

LATE

Testimony of
Christopher Delaunay, Government Relations Manager
Pacific Resource Partnership

THE SENATE
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

COMMITTEE ON WAYS AND MEANS
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

DECISION MAKING

DATE: Monday, April 3, 2017
TIME: 1:35 pm
PLACE: Conference Room 211

Aloha Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

PRP **supports** HB 488, HD2, SD1, relating to Housing, which specifies that certain provisions of the Internal Revenue Code related to at-risk rules and deductions and to passive activity losses do not apply with respect to claims from the state low-income housing tax credit and authorizes the issuance of general obligation bonds and appropriates funds for rental housing, mixed-use affordable rental housing, a multi-use juvenile services and shelter center, and public housing. This measure also authorizes the issuance of general obligation bonds and appropriates funds for public housing security improvements, renovation, and repairs.

The shortage of affordable housing units for working moderate-and lower-income households is at a crisis level negatively affecting families throughout the State, including many in the 80%-140% AMI range. This measure is another tool to help tackle the problem of affordable housing for Hawaii's residents.

We respectfully request your support on HB 488, HD2, SD1. Thank you for this opportunity to testify.



(Continued From Page 1)

About PRP

Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.



LATE

46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

**TESTIMONY FOR HOUSE BILL 488, HOUSE DRAFT 2, SENATE DRAFT 1,
RELATING TO HOUSING**

**Senate Committee on Ways and Means
Hon. Jill N. Tokuda, Chair
Hon. Donovan M. Dela Cruz, Vice Chair**

**Monday, April 3, 2017, 1:35 PM
State Capitol, Conference Room 211**

Honorable Chair Tokuda and committee members:

I am Kris Coffield, representing IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 350 members. On behalf of our members, we offer this testimony in support of House Bill 488, HD 2, SD 1, relating to housing.

According to the 2016 statewide *Point In Time Count* (PITC) report, 7,921 houseless persons were counted on a single night in January last year, up 4 percent from 2015. More than half of these persons were unsheltered. O’ahu accounted for 62 percent of the total (4,940 people), up 1 percent from the previous year. Kaua’i saw a 30 percent increase in the homeless population living on its shores (442 people), while the Big Island saw an increase of 12 percent (1,394 people). Overall, our state saw a 12 percent increase in the number of unsheltered homeless individuals and families and, concurrently, a 4.5 percent decrease in the number of sheltered individuals and families. Notably, the size of the houseless population on O’ahu is up 25 percent from 2009, when 3,638 homeless people were counted. Additionally, Department of Education officials said, last January, that 3,576 public school students are homeless. Last year's PITC captured just over half of them. We know, then, that our state’s homeless population is not only larger than the statistics show, but growing.

Over 30 percent of juvenile arrests in Hawai’i are for running away from home, the highest proportion in the nation. Nationally, one in seven young people between the ages of 10 and 18 will run away. Approximately 75 percent of runaways are female, while 46 percent of runaway and homeless youth report being physically abused, 38 percent report being emotionally abused, and 17 percent report being forced into unwanted sexual activity by a family or household member, according to the National Conference of State Legislatures. Roughly 30 percent runaway children will be approached for commercial sexual exploitation within 48 hours of being on the run, with over 80 percent being approached for the sex trade during the course of their time on streets. A

federal study found that an estimated 38,600 runaway youth have been sexually assaulted, in the company of someone known to be sexually abusive, or engaged in sexual activity in exchange for money, food, or shelter. Runaways are perceived as easy targets for sex traffickers because they lack stable shelter, a supportive environment, and financial resources, placing them at greater risk of forced prostitution and sexual servitude.

Traffickers exploit our limited number of available shelter beds to lure young people into exploitation. As the homeless childcare provider Covenant House observes, traffickers tell homeless youth that shelters are full and ask, “Where are you going to go? Why don’t you come with me? I’ll take care of you.” Coupled with threats of and enacted physical and sexual violence against the victims or their families, these coercive techniques compel runaway youth to remain enslaved. LGBTQ youth, who comprise an estimated 40 percent of the runaway and homeless youth population in the United States, are exponentially more likely to fall prey to human traffickers because of discrimination, family and community trauma, and a longing for comfort and acceptance (an estimated 26 percent of LGBTQ adolescents are rejected by their families and put out of their homes simply for being open and honest about who they are). In providing care for victims of human trafficking, IMUAlliance has heard their stories hundreds of times.

