

SB 2472

Measure Title: RELATING TO HOUSING.

Report Title: Housing; Home Ownership Housing Revolving Fund; Housing Shortage; Appropriation (\$)

Description: Establishes the home ownership housing revolving fund to provide loans and grants for affordable home ownership housing projects. Makes an appropriation into and out of the fund.

Companion:

Package: None

Current Referral: HOU, WAM

Introducer(s): RUDERMAN, S. CHANG, IHARA, INOUE, KIM, Green, K. Rhoads, Riviere, Shimabukuro, L. Thielen

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

SENATE COMMITTEE ON HOUSING

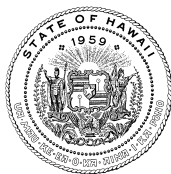
January 30, 2018 at 2:45 p.m.
State Capitol, Room 225

In consideration of
S.B. 2472
RELATING TO HOUSING.

The HHFDC *appreciates the intent* of S.B. 2472, provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget request. S.B. 2472 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.

We note, however, that the language used to establish this proposed fund is similar to the Rental Housing Revolving Fund. Therefore, S.B. 2472 requires technical amendments to ensure that the new fund created therein can be used for the development of affordable for-sale housing projects, rather than affordable rentals.

Thank you for the opportunity to testify.



**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON HOUSING
ON
SENATE BILL NO. 2472

**January 30, 2018
2:45 p.m.
Room 225**

RELATING TO HOUSING

Senate Bill No. 2472 establishes the Home Ownership Housing (HOH) Revolving Fund to provide loans and grants for affordable homeownership housing projects, and appropriates an unspecified amount of general funds for FY 19 to be deposited into 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, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.



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COMMITTEE ON HOUSING

TUESDAY, January 30, 2018, 2:45 PM, Conference Room 225
SB 2472, Relating to Housing

TESTIMONY

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

Chair Espero, Vice-Chair Harimoto, and Committee Members:

The League of Women Voters of Hawaii supports SB 2472 that establishes a home ownership revolving fund to facilitate greater homeownership opportunities for Hawaii residents. Specifically, the fund will provide loans and grants for affordable home ownership housing projects, including the development, pre-development, construction, acquisitions, preservation, and substantial rehabilitation of housing units. The fund may include sums appropriated by the legislature, private contributions, repayment of loans, and other sources.

We note that action is urgently needed to increase the availability of all types of housing, including full time resident homeownership housing, taking into account that Hawaii has the third lowest homeowner rate in the nation.

Thank you for the opportunity to submit testimony.

SB-2472

Submitted on: 1/26/2018 11:33:12 PM

Testimony for HOU on 1/30/2018 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

**PRESENTATION OF THE
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES**

DEMOCRATIC PARTY OF HAWAII

TO THE COMMITTEE ON HOUSING

THE HAWAII STATE SENATE

TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2018

Tuesday, January 30, 2018

2:45 p.m.

Hawaii State Capitol, Conference Room 225

RE: Testimony in Support of SB 2472, RELATING TO HOUSING

To the Honorable Will Espero, Chair; the Honorable Breene Harimoto, Vice-Chair and Members of the Committee on Housing:

Good afternoon, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on Senate Bill No. 2472, relating to a Home Ownership Housing Revolving Fund. The OCC Legislative Priorities Committee is in favor of Senate Bill No. 2472 and support its passage.

Senate Bill No. 2472, is in alignment with the Platform of the Democratic Party of Hawai'i ("DPH"), as it is designed to keep the units at the Front Street Apartments, Island of Maui, Hawaii, affordable. Specifically, the DPH Platform states, "Housing is a

basic human need and we believe that adequate, accessible, affordable, and safe housing should be available to all residents on Hawai'i. Affordable housing that is fair in proportion to individual income is the basis of prosperity for our citizens and stability in our economy. Recent and past real estate bubbles have fueled disproportionate rent increases, a key contributor to homelessness. Therefore, we support efforts to promote truly affordable housing for all citizens who rent. We also need economically affordable home ownership. To this end, we support policies which re-think the current formula to determine "affordability" as this formula puts both rentals and sales out of the reach of most working family in Hawai'i. . . . We believe in the concept of "Housing First" to develop affordable, state housing and support services to break the cycle of homelessness for people with the fewest housing options." (Platform of DPH, P. 7, Lines 340-344, 346-348, 352-353 (2016)).

