

DAVID Y. IGE  
GOVERNOR



DENISE ISERI-MATSUBARA  
INTERIM 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  
**DENISE ISERI-MATSUBARA**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON HOUSING**

January 30, 2020 at 9:45 a.m.  
State Capitol, Room 423

In consideration of  
**H.B. 1949**  
**RELATING TO HOUSING.**

HHFDC *supports the intent* of H.B. 1949 provided that its passage does not adversely impact priorities set forth in the Executive Supplemental Budget.

H.B. 1949 would help provide financing for the development of affordable for-sale housing projects by nonprofit organizations. We suggest that the bill be amended as follows:

1. On page 5, lines 13-14, more clearly define "nonprofit housing trust programs" or delete it; and
2. On page 5, lines 17-18, to delete references to capacity building of nonprofit housing developers so that the limited amount of funds appropriated into the new affordable homeownership revolving fund are targeted at housing development.

If provided with additional staff to implement this new program, HHFDC would be willing to administer the affordable homeownership loan program created in this bill, as amended above.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
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  
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 CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON HOUSING  
ON  
HOUSE BILL NO. 1949

**January 30, 2020**  
**9:45 a.m.**  
**Room 423**

RELATING TO HOUSING

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 1949.

H.B. No. 1949 establishes the Affordable Homeownership Revolving Fund (AHRF) under the administration of the Hawai'i Housing Finance and Development Corporation (HHFDC); appropriates an unspecified amount of general funds for deposit into the AHRF; and appropriates the same unspecified amount from the AHRF for implementation of this measure.

Funds from the AHRF would be used to provide loans to non-profit housing development organizations, community development financial institutions, and qualified non-profit housing trusts for the development of affordable homeownership housing projects. Loan recipients would be prioritized based on funding received from various federal programs and subject to certain affordability requirements. Revenues would be derived from: legislative appropriations; moneys received as repayment of loans and interest payments; private contributions; and moneys received from other sources.

As a matter of general policy, B&F 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. Regarding H.B. No. 1949, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

B&F defers to HHFDC regarding the programmatic implementation of this measure.

Thank you for your consideration of our comments.



## CATHOLIC CHARITIES HAWAI'I

### TESTIMONY IN SUPPORT OF HB 1949: RELATING TO HOUSING

TO: Representative Tom Brower, Chair, Representative Scot Z. Matayoshi, Vice Chair; and Members, Committee on Housing

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i

**Hearing: Thursday, 1/30/20; 9:45 am; CR 423**

Chair Brower, Vice Chair Matayoshi, and Members, Committee on Housing

Thank you for the opportunity to provide testimony **in support** of HB 1949, establishing an Affordable Homeownership Revolving Fund to provide loans to non-profit organizations, etc. for the development of affordable homeownership housing projects. I am Rob Van Tassell, with Catholic Charities Hawai'i. We are also a member of Partners in Care

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 70 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

**CCH supports \$25 million** to establish the Affordable Homeownership Revolving Fund. Hawaii is not only in a housing crisis but also faces the outmigration of local people, especially young workers. The future of Hawaii is at risk and local residents face dire social and economic consequences if the State does not take immediate action. Homeownership gives families a stake in their community and creates a stable society. We need to consider multiple paths out of our current crisis. This Revolving Fund can be an important piece to create homeownership, especially on the Neighbor Islands where affordable land may be available or families can build next to other family members to create a starter home.

We cannot afford to let our economic base deteriorate as population declines in the most critical working years of our residents. Many are leaving due to the high cost of living in Hawai'i. The Affordable Homeownership Revolving Fund can make a difference. It can bring other resources to leverage the \$25 million from the State. Opportunity Finance Network found that community development financial institutions leverage federal funds for affordable housing and community development activities at a ratio of eight-to-one.

We urge your support for HB 1949, to establish a cost-effective means of assisting many families who otherwise would not have a chance to own a home. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) if you have any questions.





*Building strength and stability through shelter*

January 28, 2020

House Committee on Housing  
Thursday, January 30, 2020  
Conference Room 423, 9:45 a.m.

