



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

HOUSE COMMITTEE ON HOUSING

Tuesday, February 7, 2017
9:00AM
Room 423, Hawaii State Capitol

In consideration of
HB 1557
RELATING TO PUBLIC HOUSING

Honorable Chair Brower and Members of the House Committee on Housing, thank you for the opportunity to provide comments regarding House Bill 1557, relating to public housing.

The purposes of this measure are to: (Part II) establish a Family Self-Sufficiency (FSS) Program to provide matching funds to enable tenants of certain public housing dwelling units to purchase housing units; (Part III) authorize the Hawaii Public Housing Authority to impose maximum rental periods and conditions of tenancy for tenants participating in the FSS program; (Part III) amend general tenancy termination requirements, selection priorities and minimum rents for HPHA housing projects; and (Part IV) appropriate funds.

The HPHA agrees that multigenerational public housing is an issue that should be addressed and is one of the reasons for long waiting lists. The HPHA appreciates the intent of Part II and III of this measure to assist us in achieving the goal of graduating tenants out of public housing, and to practice financial savings and responsible planning. With that in mind, we have several clarifications and suggestions concerning this bill and provide the following comments:

1. HRS section 356D-44, *Administration of state-low income 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-41 and HRS 356D-44 do not clearly authorize HPHA to establish/maintain tenant “trust accounts.” Also, what does “trust account” mean? We recommend that the proposed language include the term “trust account” in the definitions.

2. The federal Family Self Sufficiency (FSS) program under 42 U.S.C. 1437u and 24 CFR Part 984, which is very different than what this bill proposes. The federal FSS Program does not provide for matching, as this bill proposes. 24 CFR 984.305(a) also requires public housing agencies 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 appears to require the HPHA to operate as a financial institution/bank for tenants, where HPHA holds the funds, unlike the FSS program. HPHA is not set up to act as a bank.
3. As written, the measure states that “the authority shall require an eligible applicant who rents a dwelling unit” to establish a trust account and to participate in the FSS Program. Does this mean that if an eligible applicant does not agree to the terms, they have forfeited their ability to receive public housing? This contrasts greatly with the Federal FSS program, which allows tenants to voluntarily opt-in rather than mandate participation.
4. Is it the intent of the proposed bill to limit the aid of public housing to a period of five to seven years? What happens to those individuals who do not earn enough through the trust account, the Family Self-Sufficiency program, and the use of a housing choice voucher (HCV) to attain permanent housing? The rewards of the Federal FSS program are often no more than a few thousand dollars. By our estimations, the trust account would yield roughly \$6,600 for tenants over the five-year period. These meager amounts do not add up to successfully put a down payment on a home. Would tenants who were evicted after the allotted time period be permitted to reapply for public housing in the future?
5. The proposed bill states that HPHA shall issue housing choice vouchers (HCV) to be used towards the purchase or to assist in paying the mortgage of a housing unit for up to ten years, when a tenant voluntarily vacates their public housing units. As written, subsection 356D-A(g) would allow public housing tenants to circumvent the federal HCV waitlist, in violation of the Federal rules (24 CFR 982).

Moreover, the HPHA currently maintains a waiting list of applicants for the HCV program. Issuing HCVs to tenants coming out of public housing would negatively impact the nine thousand applicants currently on the HCV waitlist and delay those families from receiving assistance.

6. Proposed new subsection HRS 356D-42(2)(A) prioritizes the need of working families earning between 30% and 60% of the state median income, and veterans. The HPHA requests clarification on whether the working families and veterans would be given equal preference and be placed by date and time. It is unclear whether they would have equal weight or whether the proposed language is creating tiered preferences. The

HPHA also requests clarification on whether this proposed language was intended to exclude both non-working families (e.g., elderly, disabled) and working families earning less than 30% AMI. Are homeless excluded from the waitlist?

7. Currently, the HPHA's contract with the City and County of Honolulu to operate the Federal FSS Program has an annual budget of \$284,150, which covers a total of approximately 100 participants. Non elderly and disabled housing accounts for approximately 900 individuals in 288 units and hence there will be a yearly need for approximately \$2.6M to administer this requirement.
8. While we support the intent to establish a base rent amount per month, the proposed new language regarding fixed rates in HRS 356D-42 may conflict with the original purpose where 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 set minimum rate for the entire period of occupancy will not be self-supporting for the State Public Housing Program.

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

9. One staff position will not be enough to manage the FSS Program. Added staff will be necessary to manage the trust fund accounts and provide case management as required under the FSS Program.
10. In addition to the establishment of positions to manage the funds of the trust accounts, additional funding will be necessary for maintenance and repair of the units. An additional subsidy will also be necessary to provide the matching funds.

The HPHA appreciates and supports the intent of Part III of the measure to terminate the tenancy of the last original household member. However, the HPHA has concerns that the measure could have the unintended consequence of displacing an elderly family member who was not part of the original household. As an example, if an adult child is the only remaining household member adds his/her grandparent into the unit and subsequently passes on, the elderly grandparent would not be allowed to retain the unit.

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 Housing with the HPHA's comments regarding HB 1557. We thank you very much for your dedicated support.

DAVID Y. IGE
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WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HOUSING
ON
HOUSE BILL NO. 1557



February 7, 2017
9:00 a.m.
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RELATING TO PUBLIC HOUSING

House Bill No. 1557 establishes the Family Self-Sufficiency Program to provide trust accounts and matching funds to assist tenants who rent selected low-income dwelling units transition into home ownership and sets a maximum rental period and minimum rents for State low-income housing with exceptions. The bill also establishes a Family Self-Sufficiency Revolving Fund and appropriates general funds in FY 18 and FY 19 to carry out the intent of the bill.

While the Department of Budget and Finance does not take any position on the establishment of the Family Self-Sufficiency Program and the amendments to tenancy selection, tenancy termination, and minimum rents, as a matter of general policy, the department does not support the creation of revolving funds which do not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 1557, it is difficult to determine whether the proposed source of revenues will be self-sustaining aside from regular appropriations from the Legislature.

Thank you for your consideration of our comments.