Given that Senate Bill No. 2472 establishes a Home Ownership Housing Revolving Fund to provide loans and grants for affordable homeownership housing projects, thereby reducing the risk of homelessness, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ **Melodie Aduja**

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: legislativepriorities@gmail.com, Tel.: (808) 258-8889



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January 28, 2018

Senate Committee on Housing
Tuesday, January 30, 2018, 2:45pm
Conference Room 225

SB2472 – Relating to Housing

Aloha Chair Espero, Vice-Chair Harimoto, and Committee Members:

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

SB2472 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 calendar year. Without pursuing vehicles for the development additional housing units – both rental and for-sale – it could take the State 95 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: Invest Trust Funds in Households Earning 100% AMI or Below

While we agree with the intent of SB2472, the need for affordable housing units for low- and moderate-income households is dire and must be addressed immediately to keep from forcing more children and adults into homelessness. The Department of Housing and Urban Development defines low- and moderate-income households as those that earn 100% Area Median Income (AMI) or below. We request to amend SB2472 to direct loan and grant funds

from the Homeownership Housing Revolving Fund to units that are affordable for households at or below 100% AMI instead of 140% AMI.

It is unnecessary to use taxpayer dollars to subsidize the development of market rate housing for households above 100% AMI. Instead, this amendment would target investment toward those families who need affordable housing the most and, by doing so, would help free up existing units for other low- and moderate-income families, creating a stepping stone for ourselves, our neighbors, families, and friends into homeownership.

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 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 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,

A handwritten signature in black ink that reads "Jeff Gilbreath". The signature is written in a cursive, slightly slanted style.

Jeff Gilbreath
Executive Director



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

TESTIMONY FOR SENATE BILL 2472, RELATING TO HOUSING

Senate Committee on Housing
Hon. Will Espero, Chair
Hon. Breene Harimoto, Vice Chair

Tuesday, January 30, 2018, 2:45 PM
State Capitol, Conference Room 225

Honorable Chair Espero and committee members:

I am Kris Coffield, representing IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in support of Senate Bill 2472, relating to housing.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2017* report found that a full-time worker would need to earn \$35.20/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 \$2,000 in recent years, with minimum wage workers needing to log 116 hours per week to afford a modest one-bedroom apartment at fair market value and 139 hours per week to afford a two-bedroom—a number that is equivalent to working 20 hours a day with no days off year-round. In the past three years alone, Honolulu rent has increased by more than 25 percent. While 46 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 \$16.53/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, a number that rises to 83 percent of extremely low-income households. 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 for our economically disadvantaged neighbors.

Our state's cost of housing has skyrocketed over the last decade, leaving many families searching for affordable alternatives, in shelters, or on the streets. For context, the median price of condominiums on O'ahu increased 6 percent in the summer of 2017 to a record \$425,000, while the median price for single-family homes increased by 3 percent to \$795,000, according to the Honolulu Board of Realtors, a number that they expect to increase by at least another 5 percent in 2018. Average fair market rent for two-bedroom apartments in *outlying* communities in the City and County of Honolulu now exceeds \$2,700, with the cost of a four-bedroom home in urban Honolulu now exceeding \$1.1 million. At least 46 percent of residences in Hawai'i are owner unoccupied, according to the National Low-Income Housing Coalition, meaning that nearly 50 percent—and by some estimates over half—of Hawai'i's homes are likely 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).”

The time for deliberation is over. It's time to act. Experts at DBEDT now estimate that Hawai'i needs 66,000 new housing units by the year 2025 to keep up with demand, more than 80 percent of which is needed to meet the demand of people who qualify for affordable housing. Yet, for every 100 extremely low-income renters on O'ahu, there exist only 40 affordable rentals, according to the Urban Institute, of which only 11 are “naturally affordable,” meaning they are affordable without federal subsidies. Though our state is committed to a goal of building 22,500 affordable rental housing units in the next 10 years, figures from the Hawai'i Housing Finance and Development Corporation show that in 2015 and 2016, we added only approximately 1,000 affordable rental units to our state's inventory, with further plans finalized for a mere 3,240 more affordable rentals by 2022. Analysts believe that boosting the overall housing supply will lower home prices—and, in turn, rent—for all residents, an ancillary benefit that cannot be overstated in our undersaturated, luxury-driven, “investor first” housing market. Establishing a home ownership housing revolving fund to facilitate greater affordable homeownership opportunities is a good step toward increasing our housing supply for thousands of Hawai'i residents.

We need housing now. Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance