



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

HOUSE COMMITTEE ON HOUSING

February 7, 2017 at 9:00 a.m.
State Capitol, Room 423

In consideration of
H.B. 869
RELATING TO HOUSING.

The HHFDC supports H.B. 869 as long as it does not replace priorities requested in the Executive Budget. H.B. 869 creates a mechanism to use conveyance tax collections, and the State's 10 percent deduction from the county surcharge on state tax to repay General Obligation (G.O.) bonds issued for housing. The portion of G.O. Bonds appropriated for HHFDC programs would include unspecified amounts for the Dwelling Unit Revolving Fund (DURF), the Rental Housing Revolving Fund (RHRF), and the Rental Assistance Housing Fund.

We believe the bill intends to fund the Rental Assistance Revolving Fund (RARF) which is authorized to (1) provide below market interest rate interim construction loans for affordable housing projects; and (2) shallow project-based rental assistance payments for qualified owners of rental projects set aside for low-income households.

Therefore, we respectfully request that on page 5, line 1 of this bill, the reference to "Rental Assistance Housing Fund" be corrected to read "Rental Assistance Revolving Fund."

In the 2016 Session, the Legislature found the RARF balance to be in excess of the immediate needs of the fund. And transferred the \$9,500,000 set -aside for interim construction loans from RARF to the RHRF as of July 1, 2016. Clarification is needed if the intent of this bill is to fund interim construction loans or project-based assistance.

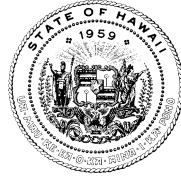
The RHRF provides loans to projects that set aside rental units affordable to low-income families. The RHRF loans fill the financing gap to develop an affordable rental housing project. Since its inception, RHRF awards have been made to 79 affordable rental projects comprising a total of 6,232 units statewide.

In Fiscal Year 2016, the RHRF received approximately \$33,056,876 in conveyance tax revenues, which we anticipate being able to fully utilize to make awards to qualified projects during our 2017 competitive funding rounds. The Executive Budget request includes \$50 million in G.O. Bond funds for the RHRF.

Act 132 broadened the uses of the 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. The Executive Budget request includes \$50 million in G.O. Bond funds for the DURF.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR
STATE OF HAWAII



JOBIE M. K. MASAGATANI
CHAIRMAN
HAWAIIAN HOMES COMMISSION

SHAN S. TSUTSUI
LT. GOVERNOR
STATE OF HAWAII

WILLIAM J. AILA, JR.
DEPUTY TO THE CHAIRMAN

**STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879
HONOLULU, HAWAII 96805

**TESTIMONY OF JOBIE M. K. MASAGATANI, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON HOUSING**

IN SUPPORT OF

HB 869 RELATING TO HOUSING

February 7, 2017

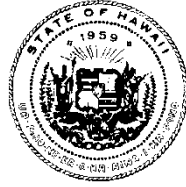
Aloha Chair Brower and members of the Committee:

The Department of Hawaiian Home Lands (DHHL) supports this bill that authorizes the issuance of general obligation bonds for construction and infrastructure development projects. As it pertains specifically to DHHL, the bill authorizes \$50 million in general obligation bonds for fiscal year 2017-2018 for the purpose of constructing a multiple-unit high rise condominium on land administered by DHHL provided that the units shall be used by eligible homesteaders and that the moneys may be expended for infrastructure or actual building costs.

The Department appreciates any additional funding to support its initiatives as long as it doesn't affect the priorities identified in the Governor's Executive budget request. DHHL requests flexibility for the use of the \$50 million in general obligation bonds for lump sum Hawaiian Home Lands lot development, Statewide. In order to construct a multiple-unit high rise condominium on land administered by DHHL, the Department must first adopt administrative rules that will not be completed within the timeframe provided for in this bill.

Thank you for your consideration of our testimony.

DAVID Y. IGE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

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 869
RELATING TO HOUSING

Honorable Chair Brower and Members of the Committee on Housing, thank you for the opportunity to provide testimony concerning House Bill 488, relating to housing.

