

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
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

March 13, 2018 at 10:00 a.m.
State Capitol, Room 423

In consideration of
S.B. 2472, S.D. 2
RELATING TO HOUSING.

The HHFDC *appreciates the intent* of S.B. 2472, S.D. 2 provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget request. S.B. 2472, S.D. 2 establishes a new Home Ownership Housing Revolving Fund to provide loans and grants for affordable homeownership housing projects. This is consistent with the Governor's State of Hawaii Housing Plan, which makes strengthening financial tools a key strategy to address the major housing needs of Hawaii households.

Thank you for the opportunity to testify.



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www.hawaiiancommunity.net

March 9, 2018

House Committee on Housing
Tuesday, March 13, 2018, 10am
Conference Room 423

SB2472, SD2 – Relating to Housing

Aloha Chair Brower, Vice-Chair Nakamura, and Committee Members:

I am submitting testimony on behalf of Hawaiian Community Assets (HCA), the State's largest HUD-approved housing counseling agency to **SUPPORT SB2472, SD2 WITH AMENDMENTS.**

SB2472, SD2 recognizes the need for us as a state to set in place a continuum in affordable housing units by creating a Homeownership Housing Revolving Fund that would provide loans and grants for the development of homeownership units in Hawaii.

During the 2015 Session, the State Legislature passed Act 127 which mandates the State of Hawaii to build 22,500 affordable housing units for our low- and moderate-income residents by 2026. This amounts to investing in 2,250 units per year. Unfortunately, according to the Hawaii Housing Finance and Development Corporation's 2017 report to the State Legislature, Rental Housing Trust funds were awarded for the development of only 326 affordable units in the 2016 and 1,276 affordable units in 2017. Without pursuing vehicles for the development additional housing units – both rental and for-sale – it could take the State more than 28 years to meet the mandate set in place by Act 127 if we were to only focus on rental housing development. Meanwhile, our local workers and families would continue to struggle to find stable, affordable housing creating uncertainty for business owners and missed opportunity for our state economy.

Amendment: Include Projects or Units Funded through Department of Treasury CDFI Fund Program

Our organization strongly recommends to include language in SECTION 2. (1) to include projects or units funded through the United States Department of Treasury CDFI (Community Development Financial Institution) Fund Program. The following provides the specific language as follows:

SECTION 2. Chapter 201H, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§201H- Home ownership housing revolving fund. (a)
There is established a home ownership housing revolving fund to be administered by the corporation for the purpose of providing, in whole or in part, loans or grants for affordable homeownership housing projects in the following order of priority:

- (1) Projects or units in projects that are allocated low-income housing credits pursuant to the state housing credit ceiling under section 42(h) of the Internal Revenue Code of 1986, as amended, or projects or units in projects that are funded by programs of the United States Department of Housing and Urban Development—and United States Department of Agriculture Rural Development, and United State Department of Treasury CDFI Fund wherein:

This amendment would allow the State to leverage capital deployed by local, regional, and national CDFIs for affordable housing. CDFIs are nonprofit intermediaries that are helping communities build affordable housing across the United States by pooling together public and private capital for deployment to underserved populations through loans and grants. The Carsey Institute cites that CDFIs are leveraging Federal investments at a rate of up to 8:1¹. The bill, if amended, would take advantage of the power of CDFIs and their ability to leverage investments from foundations, banks, and government entities to increase affordable housing for our workers, families, and your constituents.

Amendment: \$10 million allocation

Furthermore, HCA recommends an amendment to allocate \$10 million to the Homeownership Housing Revolving Fund for expenditure by the Hawaii Housing Finance and Development Corporation.

Amendment: Effective July 1, 2018

Finally, HCA recommends to amend the bill to make its effective date July 1, 2018 so the fund can begin to increase our supply of affordable units in Hawaii as soon as possible.

With the highest homeless rate per capita and some of the highest housing cost burdens of any state in the nation, we cannot focus our affordable housing investments in on rental housing alone. There is no silver bullet that will address this crisis. SB2472, SD2 with recommended amendments would help us set in place a continuum in affordable housing by investing in affordable homeownership opportunities for our low- and moderate-income households as part of a comprehensive strategy. Please take action to create a Homeownership Housing Revolving Fund. **Pass SB2472, SD2 with the proposed amendments.**

Mahalo for your time, leadership and consideration. Please contact me directly at 808.587.7653 or jeff@hawaiiancommunity.net should you have any questions or need additional information.