We must fund homeless services, especially efforts to provide shelters for our state’s unhoused youth population. Homeless children suffering from complex and overlapping trauma deserve our compassion, best provided through acute treatment and mental health care. Homeless sex trafficking victims are often coerced into abuse through forced drug addiction and are twice as likely to suffer from post-traumatic stress disorder as soldiers in a war zone. Moreover, we must find a balance between rampant real estate speculation and meeting the affordable housing needs of our state’s most economically vulnerable residents. Just as our homeless population has soared over the past few years, so, too, has our state’s cost of housing. The median price of condominiums on O’ahu increased 8.3 percent in 2016 to \$390,000, while the median price for single-family homes increased by 6.5 percent to \$735,000, according to the Honolulu Board of Realtors. Average rent for a 900-square foot apartment in Honolulu now exceeds \$2,200, with the cost of a four-bedroom home in urban Honolulu now exceeding \$1.1 million. At least 44 percent of residences in Hawai’i are owner unoccupied, according to the University of Hawai’i Economic Research Organization, meaning that nearly 50 percent—and by some estimates over half—of Hawai’i’s homes are investment properties.

Many of those properties, in turn, are owned by mainland and foreign buyers, whose real estate market speculation is a prime driver of Hawai’i’s highest-in-the-nation cost of housing. According to a study released in May of 2016 by the Hawai’i Department of Business, Economic Development, and Tourism, there are “clear distinctions” between the average price of homes bought by local residents, mainlanders, and foreigners. Analyzing purchases made between 2008 and 2015, DBEDT found: “The average sale price was highest among foreign buyers. The average sale price of the total of 5,775 homes sold to foreign buyers from 2008 to 2015 was \$786,186, 28.3

percent higher than the average sale price to the mainlanders (\$612,770) and 64.7 percent higher than the average sale price to local buyers (\$477,460).”

Researchers who authored the National Low Income Housing Coalition’s *Out of Reach 2016* report found that a full-time worker would need to earn \$34.22/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,100 in 2015, with average rent for a 900-square-foot exceeding \$2,200 in 2016. In the past three years alone, Honolulu rent has increased 23.5 percent. While 47 percent of Hawai’i residents are renters (a number that does not include individuals and families renting outside of the regulated rental market), they earn an average wage of \$14.49/hour, scarcely enough to meet their basic needs. One out of every four households in Hawai’i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai’i Appleseed Center for Law and Economic Justice. Additionally, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs. Put simply, homelessness is directly tied to our state’s exorbitant cost of living and penchant for catering to people who use the islands as their own private Monopoly board. We beseech you to seek innovative ways of making housing in Hawai’i more affordable, while funding the services necessary to show aloha for our economically disadvantaged neighbors.

When you fund shelter and services for homeless families and children, you are helping to end slavery in Hawai’i. Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance



Testimony of Michaels Development Company – Hawai'i Region
In **Support** of HB488 HD2 SD1 RELATING TO HOUSING
Committee on Ways and Means
Monday, April 3 at 1:35 pm, Conference Room 211

Chair Tokuda, Vice Chair Dela Cruz and members of the Committee on Ways and Means:

We appreciate the opportunity to testify in support of HB 488 HD2 SD1 that provides for much needed funding for affordable rental housing opportunities for Hawaii's residents by authorizing appropriations for the Rental Housing Revolving Fund (RHRF) and the Dwelling Unit Revolving Fund (DURF).

RHRF has long been an essential tool to fulfill affordable housing financing gaps and with the Trump administration proposal to substantially cut funding to the U.S. Department of Housing and Urban Development (HUD), which will eliminate or reduce other gap financing tools such as Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME), it is even more critical that a substantial appropriation is authorized for the RHRF to help cover the loss of these gap financing mechanisms.