## **HB 1949 – STRONG SUPPORT**

Aloha Committee Chair Brower, Vice-Chair Matayoshi 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 and State Support Organization for the direct service Habitat for Humanity organizations across the state to **STRONGLY SUPPORT HB1949.**

HB 1949 recognizes the need for expanding the housing needs of our communities across the state to include development of permanent homeownership units through self-help housing nonprofits for Hawaii's low- and moderate-income households.

Hawaii's low income families struggle to provide decent affordable housing in which they can thrive. HB1949 provides a funding source to release funds to self-help housing developers who through their work are able to provide affordable homeownership for the low and very low income families. With additional and revolving funding Habitat for Humanity affiliates across the state will have the opportunity to increase their production across the state by a minimum of 20%, depending on the amount of funding available. An Affordable Homeownership Revolving Fund would provide short-term loans to nonprofit developers that would be paid back into the fund upon closing mortgages on the homes. The terms will vary depending on the development, however, Habitat is currently building single family homes on an average of six to eight months each.

Habitat for Humanity is currently building up to 55 single family homes a year across the state, with plans to not only increase production on single family homes, but also provide more multi-family ownership units as the opportunities arise.

With access to affordable funding, Habitat alone will have the opportunity to increase their capacity to providing homeownership in partnership with a minimum of 100 families a year in the next five years.

Habitat for Humanity provides homeownership opportunities in partnership with low income families earning between \$35,000 and \$75,000 per year. Traditional financing is not possible for the hardworking families with whom we partner. Hawaii Habitat Community Development

Financial Institution funds and structure will provide an additional assurance that the funding through this program will be used as directed.

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.

- Affordable housing in Hawaii has focused almost exclusively on rental housing. **Our housing market is dynamic and our response needs to be equally dynamic, looking at rentals AND homeownership** as well as alternative housing solutions like rent-to-own, duplexes and four-plexes, student housing, kupuna housing, tiny homes, and kauhale development.
- Habitat for Humanity – and other nonprofit developers - have proven that **homeownership is an option for ALL households**. Using USDA mortgage financing, volunteer and apprentice labor, and partnering with HUD housing counseling agencies to provide free homebuyer education, nonprofit developers are making homeownership a reality for households earning 80% AMI all the way to those earning less than 30% AMI.
- **We need a homeownership revolving fund to complement our rental housing revolving fund, so ALL of our low-income households have access to affordable housing.** The rental housing revolving fund provides financing to support projects for households at or below 60% AMI. This leaves out households earning 61-80% AMI, who struggle to keep a roof over their heads. An affordable homeownership revolving fund ensures capital is available to transition rental housing revolving funded units so they can preserve affordability and transition to ownership, making rent-to-own a viable model in Hawaii.
- The affordable homeownership revolving fund would provide **permanent housing for our houseless working persons and families**. With the eviction crisis in Hawaii, we have seen Hawaii's people get into rental housing only to see their rent increase once the lease expires, resulting in housing instability and homelessness. Affordable homeownership means the homeowner will have the same monthly payment without fear of eviction and at the end of their mortgage, pass on the legacy of homeownership to their family, thus breaking the cycle of homelessness.
- **Community land trusts are a solution to make housing more affordable.** According to HUD, families on Hawaiian Home Trust Lands pay an average of 21% of their monthly income to housing, while the rest of us in Hawaii pay 42%. By expanding homeownership on community land trusts, we can help more of our families reduce their monthly housing payment to one they can afford, which in turn reduces their likelihood of falling back into homelessness.
- **Community land trusts give the State and Counties a vehicle to place public land into the hands of our local people.** With vacant public lands having been identified, State and Counties could temporarily transfer properties to the community land trusts that would in turn work with affordable homeownership developers to build homes for our workers and working families. Further, this strategy would reduce the cost on public agencies to administer the lands.

Help us do our part to provide affordable housing for Hawaii's people. Please **PASS HB1949**, so that we can increase our work across Hawaii and give our hard working low-income families a chance at the benefits of homeownership.

Mahalo for your time, leadership and consideration. Please contact me directly at 808.847.7676 or [jean@hawaiihabitat.org](mailto:jean@hawaiihabitat.org) should you have any questions or need additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jean Lilley".

