



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development and Tourism
before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Tuesday, February 12, 2019
2:00 p.m.
State Capitol, Conference Room 329

in consideration of
HB 959, H.D. 1
RELATING TO HOMEOWNERSHIP.

Chair Takumi, Vice Chair Ichiyama, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT)
strongly supports HB 959, H.D. 1, an Administration bill to help provide interim construction financing for the acquisition and rehabilitation, or development of affordable for-sale housing by qualified nonprofit housing trusts and to provide a financing source for nonprofit self-help housing organizations to develop or acquire and rehabilitate affordable for-sale housing for Hawaii persons and families.

Thank you for the opportunity to testify.

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 CONSUMER PROTECTION & COMMERCE

February 12, 2019 at 2:00 p.m.
State Capitol, Room 329

In consideration of
H.B. 959, H.D. 1
RELATING TO HOMEOWNERSHIP.

The HHFDC supports H.B. 959, H.D. 1, a bill to help provide interim construction financing for the acquisition and rehabilitation, or development of affordable for-sale housing by qualified nonprofit housing trusts and to provide a financing source for nonprofit self-help housing organizations to develop or acquire and rehabilitate affordable for-sale housing for Hawaii persons and families.

This bill builds upon legislation introduced in prior years. It was drafted with the input of non-profit housing trust and self-help housing stakeholders, who both expressed the need for affordable financing sources to help carry out their respective missions and models that help low-income families become homeowners. HHFDC is willing to administer the new revolving funds created in this bill and the new loan programs set forth herein.

Thank you for the opportunity to testify.



Board Members

President

Jason Okuhama
Managing Partner,
Commercial & Business Lending

Secretary

Marcus Kawatachi
Deputy Director,
Hawai'i Civil Rights Commission

Trina Orimoto
Clinical & Research
Psychologist

Kaipo Kukahiko
Executive Director,
KEY Project

Miwa Tamanaha
Deputy Director,
Kua'āina Ulu 'Auamo

HACBED Staff

Brent N. Kakesako
Executive Director

Keoki Noji
Chief Operating Officer

Athena T. Esene
Bookkeeper & Office Manager

Foley Pfalzgraf
Program Specialist

Chelsie Onaga
AmeriCorps VISTA

Date: February 9, 2019

To: Representative Roy M. Takumi, Chair, Representative Linda Ichiyama, Vice-Chair, and members of the Committee on Consumer Protection and Commerce

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Strong Support for HB959 HD1

Aloha Chair Takumi, Vice-Chair Ichiyama, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports HB959 HD1, which establishes revolving funds for the development of for-sale affordable homeownership housing projects, interim construction financing to qualified nonprofit housing trust organizations, and loans to self-help housing organizations.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map.

The Department of Business, Economic Development and Tourism's latest Self-Sufficiency Income Standard Family Economic Self-Sufficiency Income Standard (2016) depicts the obstacles that Hawai'i families are facing. The Standard measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 31.7% of families with two adults and two children;
- 50.8% of single-adult families with children.

In addition, the 2015 State Housing Demand Study made it clear that 75% of the housing needed by 2026 must be for households earning \$75,000 annually or less. This includes our families, friends, co-workers, and employees.

The passage of HB959 HD1 would go a long way to support struggling families by increasing opportunities for a variety of means for affordable housing development.

Mahalo for this opportunity to testify,

Brent N. Kakesako
Executive Director



200 North Vineyard Boulevard, B140
Honolulu, HI 96817
Ph: 808-587-7886
Toll Free: 1-866-400-1116
www.hawaiiancommunity.net

February 10, 2019

House Committee on Consumer Protection and Commerce
Tuesday, February 12, 2019
Conference Room 329

HB959, HD1 - 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 to **STRONGLY SUPPORT HB959, HD1 WITH AMENDMENTS.**

HB959, HD1 recognizes the need for us as a State to set in place a continuum in affordable housing units by creating a homeownership revolving fund that would provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households.