Sincerely



Jeff Gilbreath
Executive Director

¹ CDFI Industry Analysis: Summary Report. Carsey Institute, Spring 2012.
<https://www.cdfifund.gov/Documents/Carsey%20Report%20PR%20042512.pdf>



March 11, 2018

From: George S. Massengale

To: House Committee on
Housing

Date: Hearing March 13, 2018, Room 423, at 10:00 a.m.

Subj: SB2472, SD2, Relating to Housing

Testimony in Strong Support with Amendments

Chair Brower, Vice Chair Nakamura and members of the Committee on Housing. I'm here today offer this testimony on behalf of Hawaii Habitat for Humanity, and it's six affiliate agencies located through-out the state.

SB2472, SD2 if passed would create a Homeownership Housing Revolving Fund that would provide monies to support the development of affordable single family, and multi-family homes for families with incomes under 80% AMI. Many of whom a currently living shared housing under less than ideal conditions.

The primary reason for this situation is lack of inventory of affordable housing units both the rental and homeownership sectors. Since 2016, only 1,602 have been developed, which represents just a mere dent towards the state housing goal of 66,000 housing units by 2025. Even if the 1,602 number were quadrupled we would still be 21,144 housing units short by 2025 target date.

We would also point out that the great majority of the units that are considered affordable under 80% AMI are rentals. As for affordable ownership housing, only a trickle are being built, and most these unites are being developed by self-help nonprofit housing organization like Habitat for Humanity and Self-Help Housing Corporation.

Proposed Amendments to SB2472, SD2

Hawaii Habitat and its affiliates have a close and collaborative relationship with Hawaii Community Asset, and we fully support the their propose amendments:

1. To include projects funded through the U.S. Treasury CDFI Fund Program.
2. The allocation of \$10 million from the general fund to the funds corpus, SECTION 3 of the bill, and;
3. Revising the effective date to July 1, 2018.

We (Hawaii Habitat for Humanity) would also strongly recommend an additional amendment to SECTION 4 of the bill, that the sum of \$5 million be appropriated out of the home ownership

revolving fund, so that this money would be available this calendar year to help with development for new homes that are entering into the concluding stages of project planning.

In closing, we would ask for the committee's "**Kina'Ole**" for this measure. We need to ensure that the flame of the American Dream of home ownership is not fully extinguished for our, hard working, lower income families.

We are available to answer any questions that the Chair's or committee members may have

Respectfully,
George S. Massengale



Chair, Advocacy Committee



Building strength and stability through shelter

March 12, 2018

House Committee on Housing
Tuesday, March 12, 2018, 10:00 a.m.
Conference Room 423

SB2472, SD2 – Relating to Housing

Aloha Chair Brower, Vice-chair Nakamura, and Committee Members:

I am submitting testimony on behalf of Hawaii Habitat for Humanity and six locally-based Habitat organizations across the state. Habitat for Humanity is only one of very few nonprofit organizations that offer homeownership opportunities to low-income residents in Hawaii. I write in **STRONG SUPPORT of SB2472, SD2 WITH AMENDMENTS.**

Habitat organizations are 501 (c)(3) nonprofit charitable organizations that provide first-time homeownership opportunities to low income families who earn 30-to-80 percent of the area median income to ensure that they have the stability, strength and self-reliance to thrive. Since 1988, Habitat organizations across the state have built or rehabbed nearly 550 homes, making that many families new homeowners. To date, there are 46 new homes under construction across the state for low-income homeowners. Habitat anticipates that by 2023 over 900 homes total will have been provided by Habitat organizations through our owner/builder, self-help program. With the additional resources of both land and funding, our Habitat organizations would be able to increase this number by 20% over the course of the next five years. However, with our current plans, we anticipate the gap for funding at \$45,000,000 to meet Habitat's goals. We believe that this fund will not only help meet the gap over the next five years, but beyond that time, with the hope that the fund can grow and resources used to provide stability through homeownership for Hawaii's low income families.

SB2472, SD2 recognizes the need to set in place a continuum in affordable housing units by creating a Homeownership Housing Revolving Fund that would provide loans and grants for the development of homeownership units in Hawaii.

Hawaii's low-income families are struggling more than ever. As one of the highest cost of living states in the Country, housing, health care and education are taking its toll on families who are unable to stabilize their financial situation. Housing and homeownership can help families by leveraging their asset to improve both their health and education. Homeownership provides equal monthly payments for housing, causing less stress and permanent homes to raise their families.

