

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
DIRECTOR

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

**TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HOUSING
ON
SENATE BILL NO. 878, S.D. 1**

**March 12, 2019
9:30 a.m.
Room 423**

RELATING TO HOUSING

Senate Bill (S.B.) No. 878, S.D. 1: establishes the Qualified Nonprofit Housing Trust Program within the Hawaii Housing Finance and Development Corporation (HHFDC) to provide loans (loan cap is unspecified) to qualified nonprofit housing trusts for the development, pre-development, construction, acquisition, preservation and substantial rehabilitation of affordable housing units; establishes the Qualified Nonprofit Housing Trust Revolving Fund (QNHTRF) within the HHFDC to be used for necessary expenses (except day-to-day administrative expenses) incurred by HHFDC in administering the QNHTRF; appropriates an unspecified amount of general funds for FY 20 to be deposited into the QNHTRF; and appropriates an unspecified amount of revolving funds from the QNHTRF for FY 20.

As a matter of general policy, the department does not support the creation of revolving funds which do 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 S.B. No. 878, S.D. 1, it is difficult to determine whether the new revolving fund would be self-sustaining.

Thank you for your consideration of our comments.

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 12, 2019 at 9:30 a.m.
State Capitol, Room 423

In consideration of
S.B. 878, S.D. 1
RELATING TO HOUSING.

The HHFDC supports S.B. 878, S.D. 1, a bill to help provide interim financing for the acquisition and rehabilitation, or development of affordable for-sale housing by qualified nonprofit housing trusts and is willing to administer the new loan program.

Thank you for the opportunity to testify.



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March 11, 2019

House Committee on Housing
Tuesday, March 12, 2019, 9:30am
Conference Room 423

SB878, SD1 - SUPPORT WITH AMENDMENTS

Aloha Committee Chair, Vice-Chair, and Members:

I am submitting testimony in my capacity as Executive Director of Hawaiian Community Assets (HCA), a nonprofit community development corporation, HUD-approved housing counseling agency, and community development financial institution (CDFIs) to **SUPPORT HB878, SD1 WITH AMENDMENTS.**

SB878 was originally drafted to create a homeownership revolving fund able to provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households. The bill sought to implement a strategy to harness the capacity and ability of both self-help housing developers and CDFIs to play a critical role in providing housing units for households earning \$75,000 annually or less – and more specifically for the households at 60-80% area median income that are not reached with our existing rental housing revolving fund.

SB878, SD1 struck the homeownership revolving fund from the bill despite the strong support from nonprofits, community members, and housing advocates to not only stay in place within the legislation, but to strengthen it with requested amendments.

Our organization **STRONGLY RECOMMENDS** the committee amend SB878, SD1 by reverting the bill back to its original version. In addition, we request the following amendments to allow for CDFIs to access homeownership revolving funds as a critical source of capital that can attract other public and private funds for affordable housing finance.

These requested amendments include the following:

1. **Add language to allow CDFIs access to the homeownership revolving fund for relending and leveraging of public and private capital.** Locally, we have community-based and credit union CDFIs that are uniquely positioned to offer flexible mortgage financing, down payment assistance loans, and non-traditional financing for lands with title issues. Together, our CDFIs could leverage State investments in a significant manner. The

Carsey Institute cites that CDFIs are leveraging Federal investments at a rate of up to 8:1¹. By allowing CDFIs access to the fund, these nonprofit intermediaries could finance emergency and permanent homeownership housing for households residing on Hawaii Island in areas ravaged by lava eruptions, on Kuleana Lands in Kauai or in Maui where floods and fires have recently taken place, or in the valleys of Waiahole and Kahana where land leases do not allow for mortgage financing through the mainstream marketplace.

2. **Add language requiring eligible CDFIs to match homeownership revolving funds with secured public and private capital any type of capital.** To ensure the State leverage's its investment to the greatest extent possible, we recommend to require CDFIs to match homeownership revolving funds with other secured public and private sources of capital. As stated previously, Federal funds make up only 1/8 of a typical CDFIs total loan capital and would unnecessarily limit access to homeownership revolving funds that could be put to work in self-help housing developments.
3. **Appropriate \$25 million to establish the fund and for expenditure by the Hawaii Housing Finance and Development Corporation.** Based on CDFIs' standard leverage ratio alone (8:1), a \$25 million investment in the fund by the State could result in \$200 million of total housing financing activity to bring an estimated 1,500 affordable homeownership units on-line by the end of 2020. This strategy would open opportunities for current renters to move into homeownership, making their rental units available for lower-income households and our houseless residents so there is adequate stock available to them. Further, this amount of investment would assist in integrating affordable homeownership within our overall affordable housing strategy that includes ohana zone housing, affordable rentals, and ALOHA homes.