Additionally, the distinct possibility of changes in the Internal Revenue Code by the Trump administration, including a reduction in corporate tax rates, is causing significant disruption to affordable housing financing, as low-income housing tax credit (LIHTC) investors are offering less equity per dollar of credit, resulting in notably less equity and amplifying the financing gap. Therefore, the RHRF demand is multiplied and significant appropriation is essential.

DURF is a financial tool that fulfills another, but equally important affordable housing financing demand, as it can be used for the acquisition of real property, along with development and construction of residential properties with interim and permanent loans to developers, which is an essential tool to assist in the initial costs of affordable housing and will be needed now more than ever with the financing gaps created by the reduction of Federal funding.

We appreciate that there are many demands on the budget, but we would submit that the funding of affordable housing has both a social and economic impact for the State that reaches into the lives of many Hawai'i residents with positive effects for improved education and health outcomes, increased earnings and decreased public service dependence for low-income residents and through the development industry, jobs for construction workers, architects, engineers and planners, as well as jobs in local businesses like restaurants and retail.

Michaels Development Company is the largest affordable housing developer in the nation, having overseen \$3.5 billion in development and substantial rehabilitation, resulting in 52,661 units in 376 communities, since 1973. There are 50,459 units currently under management serving 115,000 residents, including the Towers at Kuhio Park in Kalihi. Two more communities will be added in December 2017 with the completion of the 85-unit Hale Makana 'Ohana and the 85-unit Hale Makana 'O Kupuna in Kailua-Kona.



**Testimony to the Senate Committee on Ways and Means
Monday, April 3, 2017 at 1:35 P.M.
Conference Room 211, State Capitol**

RE: HOUSE BILL 488 HD2 SD1 RELATING TO HOUSING

LATE

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 488 HD2 SD1, which specifies that certain provisions of the Internal Revenue Code related to at-risk rules and deductions and to passive activity losses do not apply with respect to claims from the state low-income housing tax credit; authorizes the issuance of general obligation bonds and appropriates funds for rental housing, mixed-use affordable rental housing, a multi-use juvenile services and shelter center, and public housing; authorizes the issuance of general obligation bonds and appropriates funds for public housing security improvements, renovation, and repairs.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The bill proposes to appropriate \$75,000,000.00 to the rental housing revolving fund to assist in the construction of rental housing targeted for the 80% and below AMI income group. HHFDC has indicated that government funding required for each of these units is roughly \$125,000.00 per unit. The \$75,000,000.00 appropriation should result in approximately 400 new units.

In addition, the bill also appropriates \$15 million for the much needed juvenile service and shelter center near on Alder Street. We understand that the center will be part of a mixed use project that will include residential rental units.

The Chamber and the Building Industry Association of Hawaii convened the first "Houseless in Honolulu" event in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. Then again in November of 2016 we convened our second event, "Still Houseless in Honolulu." The bottom line is we need to build our way out of this crisis by increasing the supply of housing at all price points. With the median home price in the Islands now \$730,000, the repercussions are having a major impact on Honolulu's economy.

We need to "build" our way out of our housing crisis. In order to do that, we need to increase the supply of housing, both rentals and fee simple, at all price points. The Department of Business, Economic Development and Tourism forecasted demand for additional housing



Chamber of Commerce HAWAII

The Voice of Business

units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

The proposed appropriation will provide the funding necessary to build more rental units, especially for those at the lower end of the income spectrum. We appreciate the opportunity to express our support for this bill.



LATE

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

April 3, 2017

TO: Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
Members of the Committee on Ways and Means

FROM: Natalie Okeson, Interim Executive Director, PHOCUSED

SUBJECT: Testimony in Support of HB488, HD2, SD1 RELATING TO HOUSING

Hearing: April 3, 2017 at 1:35pm
Conference Room 211

Chair Tokuda, Vice Chair Dela Cruz, Committee Members:

Thank you for the opportunity to testify in strong support of HB488, HD2, SD1. My name is Natalie Okeson, and I am the Interim Executive Director of PHOCUSED. PHOCUSED is a nonprofit, nonpartisan organization dedicated to increasing the safety for, visibility of, and investment in the children and adults in Hawaii who are marginalized, impoverished, and under-served. Since its formation, our organization has been a leading voice in advocating for our homeless population, as well as increasing the number of affordable housing units, as such units are critical to preventing households from falling into homelessness as the gap between rental prices and wages grows. PHOCUSED is also a proud member of Partners in Care and the Housing Now Coalition.