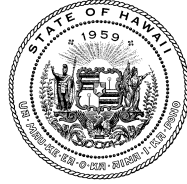
The Hawaii Public Housing Authority (HPHA) supports SB 869 provided that it does not adversely affect the Governor's priorities. HB869 authorizes the issuance of general revenue bonds for construction and infrastructure development projects to provide affordable housing units for middle class and low income residents; and allows moneys from the conveyance tax and the county surcharge on a state tax to be used to repay the bonds.

The HPHA would respectfully request that the three properties listed under section 5 be removed. The cost of each project is substantial. The sum of money provided through this bill would not be enough to cover the cost of all three projects. The HPHA would prefer that the proposed language remain non-specific as to which properties the bill oversees, thereby allowing us to leverage the funds and work on the project that will yield us the largest amount of affordable housing units and those ready to start construction.

The HPHA appreciates the opportunity to provide the House Committees on Housing with the HPHA's comments regarding HB 869. We thank you very much for your dedicated support.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Tom Brower, Chair
and Members of the House Committee on Housing

Date: Tuesday, February 7, 2017
Time: 9:00 A.M.
Place: Conference Room 423, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 869, Relating to Housing

The Department of Taxation (Department) appreciates the intent of H.B. 869 and provides the following comments for your consideration.

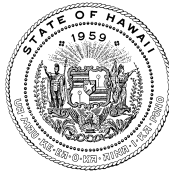
H.B. 869 authorizes Department of Budget and Finance (B&F) to issue general obligation bonds to construct affordable rental units and homes, and allows general fund revenue from the conveyance tax and the county surcharge tax to be used to repay the bonds. The measure is effective on July 1, 2017.

The Department first notes that although the Conveyance Tax Law, chapter 247, Hawaii Revised Statute (HRS), is administered by the Department, the forms and payments are generally submitted to the Bureau of Conveyances (BOC). Therefore, the Department does not report the revenues collected from the conveyance tax and the allocation of the monies from conveyance tax in its Statement of Tax Operations.

The Department, however, notes that it is unclear how much of the conveyance tax is authorized to be used to repay bonds as set forth in Section 2 of H.B. 869. If the Committee wishes to advance the measure, the Department suggests specifying a percentage or an amount of the conveyance tax that may be used to repay bonds issued pursuant to H.B. 869 in the new subsection (c) of section 247-7, HRS.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN COMMENTS
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HOUSING
ON
HOUSE BILL NO. 869

LATE

February 7, 2017
9:00 a.m.
Room 423

RELATING TO HOUSING

House Bill No. 869 authorizes the Director of Finance to issue general obligation (G.O.) bonds for various affordable housing programs and projects and allows moneys collected from the conveyance tax and the county surcharge on State tax to be used to repay the bonds. The Department of Budget and Finance supports the intent to develop more affordable housing to address Hawaii's housing shortage and homelessness problems but offers the following comments.

Section 2 of the bill amends Section 247-7, HRS, by adding a new subsection authorizing moneys collected through the conveyance tax to be used to repay bonds issued pursuant to this measure. Currently, the revenues from the conveyance tax are deposited into the general fund to be used for the purposes of the general fund except for distributions to the Land Conversion Fund and the Rental Housing Revolving Fund, which total the lesser of 60 percent of the annual taxes collected or \$44,800,000. Thus, given the current authorities articulated above for use of the conveyance tax, since G.O. bonds issued by this bill would be paid for by the general fund, such amendments will make no change in current policy.

Similarly, Section 3 of the bill amends Section 248-2.6, HRS, to allow moneys collected through the county surcharge on State tax to be used to repay bonds issued pursuant to this bill. The 10 percent of gross proceeds kept by the State is also deposited into the general fund for purposes of the general fund and reimbursing costs associated with the assessment, collection, and disposition of the county surcharge on State tax. Once again, since G.O. bonds issued by this bill would be paid for by the general fund, such amendments will make no change in current policy.