Jean Lilley  
Executive Director



**Evelyn Hao**  
President

House Committee on Housing  
January 30, 2020 at 9:45 a.m.  
State Capitol Room 423

**Rev. Won-Seok Yuh**  
Vice President-  
Clergy

**Supporting HB1949 – Relating to Housing**

**William Bekemeier**  
Vice President-  
Laity

*Faith Action for Community Equity is a coalition of religious and community organizations driven by a deep spiritual commitment to improve the quality of life for all of the people of Hawaii by addressing the root causes of social justice challenges.*

**Jon Davidann**  
Treasurer

**Deanna Espinas**  
Secretary

Faith Action supports HB 1949 because it establishes a revolving loan fund which will allow ALICE households (Asset Limited, Income Constrained, and Employed) in need to purchase their first home. Homeownership is an essential tool for aiding Hawaii's critical housing crisis and providing opportunities for local residents to build wealth.

**Ashleigh Loa**  
Acting Executive  
Director

According to the 2015 Hawaii Housing Demand Study, our state needs 66,000 housing units by 2025 to meet projected demand. Approximately three-fourths of these units need to be affordable for ALICE households earning \$75,000 annually or less.

**Soo San Schake**  
Assistant  
Director

The rental housing revolving fund provides financing to support projects for households at or below 60% of area median income (AMI). This leaves out households earning 61-80% AMI, who struggle to keep a roof over their heads. An affordable homeownership revolving fund ensures capital is available to transition rental housing revolving funded units so they can preserve affordability and transition to ownership, making rent-to-own a viable model in Hawaii.

Three-person households at 70% AMI earn \$75,000 a year. They cannot afford the hefty down payment associated with homes priced upwards of \$400,000. This fund will help local families with down payment assistance, as well allow nonprofit organizations to acquire land to provide homes for these families at affordable prices.

Creating affordable homeownership opportunities for local households creates a higher degree of stability and economic empowerment which benefits all of Hawaii residents.

Faith Action for Community Equity strongly supports HB 1949 and urges the committee to pass this measure.



**HB-1949**

Submitted on: 1/28/2020 9:32:53 PM

Testimony for HSG on 1/30/2020 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Scott Foster	Hawaii Advocates For Consumer Rights	Support	No

Comments:

**Please support HB 1949 "RELATING TO HOUSING."** Mahalo for your kind consideration.

Scott Foster - Volunteer Hawaii Advocates For Consumer Rights Communications Director

**HB-1949**

Submitted on: 1/28/2020 10:30:52 PM

Testimony for HSG on 1/30/2020 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mike Goodman	Partners In Care & Hawaii Kai Homeless Task Force	Support	No

Comments:



## HB 1949, RELATING TO HOUSING

JANUARY 30, 2020 · HOUSE HOUSING COMMITTEE  
· CHAIR REP. TOM BROWER

**POSITION:** Support.

**RATIONALE:** IMUAlliance supports HB 1949, relating to housing, which establishes an Affordable Homeownership Revolving Fund within the Hawai'i Housing Finance and Development Corporation to provide loans to nonprofit housing development organizations, community development financial institutions, and qualified nonprofit housing trusts for the development of affordable homeownership housing projects.

Today, **the lack of affordable housing exacerbates the economic insecurity suffered by local families, which sex traffickers use to prey upon potential victims with false promises of financial stability and prosperity.** 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 2019* report found that a full-time worker would need to earn \$36.82/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 111 hours per week to afford a modest one-bedroom apartment at fair market value and 146 hours per week to afford a two-bedroom—a number that is equivalent to working over 20 hours a day with no days off year-round. In the past five years alone, Honolulu rent has increased by more than 25 percent. While 43 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 \$16.68/hour, according to NLIHC, 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, 63 percent of households are severely cost-burdened, following NLIHC data, 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, with only 74 homes available for every 100 households earning 80 percent of their respective area's median income.

Unsurprisingly, our state is now experiencing population decline. Hawai'i saw domestic out-migration increase for a third consecutive year in 2019, as the state's high cost of living continued to push people to the mainland. Census estimates show that our state's population dropped by more than 4,700 people, to 1,415,872, from July 2018 to July 2019, when births, deaths, and migration were accounted for. That's the biggest numerical population drop since 2015 and it made Hawai'i one of just ten states in the country to lose population in 2019, according to the U.S. Census Bureau.