Amendment: Include Projects or Units Funded through Department of Treasury CDFI Fund Program

Hawaii Habitat strongly recommends including language in SECTION 2. (1) to include projects or units funded through the United States Department of Treasury CDFI (Community Development Financial Institution) Fund Program. The following provides the specific language as follows:

"§201H- Home ownership housing revolving fund. (a) There is established a home ownership housing revolving fund to be administered by the corporation for the purpose of providing, in whole or in part, loans or grants for affordable homeownership housing projects in the following order of priority: (1) Projects or units in projects that are allocated low-income housing credits pursuant to the state housing credit ceiling under section 42(h) of the Internal Revenue Code of 1986, as amended, or projects or units in projects that are funded by programs of the United States Department of Housing and Urban Development, ~~and~~ United States Department of Agriculture Rural Development, ~~and United State Department of Treasury CDFI Fund~~ wherein:"

This amendment would allow the State to leverage capital deployed by local, regional, and national CDFIs for affordable housing. CDFIs are nonprofit intermediaries that are helping communities build affordable housing across the United States by pooling together public and private capital for deployment to underserved populations through loans and grants. The bill, if amended, would take advantage of the power of CDFIs and their ability to leverage investments from foundations, banks, and government entities to increase affordable housing for our workers, families, and your constituents.

Additional Proposed Amendments to SB2472, SD2

Hawaii Habitat and its affiliates also propose the following amendments:

1. The allocation of \$10 million to the Homeownership Housing Revolving Fund for expenditure by the Hawaii Housing Finance and Development Corporation.
2. Revising the effective date to July 1, 2018 so the fund can immediately increase the supply of affordable homeownership units across the state.

We support SB2472, SD2 to provide homeownership opportunities for families who are ready to stabilize their housing challenges permanently. Please take action to create a Homeownership Housing Revolving Fund. **Pass SB2472 with the proposed amendments.**

Mahalo for your time, leadership and consideration. Please contact me at 808-847-7676 or jean@hawaiihabitat.org should you have any questions or need additional information.

Sincerely,

A handwritten signature in blue ink, reading "Jean Lilley", set against a light gray rectangular background.

Jean Lilley
Executive Director

Habitat for Humanity Hawaii Island
Habitat for Humanity Leeward Oahu
Habitat for Humanity Maui
Honolulu Habitat for Humanity
Kauai Habitat for Humanity
Molokai Habitat for Humanity



Habitat
for Humanity®
Hawai'i Island

LATE

*Building houses,
building hope*

March 10, 2018

Michael Ross
Board President

House Committee on Housing
Tuesday, March 13, 2018
Conference Room 423

Dr. Ann Marie Muramoto
Vice President

SB2472, SD2 – Relating to Housing

Anthony Cann
Secretary

Aloha Chair Brower, Vice-Chair Nakamura, and Committee Members:

Hobbs Lowson
Treasurer

I am submitting testimony on behalf of Habitat for Humanity Hawaii Island (HFHHI), one of a few affordable housing organizations on the Big Island, to **SUPPORT SB2472, SD2 WITH AMENDMENTS.**

Alan Tuhy, Esq.

SB 2472 SD2 recognized the need for us as a state to set in place a continuum of affordable housing units by creating a Homeownership Revolving Fund that would provide loans and grants for the development of homeownership units in Hawaii.

Craig "Bo" Kahui

Habitat for Humanity believes home ownership is the best way to end the cycle of poverty around the world and especially here in Hawaii. Affordable homeownership is the key to developing strong families and strong communities.

Father Richard Tardiff

Amendment: Include Projects or Units Funded through Department of Treasury CDFI Fund program.

Leiola Augustine

Our organization strongly recommends to include language in SECTION 2.

Adrienne Eisele

Amendment: \$10 million allocation

Edwina Fujimoto

Furthermore, HFHHI recommends an amendment to allocate \$10 million to Homeownership Housing Revolving Fund for expenditure by the HHFDC.

Napua Kekauoha-Chartrand

Melanie Lucas

Ron Lloyd

Steve Machesky

Patrick F. Hurney
Executive Director
Habitat for Humanity
West Hawaii, Inc.
PO Box 4619
Kailua-Kona, HI 96745

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Community Partner



Habitat
for Humanity[®]
Hawai'i Island

Amendment: Effective July 1, 2018

Finally, HFHHI recommends to amend the bill to make its effective date July 1, 2018 so the funding can begin increase our supply of affordable units in Hawaii as soon as possible.

Mahalo for your time, leadership and consideration. Please contact me directly at 808-937-7443 or pat@habithawaiiisland.org should you have any questions.