With the highest homeless rate per capita and some of the highest housing cost burdens of any state in the nation, we must expand our focus on producing all types of housing for our residents. There is no silver bullet that will address this crisis. SB878, SD1 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 the homeownership revolving fund.
PASS SB878, SD1 WITH 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>



Hawaii
Habitat
for Humanity®
Association

March 11, 2019

Committee on Housing
Tuesday, March 12, 2019
Conference Room 423

SB878, SD1 - SUPPORT WITH AMENDMENTS

Aloha Committee Chair, Vice-Chair, and Members:

I am submitting testimony in my capacity as Executive Director of Hawaii Habitat for Humanity Association (HHFHA), a nonprofit community development financial institution (CDFI) and State Support Organization for the direct service Habitat for Humanity organizations across the state to **SUPPORT SB878, SD1 – WITH AMENDMENTS.**

SB878 was originally drafted to create a homeownership revolving fund to provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households. SB878 provided a strategy to harness the capacity and ability of both self-help housing developers and CDFIs to play a critical role in providing housing units for households earning \$75,000 annually or less – and more specifically for the households at 60-80% area median income that are not reached with our existing rental housing revolving fund.

We believe the intent for this bill was to make available funding for nonprofit organizations who are building or supporting for-sale home builders in partnership with low income families, offering permanent homes for the current and future family members.

SB878, SD1 struck from the original bill and did away with the creation of a homeownership revolving fund. This was done despite the overwhelming support of the legislation.

We believe the original SB878 with revisions is a much stronger legislation for supporting homeownership. Hawaii Habitat **strongly recommends** the committee amend SB878, SD1 by adding a Part II to add back language for the establishment of a Homeownership Revolving Fund. As written below:

“SECTION 2. Chapter 20IH, Hawaii Revised Statutes, is amended by adding a new section to part II to be appropriately designated and to read as follows:

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“201H- Homeownership housing revolving fund. (a) There is established a homeownership housing revolving fund to be administered by the corporation for the purpose of providing, in whole or in part, loans to nonprofit community development financial institutions and nonprofit housing development organizations for the development of affordable homeownership housing projects under a self-help housing program. Loans shall be awarded in the following order of priority:

(1) Projects or units in projects that are funded by programs of the United States Department of Housing and Urban Development, United States Department of Agriculture Rural Development, and United States Department of the Treasury community development financial institutions fund, wherein:

(A) At least fifty per cent of the available units are reserved for persons and families with incomes at or below eighty per cent of the median family income and of which at least five per cent of the available units are for persons and families with incomes at or below fifty per cent of the median family income; and

(B) The remaining units are reserved for persons and families with incomes at or below one hundred twenty per cent of the median family income; and

(2) Mixed-income affordable for-sale housing projects or units in a mixed-income affordable for-sale housing project wherein all of the available units are reserved for persons and families with incomes at or below one hundred forty per cent of the median family income.

(b) Moneys in the fund shall be used to provide loans for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable for-sale housing units. Uses of moneys in the fund may include but are not limited to planning, design, land acquisition, including

the costs of options, agreements of sale, and down payments, capacity building of nonprofit housing developers, as matching funds for nonprofit community development financial institutions or other housing development services or activities as provided in rules adopted by the corporation pursuant to chapter 91. The rules may provide that money from the fund shall be leveraged with other financial resources to the extent possible.

- (c) The fund may include sums appropriated by the legislature, private contributions, repayment of loans, interest, other returns, and moneys from other sources.
- (d) An amount from the fund, to be set by the corporation and authorized by the legislature, may be used for administrative expenses incurred by the corporation in administering the fund; provided that moneys in the fund shall not be used to finance day-to-day administrative expenses of the projects allotted moneys from the fund.
- (e) The corporation may provide loans under this section as provided in rules adopted by the corporation pursuant to chapter 91.
- (f) The corporation shall submit a report to the legislature no later than twenty days prior to the convening of each regular session describing the projects funded.
- (g) For the purposes of this section, “self-help housing program” shall have the same meaning as in section 201H-151 (a) .“

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2019-2020 to be deposited into the homeownership housing revolving fund established under section 201H- , Hawaii Revised Statutes.

SECTION 4. There is appropriated out of the homeownership housing revolving fund the sum of \$ or so much thereof as may be necessary for fiscal year 2019-2020 for loans to nonprofit community development financial institutions or nonprofit organizations operating a self-help housing program for the development of affordable for-sale housing projects.

