep children and kupuna in homes. Please pass HB1267! Mahalo, Fitz

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**To:** HSGtestimony  
**Cc:** djmauimama@yahoo.com  
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**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kate Griffiths	Individual	Support	No

Comments:

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**HB1267**  
Submitted on: 2/8/2017  
Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sara Perry	Individual	Support	No

Comments: I fully support this bill. I think it is great! But, just one thing... I think you should add that active duty military members receiving BAH should not be allowed to occupy rent controlled areas/housing/apartments/properties. This should only be made available or applicable to local residents, as they are the ones most affected by a lack of low cost and low income rentals. I suggest this because I think that military BAH subsidies are pricing locals out of affordable rental units. The amount that they receive per month is much more than what local families are usually able to afford when looking for a rental property, and I believe that BAH amounts directly and significantly impact every single local resident trying to find an affordable home. Mahalo for your consideration of my testimony.

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**Sent:** Wednesday, February 8, 2017 5:43 PM  
**To:** HSGtestimony  
**Cc:** psolomonlcs@gmail.com  
**Subject:** Submitted testimony for HB1267 on Feb 9, 2017 09:00AM

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**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Paul Solomon	Individual	Support	No

Comments: Currently we have a huge lack of affordable housing on Maui and rents have skyrocket in the past few years. In addition many residents, including myself, are having a difficult time making ends meet financially. Many native Hawaiians have had to move to the mainland because they cannot afford to live here anymore. We need help to have access to affordable housing. Please support this bill. Mahalo, Paul Solomon

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**To:** HSGtestimony  
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**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kyle Dahlin	Individual	Comments Only	No

Comments: While I appreciate the goal of providing more housing for Hawaii residents, I am worried that this project is open to abuse by people from out of state. Because there is no residency requirement mentioned for the rent controlled housing, it is easy to imagine that visitors from out of state could rent these cheap units as a type of vacation rental. If a residency requirement were added, this is a bill I could support.

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**To:** HSGtestimony  
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**HB1267**

Submitted on: 2/8/2017

Testimony for HSG on Feb 9, 2017 09:00AM in Conference Room 423

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Daisy Mae Park	Individual	Support	No

Comments: As an Assistant Property Manager at a 200 unit Kihei complex, I see local families being forced to move out of their homes due to raised rent very frequently. Although current rental prices are already sky high, rent control would give tenants a chance to protect their homes.

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