

SB 2560

Measure Title:	RELATING TO HOUSING.
Report Title:	Affordable Housing; Office of Affordable Housing Finance and Development; Development Loans; Appropriation (\$)
Description:	<p>Establishes the Office of Affordable Housing Finance and Development for the purpose of facilitating the financing, planning, permitting, designing, and construction of affordable housing.</p> <p>Establishes an affordable housing development loan program to provide financing for private developers who develop affordable housing projects. Appropriates moneys for personnel and operating costs of the Office of Affordable Housing Finance and Development and to fund affordable housing development loans.</p>
Companion:	
Package:	None
Current Referral:	HOU, WAM
Introducer(s):	GABBARD, S. CHANG, ESPERO, GALUTERIA, Ihara

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. 2560
RELATING TO HOUSING.

The HHFDC opposes S.B. 2560. We believe this bill is not necessary because the Office of Affordable Housing Finance and Development created in this bill is duplicative of HHFDC's functions and duties.

Thank you for the opportunity to testify.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development and Tourism
before the
SENATE COMMITTEE ON HOUSING
Tuesday, January 30, 2018
2:45 p.m.
State Capitol, Conference Room 225

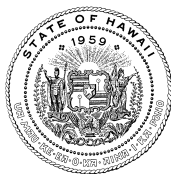
in consideration of
SB 2560
RELATING TO HOUSING.

Chair Espero, Vice Chair Harimoto, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT)
opposes SB 2560.

This bill, which would create a new Office of Affordable Housing Finance and Development reporting directly to the DBEDT Director is unnecessary and duplicative of functions already performed by the Hawaii Housing Finance and Development Corporation. The process of creating a new government agency, establishing new positions, and hiring employees diverts time and resources better spent on directly addressing the State's shortage of affordable housing. DBEDT therefore cannot and does not support this bill.

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. 2560**

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

RELATING TO HOUSING

Senate Bill No. 2560 establishes the Office of Affordable Housing Finance and Development (OAHFD) for the purpose of facilitating the financing, planning, permitting, designing, and construction of affordable housing; establishes an affordable housing development loan program to provide financing for private developers who develop affordable housing projects; appropriates an unspecified amount of general funds for FY 19 for personnel and operating costs of the OAHFD; establishes the Affordable Housing Development Loan Revolving Fund (AHDRLF); appropriates an unspecified amount of general funds for FY 19 to be deposited into the AHDRLF; and appropriates an unspecified amount of funds from the AHDRLF for the purpose of providing affordable housing development loans.

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. 2560, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

We also defer to the Department of Business, Economic Development and Tourism's Hawai'i Housing Finance and Development Corporation to determine if the OAHFD represents a duplication of effort with their current affordable housing endeavors.

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 2560, 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, with reservations, SB 2560 that establishes the Office of Affordable Housing Finance and Development, an affordable housing development loan program to provide financing for private developers who develop affordable housing projects, and appropriates moneys for said office and to fund affordable housing development loans.

We note there is no question that affordable housing solutions necessitate the facilitation of the financing, planning, permitting, designing, and building of affordable housing, either directly or in partnership with other government agencies and the private sector. We note however, that this proposed measure exempts projects under the loan program from all statutes, ordinances, charter provisions, and rules of any government agency relating to planning, zoning, subdivision construction standards, and development and improvement of land. We take strong exception to exemptions that would contravene existing environmental, zoning, and planning measures whose primary purposes are to ensure sound and sustainable development.

We further note that as the program is implemented, some of the proposed measure's provisions might need some adjustment. For example, statutory provisions on personnel staffing and staffing qualifications could very well change; and thus to the extent possible, similar operational provisions should be more appropriately reflected in administrative regulations which are more easily amended than a legislative enactment.

Thank you for the opportunity to submit testimony.

SB-2560

Submitted on: 1/27/2018 2:10:06 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 2560, 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. 2560, relating to the Office of Affordable Housing Finance and Development to establish an affordable housing loan program to provide financing to private developers for the development affordable housing projects. The OCC Legislative Priorities Committee is in favor of Senate Bill No. 2560 and support its passage.

Senate Bill No. 2560, 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. 2560 establishes the Office of Affordable Housing Finance and Development to administer an affordable housing loan program which provides financing to private developers for the development affordable housing projects, thereby reducing homelessness, it is the position of the OCC Legislative 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



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

TESTIMONY FOR SENATE BILL 2560, 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 2560, 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 \$2,000, 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. A coordinated Office of Affordable Housing Finance and Development and accompanying development loan program is a good first step in boosting our affordable housing and rental supply.

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

Sincerely,
Kris Coffield
Executive Director
IMUAlliance



Building Housing, Building Hope

January 28, 2018

From: George S. Massengale
To: Senate Committee on Housing
Date: Hearing January 30, 2019 at 2:45 P.M.
Subj: SB2560, Relating to Housing

Testimony in Support

Chair, Senator Espero, Vice Chair, Senator Harimoto and members of the Committee on Housing,

Let me begin by thanking Chair Espero for the opportunity to provide testimony in support of SB2560 that would create an Office of Affordable Housing Finance.

Much of the testimony we presented in SB2472 is relevant to this measure as well. From our review of SB2560 and given our worsening affordable housing crisis, the creation of an Office of Affordable Housing Finance appears as a well-drafted measure that will facilitate the building of affordable housing, both rental and ownership.

However, to further facilitate the development of affordable housing and to produce affordable housing quickly, we would strongly suggest that project approved by the Office of Affordable Housing Finance be exempt from County Zoning Regulations similar to those found Title 6 §46.88. Doing so would dramatically cut time delays often encountered in within county zoning & permitting offices.

Respectfully,

A handwritten signature in black ink, appearing to read "G. Massengale".

George S. Massengale, J.D.
Director, Community Engagement