The sums appropriated shall be expended by the Hawaii housing finance and development corporation for the purposes of this Act.”

We ask that the State will appropriate \$25 million to establish the Homeownership Revolving Fund and for expenditure by the Hawaii Housing Finance and Development Corporation. Based on CDFIs’ standard leverage ratio alone (8:1), a \$25 million investment in the fund by the State could result in \$200 million of total housing financing activity to bring an estimated 1,500 affordable homeownership units on-line by the end of 2020. This strategy would open opportunities for current renters to move into homeownership, making their rental units available for lower-income households and our houseless residents so there is adequate stock available to them. Further, this amount of investment would assist in integrating affordable homeownership within our overall affordable housing strategy that includes ohana zone housing and affordable rentals.

Please take action to create the homeownership revolving fund. **PASS SB878, SD1 WITH AMENDMENTS.**

Habitat for Humanity and all of the Habitat organizations in Hawaii, know that homeownership is important. People who own their homes have better health, find it is a pathway out of poverty, provides safety, leads to stable neighborhoods and thriving families and leverages educational investment.

Please pass this bill with the amendments, so that we can increase our work across Hawaii and give our low income families a chance at the benefits of homeownership. **PASS SB878, SD1 WITH AMENDMENTS.**

Mahalo for your time, leadership and consideration. Please contact me directly at 808.847.76786 or jean@hawaiihabitat.org should you have any questions or need additional information.

Sincerely,



Jean Lilley, Executive Director



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To: Rep. Tom Brower, Chair Committee on Housing
Rep. Scott Z. Matayoshi, Vice Chair Committee on Housing

From: Keith Kato
President
HHOC Housing and Land Trust

Re: Hearing on SB 878 SD1 RELATING TO HOUSING
March 12, 2019 at 11:00 a.m.
Conference Room 423, State Capitol

I SUPPORT the passage of SB 878 SD1 RELATING TO HOUSING

The HHOC Housing and Land Trust was established to preserve affordable housing for the residents of Hawaii. The essential concept is to acquire affordable homes and re-sell them to low and moderate income households with provisions to ensure that the home will remain affordable in the future.

Housing trusts established to carry out this purpose can be economically viable in the long run by having an inventory of homes that turn over so that the non-profit can capture some of the appreciation in the homes while keeping them affordable. However, to get to this point the housing trust needs the support from other sectors before it can be self-sustaining. Such support can come from private sources such as foundations or corporations but nationwide it typically starts with support from government.

The goal of the housing trust is to maintain affordability by selling homes below market to the households that will accept a below market return. To get that initial below market home the housing trust can have the home donated to it, have the opportunity to step into government's position on buy-backs, or to secure subsidy funding to acquire homes on the open market. So far the HHOC HLT has not received any donated properties and has been unable to step into the buy back positions of HCDA or HHFDC. We are talking with the City and County of Honolulu to do this but have not yet come to an agreement.

That leaves the need for subsidy sources which can include below market financing as provided for by SB 878 SD1. This alone will not be sufficient but it can be a part of the support needed for housing trusts to succeed and endure.

I urge the Legislature to support this and other measures that can make housing trusts be significant contributors in preserving housing affordability for Hawaii's residents.





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March 12, 2019

The Honorable Tom Brower, Chair
The Honorable Scot Z. Matayoshi, Vice Chair
House Committee on Housing
State House of Representatives
Hawaii State Capitol
Honolulu, Hawaii 96813

RE: S.B. 878, S.D. 1 RELATING TO HOUSING

Hearing: Tuesday, March 12, 2019 9:30 a.m., State Capitol, Conference Room 423

Dear Chair Brower, Vice Chair Matayoshi, and Members of the Committee:

My name is Reina Miyamoto, Executive Director of the Hawaii HomeOwnership Center and the HHOC Housing & Land Trust, testifying in **strong support** of S.B. 878, S.D. 1, Relating to Housing. This measure establishes a Qualified Nonprofit Housing Trust Revolving Fund to be administered by the Hawaii Housing Finance and Development Corporation. The intent of the Fund is to promote affordable homeownership opportunities by establishing an acquisition, rehabilitation and development financing program for qualified nonprofit housing trusts. This bill is very similar to H.B. 959, which we also strongly supported, but which didn't make the crossover.