Thank you for your consideration of our comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Earmarks Conveyance Tax to Repay Bonds for Affordable Housing

BILL NUMBER: HB 869

INTRODUCED BY: BROWER

EXECUTIVE SUMMARY: Authorizes the issuance of general obligation bonds for construction and infrastructure development projects to provide affordable housing units for middle class and low income residents. Allows moneys from the conveyance tax and the county surcharge on state tax to be used to repay the bonds. There is no need, however, for the tax earmarks because any general fund money already can be used to repay the bonds.

BRIEF SUMMARY: Authorizes the director of finance to issue approximately \$1.5 billion of new general obligation bonds for housing.

Amends HRS section 247-7 to provide that conveyance tax funds may be used to repay the above bonds.

Amends HRS section 248-2.6 to provide that the 10% of county surcharge collections that the State now retains may be used to repay the above bonds.

EFFECTIVE DATE: July 1, 2017.

STAFF COMMENTS: General obligation bonds are debts for which the state has pledged its full faith and credit to repay. The state is obligated to pay them out of all the revenues it receives, and the obligation is not limited to funds coming from any particular tax type. The earmarks upon the conveyance tax funds and the 10% surcharge “skim” are unnecessary.

Digested 2/2/2017

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 4, 2017 9:42 PM
To: HSGtestimony
Cc: MikeGoodman72@Outlook.com
Subject: *Submitted testimony for HB869 on Feb 7, 2017 09:00AM*

HB869

Submitted on: 2/4/2017

Testimony for HSG on Feb 7, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Goodman	Hawaii Kai Homeless Task Force	Support	Yes

Comments:

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.

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EXECUTIVE CHAMBERS
HONOLULU

LATE

DAVID Y. IGE
GOVERNOR

February 7, 2017

TO: The Honorable Representative Tom Brower, Chair
House Committee on Housing

FROM: Scott Morishige, MSW, Governor's Coordinator on Homelessness

SUBJECT: **HB869 – RELATING TO HOUSING**

Hearing: Tuesday, February 7, 2016 at 9:00 a.m.
Conference Room 423, State Capitol

POSITION: The Governor's Coordinator on Homelessness appreciates the intent of this bill, but expresses concern that the bill may adversely impact priorities indicated in the Executive Budget. The Coordinator asks for the Legislature's support of the Governor's Executive Budget request for homeless services, affordable housing development, and public housing renovations. The Executive Budget request includes appropriations to the Department of Human Services (DHS), Department of Health (DOH), Hawaii Public Housing Authority (HPHA), and Hawaii Housing Finance and Development Corporation (HHFDC).

PURPOSE: The purposes of this measure is to authorize the issuance of general obligation bonds for construction and infrastructure development projects to provide affordable housing units for middle class and low income residents, including \$200 million for the purpose of constructing temporary transitional housing or homeless shelters on Kauai, Maui, Oahu, and the island of Hawaii. The bill allows for moneys from the conveyance tax and the county surcharge on state tax to be used to repay the bonds.

The State has adopted a comprehensive framework to address homelessness, which includes a focus on three primary leverage points – affordable housing, health and human services, and public safety. All three of these leverage points must be addressed simultaneously to continue forward momentum in addressing the complex issue of homelessness. Accordingly,

the Governor's Executive Budget request includes \$20.9 million for homeless services, as well as over \$150 million for the Rental Housing Revolving Fund, Dwelling Unit Revolving Fund, and HPHA. The Executive Budget specifically increases resources for homeless outreach, mental health, and substance use treatment. Further, it addresses housing costs and homeless mitigation through programs such as Housing First, Rapid Re-Housing, and the State Rent Supplement. The Coordinator asks for the Legislature's support of the Executive Budget request.

The Coordinator notes that Section 6 authorizes the Director of Finance to issue general obligation bonds for the purpose of constructing temporary transitional housing or homeless shelters. However, the focus of the State's strategy to address homelessness is permanent housing, rather than temporary shelter. If this bill moves forward, the Coordinator respectfully requests that the general obligation bonds authorized in Section 6 be issued for the purpose of constructing long-term rental housing that is prioritized for homeless or low income households.

The Coordinator defers to the Department of Budget & Finance, DHS, DOH, HPHA, and HHFDC, respectively, with regard to financing, contracting and implementation of provisions such as homeless and health care services, renovation of public housing or implementation of public housing programs, and affordable housing financing and development. While the Coordinator establishes and coordinates State policy to address homelessness, other Executive Branch agencies are responsible for the direct administration and implementation of homeless and housing programs.