Sincerely

Patrick F. Hurney
Executive Director

CDFI Industry Analysis: Summary Report. Carsey Institute, Spring 2012.
<https://www.cdfifund.gov/Documents/Carsey%20Report%20PR%20042512.pdf>



Imanaka Asato
A LIMITED LIABILITY LAW COMPANY

March 12, 2018

Representative Tom Brower, Chair
Representative Nadine K. Nakamura, Vice Chair
Members of the House Committee on Housing
Twenty-Ninth Legislature
Regular Session of 2018

RE: SB 2472, SD2 - Relating to Housing
Hearing date: March 13, 2018 at 10:00 am

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

Thank you for allowing me to submit testimony on behalf of NAIOP Hawaii in SUPPORT of SB 2472, SD2 - Relating to Housing. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 150 members in the State including local developers, owners, investors, asset managers and other professionals. Importantly, NAIOP Hawaii members are leaders in the development of affordable for sale and rental housing throughout Hawaii.

SB 2472, SD2 establishes the home ownership housing revolving fund to provide loans and grants for the development of affordable for-sale housing projects and provides an appropriation to support the fund. NAIOP Hawaii members have a keen interest in the state's support of housing for all levels of income, especially at a level affordable to those most in need of housing. SB 2472, SD2 is an important tool to support those efforts.

However, NAIOP Hawaii offers the following amendments to strengthen the utility of the home ownership revolving fund. First, further clarification is needed on the priority projects outlined in Section 2, §201H-__(a). For example, the housing credits pursuant to the state housing credit ceiling under IRC § 42(h) are only available to rental projects. Financing for rental and for-sale projects generally cannot be combined.

Second, Section 2, §201H-__(e) requires a 100% loan to value ratio. Because of the income restrictions required, between 30% to 80% of the area median income, it is likely that a project's value will be substantially less than the financing needed. Consequently, meeting the 100% loan to value ratio will be difficult. NAIOP Hawaii suggests excluding any grants provided from the loan calculation and giving HHFDC authority to waive the loan to value ratio requirement.

Finally, as this is one of the state's top priorities, we recommend that the legislature provide an initial appropriation for the fund without adversely affecting the state's economy. The subsidy required to build a for sale unit in urban Honolulu affordable to families with

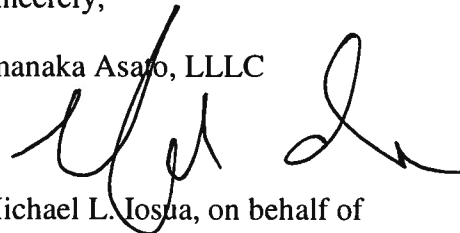
House Committee on Housing
March 12, 2018
Page Two

incomes between 30%-80% of area median income often exceeds \$300,000. Accordingly, about \$1 million will be required from the home ownership housing revolving fund for every 3-4 affordable for sale units built. With the state needing tens of thousands of affordable units in the coming years, providing a substantial appropriation is well worth the investment to our state.

We applaud your efforts in addressing the critical need for affordable housing in Hawaii. Mahalo for your consideration.

Sincerely,

Imanaka Asato, LLC

A handwritten signature in black ink, appearing to read "Michael L. Iosua". The signature is fluid and cursive, with a large initial "M" and "I".

Michael L. Iosua, on behalf of
NAIOP Hawaii

LATE

SB-2472-SD-2

Submitted on: 3/12/2018 10:41:25 AM

Testimony for HSG on 3/13/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

SB-2472-SD-2

Submitted on: 3/9/2018 7:27:08 PM

Testimony for HSG on 3/13/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Support	No

Comments:

Chair Brower, Vice Chair Nakamura and members of the committee,

Please pass SB2472 SD2. We need more affordable housing. There is no one magic bullet that will solve this problem. We need many different approaches. This is one of them.

Thank you for the opportunity to testify.

Randy Ching / Honolulu

SB-2472-SD-2

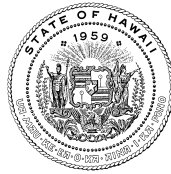
Submitted on: 3/12/2018 8:34:03 AM

Testimony for HSG on 3/13/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Rebeca Zamora	Individual	Support	No

Comments:

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
DIRECTOR

KEN N. KITAMURA
ACTING 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 ONLY

TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HOUSING
ON
SENATE BILL NO. 2472, S.D. 2

LATE

March 13, 2018

10:00 a.m.

Room 423

RELATING TO HOUSING

Senate Bill No. 2472, S.D. 2, establishes the Home Ownership Housing (HOH) Revolving Fund to provide loans and grants for affordable for-sale housing projects; appropriates an unspecified amount of general funds for FY 19 to be deposited into the HOH Revolving Fund; and appropriates an unspecified amount of revolving funds for FY 19 from the HOH Revolving Fund.

While the Department of Budget and Finance supports efforts to provide affordable housing to address Hawai'i's housing crisis, as a matter of general policy, the department does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 2472, S.D. 2, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.