Our organization would like to thank you for the dedication you showed for those in our community who are in need of homeless services, affordable housing, adult dental coverage, and kupuna care, among many others in Senate Draft 1 of HB100. We greatly appreciate the tremendous amount of work you have done to develop a balanced budget during a time of downward economic forecasts and a number of pressing issues related to funding. We thank you for appropriating monies towards the Alder Street Project, as well, which is also included in HB488, HD2, SD1.

However, PHOCUSED encourages the committee to look once more at funding the Rental House Revolving Fund, the Hawaii Public Housing Authority, and the Dwelling Unit Revolving Fund at \$75 million dollars each. We believe that it is critical that we become truly aggressive in our approach to solving our massive affordable housing crisis. We support the amended bill with its language regarding the Low-Income Housing Tax Credit because it will increase the pool of eligible organizations and individuals that are able to bid on the tax credits, which could help drive up the



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

value of the credits thereby increasing funding available for affordable housing projects.

Thank you for the opportunity to submit testimony in support of HB488, HD2, SD1. We urge you to increase the amounts dedicated to these projects, as we know that you all are truly dedicated to the vulnerable populations the members of PHOCUSED serves.



LATE

LAND USE RESEARCH
FOUNDATION OF HAWAII
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April 3, 2017

Senator Jill N. Tokuda, Chair,
Senator Donovan M. Dela Cruz, Vice Chair
House Committee on Ways and Means

Support of HB 488, HD2, SD1 Relating to Housing (Specifies that certain provisions of the Internal Revenue Code related to at-risk rules and deductions and to passive activity losses do not apply with respect to claims from the state low-income housing tax credit. Authorizes the issuance of general obligation bonds and appropriates funds for rental housing, mixed-use affordable rental housing, a multi-use juvenile services and shelter center, and public housing. Authorizes the issuance of general obligation bonds and appropriates funds for public housing security improvements, renovation, and repairs. Effective 7/1/2050.)

WAM Hearing: Monday, April 3, 2017, 1:35 p.m., in Conf. Rm. 211

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. LURF's mission 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.

LURF **supports the following parts of HB 488, HD2, SD1**, which would address Hawaii's housing shortage by:

- **Part III: Rental Housing Revolving Fund.** Specifying a general obligation (G.O.) bond issuance and appropriation amount of \$75,000,000 for the Rental Housing Revolving Fund (RHRF), which the Hawaii Housing Finance & Development Corporation (HHFDC) will use to finance various capital improvement projects which will create needed housing;
- **Part IV: Rental Housing and Juvenile Services and Shelter Center.** Specifying a G.O. bond issuance and appropriation amount of \$15,000,000 to expand and preserve rental housing opportunities and construct a mixed-use affordable rental housing and multi-use juvenile services and shelter center intended to serve young status offenders and low end law violators who are wards

of the court and unable to reside with their families in the short term because of safety and other concerns. The services center will be provided through probation and partnering with social services agencies;

- **Part V: Dwelling Unit Revolving Fund.** Providing an appropriation of \$75,000 out of the general revenues of the State for deposit into the Dwelling Unit Revolving Fund (DURF), which HHFDC will use to implement Act 132, SLH 2016, which broadened the uses of DURF to include regional state infrastructure construction in conjunction with housing and mixed-use transit-oriented development projects. This funding will enable the state to address a significant barrier to housing development - the lack of roads, water, sewer, drainage, and utilities; and
- **PART VI: Hawaii Public Housing Authority improvements.** Replacing specific appropriations and language for public housing security enhancements with a single general bond issuance and appropriation of \$75,000 to the Hawaii Public Housing Authority (HPHA) to for development, improvements, security upgrades, repairs, and renovations of public housing, including security improvements and enhancements at Kalihi Valley Homes.