The Hawaii HomeOwnership Center is a 501(c)(3) nonprofit that opened its doors in October 2003, with a mission of providing education, information and support to create successful first-time homeowners in Hawaii. By addressing barriers and increasing rates of home ownership, HHOC has been building stronger families and communities throughout the State. Since its inception, HHOC has educated almost 5,000 families, of which a remarkable 2,078 have become homeowners. This is quite "remarkable" because 52% of HHOC members were considered "low income" households when they first joined the program.

In 2016, HHOC formed a subsidiary nonprofit organization called the HHOC Housing & Land Trust (HHLT), with a mission of preserving Hawaii's affordable housing stock and provide homeownership opportunities to low-moderate income families. One of HHLT's goals is to prevent further gentrification of our island state through the acquisition and preservation of affordable homes. A perpetual buyback in favor of the nonprofit housing and land trust will keep the units affordable for a very long period of time.

As with other affordable housing providers, having the right tools to lower the cost of construction, acquisition, or financing can make a considerable difference in the affordability of a project or unit. The new revolving fund proposed under this bill would provide low-cost financing for the provision of long-term affordable housing.

The exemptions to certain HHFDC restrictions under Chapter 201H provided under subsection (c) on page 5 of the bill are an important part of this measure. HHFDC's restrictions include a 10-year buyback restriction and shared appreciation of equity provisions in favor of HHFDC, as well as a 10-year, owner-occupancy requirement. Because a qualified nonprofit housing trust would likely have much more stringent owner-occupancy and buyback restrictions than provided under the current 201H statutes, it makes sense that HHFDC be allowed to waive or modify those restrictions on a case-by-case basis.

Finally, we would like to request that the following amendments be made to this bill.

- 1) On page 3, lines 5 to 8, we would like to request that the sentence beginning with "Substantial cost savings..." be deleted. Use of ground term leases is only one of the ways that land trust properties are kept affordable. Our



organization, for example, will not necessarily offer ground leases. We may, instead, sell units as fee simple and keep units affordable through a buyback formula that place a cap on appreciation.

- 2) We recommend an appropriation amount of \$5 million to initially establish the fund.
- 3) We note that SECTION 1 of the bill does not align with the rest of the bill's contents.

We ask for your support of this measure, and for your consideration of the above amendments. Thank you very much.

Sincerely,

Reina Miyamoto, Executive Director
Hawaii HomeOwnership Center and
HHOC Housing & Land Trust



February 12, 2019

Honorable Tom Brower, Chair
Committee on Housing
Hawaii State Capitol
Honolulu, Hawaii 96813

LATE

Subject: S.B. 878 SD1 Relating to Housing

Dear Chair Brower and Committee Members,

Housing and Land Enterprise of Maui, dba Nā Hale O Maui (NHOM) is a Nonprofit 501 (c) 3 Community Land Trust (CLT) providing affordable housing in perpetuity. Our Mission is “To secure and preserve a permanent supply of affordable housing alternatives for low and moderate income households in Maui County.” Five of our 34 NHOM homes have been resold to additional income-qualified island families, confirming that CLT homes remain truly affordable sale after sale, and family after family. Our homes will never go to market price.


We strongly support S.B. 878 SD1 to establish a new revolving fund to promote affordable homeownership opportunities by creating a financing program for qualified nonprofit housing trusts. The program will be administered by the Hawaii Housing Finance and Development Corporation. The availability of this revolving funds for the acquisition, rehabilitation and development of affordable housing by qualified nonprofit housing trusts will be an important tool to increase our ability to deliver more truly affordable homes.

The proposed fund has the ability to speed up the delivery of affordable housing in Hawaii, helping to make inroads into the significant shortage of affordable housing and its impact on island families and local communities. Housing is one of the largest components driving the affordability and cost of living in Hawaii for low to moderate income families. Truly affordable housing can significantly reduce a families cost of shelter, freeing up funds for other vital necessities such as nutritious food, transportation, medicine and education.

The most efficient and effective way to increase housing is to allow qualified nonprofit housing trusts engaged in creating homes to have access to these revolving funds. Therefore, we respectfully request the Committee on Housing pass S.B. 878 SD1. Together, we can make a meaningful difference in the lives of our families.

Mahalo for your support of affordable housing in Hawaii.

Sincerely,



Cassandra J L Abdul,
Executive Director

LATE

SB-878-SD-1

Submitted on: 3/11/2019 6:31:07 PM

Testimony for HSG on 3/12/2019 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Annie AuHoon	Individual	Support	No

Comments:

Please take action to create the homeownership revolving fund. PASS SB878, SD1 WITH AMENDMENTS.

Mahalo Nui, Annie Au Hoon