Thank you for the opportunity to testify on these bills.

LATE



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

TESTIMONY FOR HOUSE BILL 869, RELATING TO HOUSING

House Committee on Housing
Hon. Tom Brower, Chair
Hon. Nadine K. Nakamura, Vice Chair

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

Honorable Chair Brower 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 869, relating to housing.

We must find a balance between the rampant real estate speculation driving up our cost of housing and renting and meeting the 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 Hawai'i more affordable, including using general obligation bonds to increase our statewide supply of affordable housing.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 7, 2017 7:03 AM
To: HSGtestimony
Cc: arbeit@hawaiiantel.net
Subject: Submitted testimony for HB869 on Feb 7, 2017 09:00AM

HB869

Submitted on: 2/7/2017
Testimony for HSG on Feb 7, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Wendy Arbeit	Individual	Support	No

Comments: It's about time. Clearly, unlike the past, developers can no longer be relied upon to provide anything but luxury housing, so the State must step in to stem our increasing housing shortage for ordinary folk and the homeless.

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.

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Hunt Development Group, LLC
737 Bishop Street, Suite 2750
Honolulu Hawaii 96813
Office 808 525-7900

February 7, 2017

Honorable Tom Brower, Chair
Honorable Nadine Nakamura, Vice Chair
House Committee on Housing

RE: HB 869 – Relating to Housing – *In Support*
Conference Room 423; 9:00 AM

Aloha Chair Brower, Vice Chair Nakamura and members of the Committee:

Hunt Companies is in support of HB 869 which authorizes the issuance of general obligation bonds for construction and infrastructure development projects to provide affordable housing units for middle class and low income residents.

There is a critical need for affordable housing in urban Honolulu. Hunt Companies is in the process of executing a Master Development Agreement with the Hawaii Public Housing Authority to redevelop Mayor Wright Homes to a mixed income neighborhood. We have spent almost a year on master planning which involved extensive community outreach including discussions with current tenants, community stakeholders, various departments within the City and County of Honolulu and policy makers. In addition to replacing the current 364 public housing units, the plan could add approximately 2,100 more rental units over the next ten years. We anticipate building approximately 500 units in phase one with groundbreaking in 2018.

This bill will help provide critically needed funding in an effort to address the state's housing shortage while maximizing Mayor Wright Home's prime location in Downtown Honolulu's TOD area. The redevelopment of Mayor Wright Homes provides an unprecedented opportunity for 2,500 rental units to replace the existing public housing and serve as a powerful catalyst of urban TOD renewal. In order to achieve this vision, we ask that you consider amending Section 5 of HB 869 to apply to residents earning up to 120% AML.

Thank you for the opportunity to submit testimony in support of this measure.

Thomas Lee

nakamura1 - Natalie

From: nakamura1 - Natalie
Sent: Wednesday, February 8, 2017 10:23 AM
To: HSGtestimony
Subject: FW: Testimony supporting HB 1179 and HB869

Follow Up Flag: Follow up
Flag Status: Completed

From: Catherine Graham [mailto:catgraham48@gmail.com]
Sent: Tuesday, February 7, 2017 7:22 PM
To: nakamura1 - Natalie <nakamura1@capitol.hawaii.gov>
Cc: Bob Nakata <bobnakata239@aol.com>
Subject: Testimony supporting HB 1179 and HB869

Aloha Rep. Nakamura and Staff

This morning during the Housing Hearing, Rev. Bob Nakata testified in favor of the 2 bills above as co chair of the FACE Housing Task Force and The Housing Now! Coalition. Since we had not sent in any written testimony, we would like this email to serve as such.

Both HB 1179 and HB 869, if passed, will greatly increase the likelihood of affordable housing actually getting built, especially the 22,500 units mandated by last year's legislature that we need in the next 10 years.

Please pass these 2 bills.

Respectfully submitted,

Catherine Graham
co-chair FACE Housing Committee and the Housing Now! Coalition.