LURF's Position. There is a critical shortage of affordable housing in the State and this measure will provide monies for a comprehensive range of projects to improve existing public housing and create more affordable housing units for Hawaii residents at various income levels.

LURF understands that **Part III** of this measure includes G.O. bond appropriations for infusion into the RHRF, which will help finance the development, or the acquisition and rehabilitation, of rental housing, through among other things, loans to projects that set aside rental units affordable to extreme and very low-income families; and those RHRF loans will fill the "financing gap" to develop an affordable rental housing project. According to HHFDC, RHRF awards have been made to 78 affordable rental projects comprising a total of 6,232 units statewide.

The appropriation in **Part IV** of this measure includes G.O bond appropriations for a mixed-use affordable rental housing and multi-use juvenile services and shelter center at project located at 902 Alder Street, in Honolulu, Hawaii. As explained in HHFDC's testimony in support of this bill, it intends to use this appropriation to finance Phase 1 of the juvenile shelter/services component of this mixed-use residential project located at the site of the old Detention Home. LURF understands that while HHFDC is able to finance the residential component of the mixed-use project, the Capital Improvement Project appropriations for the non-housing component of the project are needed in order for the entire project to be able to proceed.

Part V of this measure includes an appropriation of \$75,000 out of the general revenues of the State for deposit into the Dwelling Unit Revolving Fund (DURF). LURF understands that DURF has been used since the early 1970's for the acquisition of real property; development and construction of residential, commercial and industrial

properties; interim and permanent loans to developers; any and all thing necessary to carry out and administer the purposes of the Housing Development program; and pursuant to Act 132, SLH 2016, implement regional state infrastructure programs, including but not limited to the expansion of community facilities and regional state infrastructure constructed in conjunction with housing and mixed-use transit-oriented development projects, permanent primary or secondary financing, and supplementing building costs.

According to the testimony of HPHA, with most HPHA buildings exceeding fifty years in age, **Part VI** of this measure would provide much needed funds to address and improve the quality of existing State public housing, by modernizing, repairing and maintaining HPHA's aging housing stock. LURF also understands that the funds will also enable a more comprehensive security system at the various HPHA housing projects across the State and would allow the HPHA to address vacant units in need of major capital repairs.

At this time, LURF does not a take a position regarding **Part II**, which specifies that certain provisions of the Internal Revenue Code (IRC) related to at-risk rules and deductions and to passive activity losses do not apply with respect to claims form the state low-income housing tax credit. LURF is not familiar with the details of Part II, including whether its purpose and intent has been approved or allowed under the IRC, the nature of the "benefits" of this part, particularly whether similar applications have been successfully implemented in other states to assist housing developers to build affordable housing, or if there are any possible unintended consequences.

For the above reasons, LURF **strongly supports parts III, IV, V and VI of HB 488, HD2, SD1** and respectfully urges your favorable consideration.

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

Chair Jill Tokuda
Vice-Chair Donovan Dela Cruz
Senate Committee on Ways and Means



April 3, 2017
Testimony in Support of HB 488, HD2, SD1

Dear Chair Tokuda, Vice-Chair Dela Cruz and Members of the Committee:

My name is Kathy Jaycox and I am writing to express my support for HB 488, HD2, SD1.

Thank you for hearing this bill and providing another opportunity to increase the funding for affordable housing. I am a member of the Housing Now! Coalition and I strongly support HB 488 because it provides much-needed funding for developers to actually build the affordable housing units mandated by the Legislature last year. In addition, this bill will allow more entities to invest in the Low Income Housing Tax Credits, which will provide additional funding for these affordable rental units.

As you already know, access to affordable rental housing for Hawaii's workforce is one of the most pressing needs faced by our state. Thank you for whatever you can do to sustain affordable housing as a top priority of the Legislature.

Kathy Jaycox
559 Pauku St
Kailua, HI 96734