Providing funding to nonprofit housing development organizations is a positive step toward the expansion of our state's housing supply. Eliminating the profit motive in affordable housing development could dramatically decrease housing costs. Without having to worry about shareholders or corporate bottom lines, nonprofit agencies can build, sell, and rent housing at cost. They also don't need to balance affordable housing with market rate and above-market units to maintain profits, empowering them to build a steady supply of homes and rentals for low-income families, whose incomes fall below 50 percent of an area's median income.

Additionally, nonprofits have an incentive to collaborate on housing projects, rather than compete with one another to increase private profits. Nationally, for example, the Housing Partnership Network features 100 affordable housing and community development nonprofits, which work together to establish housing solutions that target the needs of specific demographic groups, like millennials with college debt. Finally, nonprofits are integrally connected to the communities in which they operate. They are more likely, therefore, to provide housing and related services that

match each community's unique population and service gaps, and to deliver such services over a prolonged period of time.

We cannot continue to allow the islands to be used as a private Monopoly board for real estate speculators. To ensure that our islands are affordable for ourselves and future generations, we must take bold action **now** to increase our affordable housing supply for working families.

**HB-1949**

Submitted on: 1/29/2020 5:55:06 AM

Testimony for HSG on 1/30/2020 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ashleigh Loa	Individual	Support	No

Comments:

**HB-1949**

Submitted on: 1/29/2020 12:18:23 PM

Testimony for HSG on 1/30/2020 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Patrick F. Hurney	Habitat for Humanity Hawaii Island, Inc.	Support	No

Comments:

Aloha from Big Island,

I strongly support HB 1949! HB 1949 recognizes the need for expanding the housing needs of our communities across the state to include the development of permanent homeownership units through self-help housing nonprofits for Hawaii's low- and moderate-income households.

This is the fastest way to end the cycle of poverty, by providing a family with an affordable home they can own, which becomes an asset to the family for generations.

Mahalo

Patrick Hurney

**HB-1949**

Submitted on: 1/29/2020 12:52:37 PM

Testimony for HSG on 1/30/2020 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
David Deges	Hawaii Island HIV/AIDS Foundation	Support	Yes

Comments:



**HB-1949**

Submitted on: 1/29/2020 1:59:15 PM

Testimony for HSG on 1/30/2020 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ellen Godbey Carson	Individual	Support	No

## Comments:

I am a member of FACE, a board member of IHS, and a supporter of numerous affordable housing programs, testifying on my own behalf. I support this revolving loan fund because it will help households earning \$75,000 annually or less to purchase their first home. Our state needs 66,000 housing units by 2025 just to meet our projected demands. Our lack of adequate housing is raising our housing costs beyond any chance of retaining our working force and young families, unless we adopt measures of this sort. Housing ownership creates stability and community involvement which can empower current and future generations in Hawaii. Please approve HB 1949.

**HB-1949**

Submitted on: 1/29/2020 3:11:33 PM

Testimony for HSG on 1/30/2020 9:45:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
LaVerne Tolmie	Individual	Support	No

Comments:

I support this bill.

**TESTIMONY IN SUPPORT OF HB 1949: RELATING TO HOUSING**

TO: Committee Chair, Vice-Chair and Committee Members  
FROM: Brandee Menino, CEO, Hope Services Hawaii, Inc.  
Hearing: Thursday, 1/30/20; 9:45 am; Room 423

**LATE**

Thank you for the opportunity to provide testimony **in strong support** of HB 1949, to establish an Affordable Homeownership Revolving Fund within the Hawaii Housing Finance and Development Corporation to provide loans to nonprofit housing development organizations, community development financial institutions, and qualified nonprofit housing trusts for the development of affordable homeownership housing projects.

A lack of affordable housing is the single greatest cause of homelessness in Hawai'i, and our state's rising rents and stagnant wages have caused more new people enter homelessness each year. In Hawai'i, a person earning minimum wage needs to work **146 hours per week in order to afford a 2-bedroom apartment**. This was the situation our former client from Kona, who asked to remain anonymous, faced as he worked a full-time job and two part-time jobs to support his wife and three children. After losing his part time jobs, he struggled to pay the rent, and his family was on the verge of eviction. This story is common in Hawai'i County, where 55% of our residents fall beneath the ALICE threshold. Despite working, these ALICE households still spend more than 30% of their income on housing, leaving them without a safety net, and virtually zero chance of becoming homeowners.

