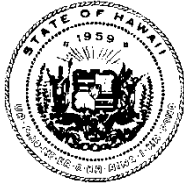


DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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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 1, 2018 at 9:00 a.m.
State Capitol, Room 423


In consideration of
H.B. 2575
RELATING TO AFFORDABLE HOUSING.


HHFDC **opposes** H.B. 2575. Rent stabilization or rent control laws discourage needed private investment in the rental housing market.


WE believe this measure will adversely affect existing affordable rental projects assisted through Low-Income Housing Tax Credits and the Rental Housing Revolving Fund. These privately-owned projects are financed under the assumption that rents will be increased, subject to the project's specific rent restrictions. The proposed rent stabilization law may jeopardize economic feasibility and reduce the project owner's ability to operate and maintain the project. It could also negatively impact loan repayments to the Rental Housing Revolving Fund, which depend on affordable rental projects having positive cashflows.

Thank you for the opportunity to testify.



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February 1, 2018

The Honorable Tom Brower, Chair

House Committee on Housing

State Capitol, Room 423

Honolulu, Hawaii 96813

RE: H.B. 2575, Relating to Affordable Housing

HEARING: Thursday, February 1, 2018, at 9:00 a.m.

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


I am Ken Hiraki, 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 over 9,500 members. HAR **opposes** House Bill 2575, which establishes a new rent stabilization law that enumerates unlawful actions, details the process for calculating the monthly rent and yearly increases and surcharges for dwelling units and provides remedies for violations.


The role of rent plays two essential functions in the housing market. First, it compensates providers of existing housing units and developers of new units for the cost of providing housing to a consumer. Second, it provides economic incentives needed to attract new investment in rental housing and maintain existing housing stock. In the short-term as rents rise, it encourages new investment in rental housing through new construction, rehabilitation and conversion of buildings from nonresidential to residential use. Without the increased rents, it thereby would disincentives new investments in rental housing.


In an efficient market, prices find a level at which both tenants and landlords are willing to do business with each other. Rent stabilization removes that efficiency from the market. As tenants will want to stay in the units longer, it will decrease the supply of available rental housing stock thereby making prices go up in other non-rent stabilized housing.

Furthermore, rent stabilization does not take into consideration the financial need of a tenant. It thereby would benefit well-to-do renters more than lower-income renters that this bill may be intended to help. To benefit lower-income consumers, rental assistance should be provided directly to the renter rather than tied to the rental unit. This allows residents to choose housing that better fits their needs.



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HAR would also note the rent stabilization contained in this measure would apply to almost every residential property that is over 10 years old and not a single-family residence. Not every landlord owns their property out right, and rentals are used as a way to build equity and wealth through investment. The rent is used to help subsidize the mortgage payments. By placing caps on the amount of rent that can be collected can severely hurt these property owners.

We are in a severe housing shortage, with over 66,000 units needed in Hawai'i by 2025 according to the Department of Business, Economic Development and Tourism. We need to be encouraging investment in housing at all prices points, and rent stabilization is counterproductive to Hawaii's unique housing challenges.

Mahalo for the opportunity to testify in opposition to this measure.





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COMMITTEE ON HOUSING

Thursday, February 1, 2018, 9:00 am, Room 423
HB 2575, RELATING TO AFFORDABLE HOUSING

TESTIMONY

Nina Eejima, Legislative Committee, League of Women Voters of Hawaii

Chair Brower, Vice Chair Nakamura; and Committee Members:

The League of Women Voters of Hawaii supports the intent of HB 2575 that establishes a new chapter for rent stabilization. The proposed measure details the process for calculating the maximum monthly rent and yearly increases and surcharges for dwelling units under the jurisdiction of the chapter, and provides for certain remedies for violations of the chapter.

We agree with efforts to ensure that renters are not priced out of the rental market and that property owners may increase their rents by a reasonable amount. We note that the proposed measure explicitly states that this proposed measure is distinct from rent control, but this distinction is weak. Price controls on rental housing may cause the supply of rental housing to contract, thereby increasing the cost.

We also note that it is a challenging policy and legislative task to balance the competing needs of renters and landlords. Stakeholders must be treated fairly and with due process. Towards these objectives, we further note that many of the provisions may require further refinement in order to avoid technical and legal inconsistencies, namely those that relate to, *inter alia*:

- The definition of “break in occupancy” – there is no provision that reflects a break in occupancy to a landlord’s eviction of a tenant;
- The definition of “continuously occupied for a certain period of time” – could lead to challenges of vagueness;
- The definition of “Notice of termination of tenancy” which includes an oral notice;
- Definitions of “base rent;”



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- Landlord's notice period and improvements only allowable with the tenant's written consent with respect to capital improvements and related capital expenditure surcharge – could serve as a property owner's disincentive to make capital improvements that affect property values; and
- The absence of any legal remedy available to landlords to enforce the provisions of the new chapter; for example, whereas the department and an aggrieved tenant have explicitly set forth statutory remedies, in the case of a tenant who fails to reasonably provide consent to a capital expenditure surcharge, the chapter is silent as to any landlord enforcement remedies.

Thank you for the opportunity to submit testimony.