Last year you passed a rental housing revolving fund, which was a significant step toward making rent more affordable for Hawai'i residents. This year, I am asking you to continue working to make Hawai'i affordable for our local families, by passing a homeownership revolving fund.

This fund would allow qualifying nonprofits to help local people become homeowners by providing affordable housing loans, affordable housing construction, or land for affordable housing. Homeownership is an integral part of the housing solution, because it allows our residents to not just survive, but thrive! Devoting resources to this fund would also help the revolving rental fund go further, **by freeing up units as renters become homeowners**. Additionally, community land trusts would ensure that these homes remain affordable for future generations.

By working together, we can create homes for current residents and future generations to live, learn, and thrive. I urge you to join us in that effort by **supporting HB 1949**.

Mahalo nui for your consideration.

Sincerely,



Brandee Menino,  
Chief Executive Officer

JOIN OUR COMMUNITY



HOPE SERVICES HAWAII, INC.  
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WEST HAWAII EMERGENCY  
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Chief Executive Officer  
Brandee Menino



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423  
THURSDAY, JANUARY 30, 2020 AT 9:45 A.M.**

To The Honorable Tom Brower, Chair;  
The Honorable Scot Z. Matayoshi, Vice Chair; and  
Members of the Committee on Housing;

**TESTIMONY IN SUPPORT OF HB1949 RELATING TO HOUSING**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our support of HB1949.

The Maui Chamber of Commerce supports HB1949 to establish an affordable homeownership revolving fund. Affordable housing and rentals is one of our top priorities and therefore, we support this measure as a step in the right direction and we appreciate you putting this forward. However, this will only benefit certain developers building low-income housing. We understand low-income housing is the most difficult to build and this will be beneficial to help chip away at the housing demand, but we are currently in a housing crisis and need more impactful legislation to address this.

Our housing crisis is especially dire on Maui and the median home price rose to over \$800,000 twice in 2019. In the attached chart that we presented at the Maui Nui Attainable Housing Forum, it shows a projection of median home prices on Maui for the next 10-20 years at an extremely low 4% annual increase. In this model, the median home price would reach over \$1 million by 2024 and over \$2 million by 2042. If we do not quickly add affordable housing to the inventory, these numbers are inevitable and we may get to those prices faster. Because of these startling statistics, we are supporting this bill and asking for stronger legislation to deal with this crisis.

We appreciate the opportunity to testify on this matter and therefore ask that this bill be passed.

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

# MAUI'S RISING MEDIAN HOME PRICES

Housing Crisis Identified	Date Unknown	1977	104,600	Maui MLS 16 Years Later	December 1993	250,000	Nearly 10 Years Ago	December 2010	465,706.00
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USING ANNUAL NATIONAL GROWTH RATE AVERAGE OF 4%

<b>NOW</b>	<b>OUR CHILDREN &amp; GRANDCHILDREN FOR SOME</b>										<b>10 YRS. OUT</b>
Aug-19	Aug. 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
\$ 837,500	\$ 871,000	\$ 905,840	\$ 942,074	\$ 979,757	\$ 1,018,947	\$ 1,059,705	\$ 1,102,093	\$ 1,146,177	\$ 1,192,024	\$ 1,239,705	

<b>OUR GRANDCHILDREN &amp; GREAT CHILDREN FOR SOME</b>											<b>20 YRS. OUT</b>
	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
	\$ 1,289,293	\$ 1,340,864	\$ 1,394,499	\$ 1,450,279	\$ 1,508,290	\$ 1,568,622	\$ 1,631,367	\$ 1,696,621	\$ 1,764,486	\$ 1,835,066	
	2040	2041	2042								
	\$ 1,908,468	\$ 1,984,807	\$ 2,064,199								



January 30, 2020

House Committee on Housing  
Thursday, January 30, 2020, 9:45am  
Conference Room 423

**LATE**

### **HB1949 – Relating to Housing**

Aloha Committee Chair, Vice-Chair, and Members:

I am submitting testimony in my capacity as Director of Lending and Development for Hawaiian Community Assets (HCA), Hawaii’s largest HUD-approved housing counseling agency, and Hawaii Community Lending (HCL), a Department of Treasury certified community development financial institution to **STRONGLY SUPPORT HB1949**.

**HB1949 creates a revolving loan fund to serve Hawaii’s local people by developing new affordable homes for sale for households that are ALICE (Asset Limited, Income Constrained, and Employed).** The resources would be directed to the Hawaii Housing Finance and Development Corporation, who would then loan to non-profit organizations across the Hawaiian Islands.

The revolving loan fund is an innovative proposal designed to work with various development models used by nonprofits to build homes around the state. It will serve as access to capital for a non-profit organization to either:

- Serve families with affordable housing loans.* The non-profit organization may provide down payment assistance, purchase or leverage loans made to qualifying families, and their loan repayments will pay back into the fund over time to benefit additional first-time homebuyers.
- Serve families with affordable housing construction.* The non-profit organization will build a single-family home and upon sale, will pay back into the fund to benefit additional first-time homebuyers.
- Serve families with land for affordable housing.* The non-profit organization will acquire and manage land in trust to reduce the price of single-family home prices and upon sale, will pay back into the fund to benefit additional first-time homebuyers.

Low-interest loans of 1-2% will generate earned revenue to pay for Hawaii Housing Finance and Development Corporation staffing and operations of the affordable homeownership revolving fund.

**Homeownership is a critical part of the housing continuum.** When you create affordable homeownership opportunities for our local people, they move ahead and free up existing inventory for other individuals and families experiencing or at-risk of homelessness. **Our housing market is dynamic and our response needs to be equally dynamic, looking at rentals AND homeownership** as well as alternative housing solutions like rent-to-own, duplexes and four-plexes, student housing, kupuna housing, tiny homes, and kauhale development.

**We need a homeownership revolving fund to complement our rental housing revolving fund and GET exemptions for market-rate homes, so ALL of our households have access to affordable housing.** The rental housing revolving fund provides financing to support projects for households primarily at or below 60% the HUD area median income (AMI). At the same time, the State Legislature's passage of \$360 million in GET exemptions for for-profit developers in 2018 will create a vast surplus of homes for households earning 100-140% AMI. With the State's current funding sources, households earning 61-100% AMI, who struggle to keep a roof over their heads, are not receiving the support they need to access affordable housing. The Affordable Homeownership Revolving Fund would address the needs of this "gap group" and help make sure all of our households have access to affordable homes. Furthermore, the Fund would ensure capital is available for permanent financing allowing for the transition rental housing revolving funded units so they can preserve affordability and transition to ownership, making rent-to-own a viable model in Hawaii.

**Affordable homeownership funds would revolve faster than rental housing revolving funds.** Unlike the rental housing revolving funds which tend to fund 50% or more of each project cost and tie up the financial resources for terms extending beyond 10 years, the affordable homeownership revolving fund is estimated to provide an estimated 20% of each project cost. Terms for the low-interest loans to nonprofits would revolve faster than funds in the rental housing revolving fund, because affordable homeownership projects would utilize mortgages as the permanent source of financing, allowing nonprofits to pay back loans from the fund over an estimated 12 to 24 months.

**Affordable homeownership funds would help make low-cost land available for building for-sale homes for ALICE families and keeping them affordable for future generations.** Community land trusts are a solution to make housing more affordable. According to HUD, families on Hawaiian Home Trust Lands pay an average of 21% of their monthly income to housing, while the rest of us in Hawaii pay 42%. The Affordable Homeownership Revolving Fund would provide capital to nonprofit community land trusts to support affordable homeownership. By expanding homeownership on community land trusts, we can help more of our families reduce their monthly housing payment to one they can afford, which in turn reduces their likelihood of falling back into homelessness.

**Affordable homeownership funds would be leveraged to a greater extent with other public and private capital sources to expand the building of homes.** Nationally, community development financial institutions (CDFIs) certified by the Department of Treasury leverage investments at a rate of 8:1. When invested in local CDFIs, affordable homeownership revolving funds would represent a lesser percentage of projects than those funded by the rental housing revolving fund and at the same time, bring in more investment in affordable housing from County and Federal government sources as well as private capital from individuals, foundations, and banks for our local people. Additionally, as referenced in the recent Civil Beat article<sup>1</sup>, banks and credit unions form partnerships with CDFIs to unlock more capital for affordable housing and is a recommended strategy for increasing the number of households in Hawaii who are financially thriving.

**Finally, our organizations recommend the committee appropriate \$25 million to the fund through 2025 and for expenditure by the Hawaii Housing Finance and Development Corporation.** Our organizations recommend the Legislature include in HB2542 and SB3104 language to appropriate \$5 million to the fund annually starting in 2021 and through 2025. HB2542 and SB3104 would eliminate the conveyance tax cap, which would generate an estimated \$8 million in additional revenue for the State. We recommend \$5 million of these funds be allocated annually to the Affordable Homeownership Revolving Fund. Based on an estimated cost of \$50,000 in State funds per unit, with funds revolved over an average 18-month term, the \$25 million in State funds alone would result in a minimum 1,000 affordable homes built for our low-income, ALICE households by 2025. When combined with the ability of local CDFIs to leverage investments at a rate of 8:1, the Affordable Homeownership Revolving Fund would be positioned to help attract up to \$200 million in additional public and private capital that could be relent to support the building of an estimated 4,000 additional for-sale homes by 2025 for an overall total of 5,000 homes for ALICE households 61-100% AMI in 5 years.

According to Aloha United Way, 1 in 2 Hawaii households are asset limited, income constrained, and employed – one paycheck away from complete financial ruin and homelessness. At the same time, 2 in 3 Hawaii households are financially coping or vulnerable (Financial Health Pulse Survey, 2019). There is no silver bullet that will address the economic crisis we are in, but we can start by setting in place a continuum in affordable housing that promotes reduced housing costs as well as asset building opportunities.

**HB1949 creates a revolving loan fund that would assist an estimated 5,000 ALICE households reduce their housing costs and build assets in order to achieve and sustain economic self-sufficiency. Coupled with legislation and nonprofit programs that increase household income, our State would be taking a critical step toward moving more of our families above the ALICE threshold and from financially vulnerable and coping to thriving.**

Please take action to create the homeownership revolving fund. **PASS HB1949.**

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.

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<sup>1</sup> Report: Two-Thirds of Hawaii Residents Struggle Financially, Civil Beat, January 28, 2020. [https://www.civilbeat.org/2020/01/report-two-thirds-of-hawaii-residents-struggle-financially/?fbclid=IwAR25Sb-1U\\_YApGwnOLH6jfO1VEM5mptfTV9-xbgUjk1Pg71ZqwDOAzV1kec](https://www.civilbeat.org/2020/01/report-two-thirds-of-hawaii-residents-struggle-financially/?fbclid=IwAR25Sb-1U_YApGwnOLH6jfO1VEM5mptfTV9-xbgUjk1Pg71ZqwDOAzV1kec)



Sincerely

A handwritten signature in black ink that reads "Jeff Gilbreath". The signature is written in a cursive style with a large, stylized "J" and "G".

Jeff Gilbreath  
Director of Lending and Development

**LATE****LATE****HB-1949**

Submitted on: 1/30/2020 8:49:56 AM

Testimony for HSG on 1/30/2020 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kristen Alice Apruzzese	Individual	Support	No

## Comments:

Aloha,

My name is Kristen Alice Apruzzese and I am an employee of a homeless services organization. I am testifying in my personal capacity, as a millennial voter and Hawai'i Island resident, in strong support of HB 1949.

For decades housing cost has outpaced minimum wage, and wages in general. A study conducted by Stanford, Harvard, and the University of California found that in 2014 only 51% of 30 year olds earned more than our parents did at a similar age.\*

On Hawai'i Island, our economic outlook is even more bleak, where 55% of residents fall beneath the ALICE (Asset Limited, Income-Constrained, Employed) threshold. ALICE Households are employed and earn more than the federal poverty line, but still can't afford housing in their communities. These households are just squeaking by--often one unexpected expense away from homelessness.

How can we expect to afford to rent homes to raise our families, let alone become homeowners? And what about the next generation?

Homeownership, like education, is an equalizer. It's also one of the many solutions that must be included in our work to end homelessness and the affordable housing crisis. Establishing an affordable homeownership revolving fund is a wise investment in our future--ensuring that the affordable housing we invest in town will continue to remain affordable for generations to come.

Thank you for your consideration, and for the opportunity to testify in support of HB 1949.

Kristen Alice Apruzzese

\*Source: [Wall Street Journal, "Barely Half of 30-Year-Olds Earn More Than Their Parents," 12/8/16.](#)