Our organization recommends following amendments specifically for Part III of the bill:

- 1. Add language to allow CDFIs access to the homeownership revolving fund for relending and leveraging of public and private capital.** In Section 5, 201H – Self-help homeownership housing revolving fund, subpart (b), the bill allows for revolving funds to match CDFI financial assistance awards, but the bill needs technical amendments to allow for allowing CDFIs to access 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

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

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. **Strike language requiring eligible CDFIs to have Federal CDFI financial assistance awards in order to access funds and allow them to match homeownership revolving funds with any type of capital.** To ensure the greatest participation of local nonprofit CDFIs in accessing the fund for financing the development of affordable homeownership, it is critical to allow these nonprofit entities to match homeownership revolving funds not just with Federal CDFI financial awards, but any capital they secure from foundations, banks, and other public entities in Hawaii. 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.** The request for the fund amount is based on projected developments of all self-help housing organizations in Hawaii. 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 see the enclosed bill, Part III with recommended amendments for more information.

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. HB959, HD1 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 HB959, HD1 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

H.B. NO.959

A BILL FOR AN ACT

RELATING TO HOMEOWNERSHIP.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART III

SECTION 5. Chapter 201H, Hawaii Revised Statutes, is amended by adding to part II a new subpart to be appropriately designated and to read as follows:

“ SELF-HELP HOMEOWNERSHIP HOUSING REVOLVING FUND.

§201H- Purpose and findings. The legislature finds that the self-help housing model is a cost-effective means of assisting low-income families who would otherwise not have a homeownership opportunity. Self-help housing organizations leverage federal funds from the U.S. Department of Housing and Urban Development and the U.S. Department of Agriculture - Rural Development and low-income families' own contributions of labor to build their own communities. However, an additional non-federal matching funding source is needed.

The legislature further finds that homeownership is a national strategy for preserving affordable housing units financed through Federal the Low-Income Housing Tax Credit and Section 8 programs. Currently, there are 7,486 affordable

housing units in Hawaii developed with Low-Income Housing Tax Credits and Section 8 program funding that are at or beyond their mandatory affordability period and therefore be at-risk of becoming market-rate units. Action is needed to preserve our limited affordable housing opportunities for low- and moderate-income households in Hawaii.

The legislature further finds that nonprofit community development financial institutions are intermediaries that provide financing and technical assistance to assist self-help housing organizations in the development of affordable homeownership units in underserved communities. As private-sector organizations, community development financial institutions establish and maintain revolving loan funds to attract capital from the U.S. Department of the Treasury and other public and private sources of capital in order to increase the collective impact of affordable housing development by self-help housing organizations. According to Opportunity Finance Network, community development financial institutions leverage Federal funding for affordable housing and community development activities at a ratio of 8:1. Additional funding would help community development financial institutions attract private and public capital for affordable housing development.

The purpose of this subpart is to establish a self-help homeownership housing revolving fund to provide for the

development of affordable for-sale housing projects by nonprofit housing development organizations under a self-help housing program to facilitate greater homeownership opportunities for Hawaii residents.

§201H-___ Self-help homeownership housing revolving fund. (a) There is established an affordable homeownership 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 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, mortgage financing or non-traditional financing for lands with title issues, 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 ~~financial assistance awards~~, 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 6. There is appropriated out of the general revenues of the State of Hawaii the sum of \$25 million or so much thereof as may be necessary for fiscal year 2019-2020 to be deposited into the affordable homeownership revolving fund.

SECTION 7. There is appropriated out of the affordable homeownership revolving fund the sum of \$25 million 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 project.

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

SECTION 8. New statutory material is underscored.

SECTION 9. This Act, upon its approval, shall take effect on July 1, 2019.

Hawaiian Community
Assets
Jeff Gilbreath

**Affordable Homeownership Revolving Fund
Demand Assessment
2.12.2019**

Project Location*	Units	Total Capital Demand
Waiohole Valley, Oahu	90	\$13,500,000
Varona Village, Oahu	93	\$13,950,000
Waimanalo Village, Oahu	25	\$3,750,000
Kahana Valley, Oahu	28	\$4,200,000
Kaikana Homestead, Oahu	19	\$2,850,000
Papakolea, Oahu	4	\$600,000
Poalima Street, Oahu	4	\$600,000
Aiea, Oahu	4	\$600,000
Puna and Kau (lava), Hawaii	31	\$4,650,000
Lahaina (fires), Maui	13	\$1,950,000
Waimea (floods), Kauai	3	\$450,000
TOTAL	314	\$47,100,000

*Includes only a limited number of self-help projects we were able to obtain.

Interim	State Homeownership Revolving Fund	\$25,000,000
	CDFI financing	\$22,100,000
Permanent	USDA Rural Development	\$25,095,000
	FHA Mortgage Products	\$2,355,000
	CDFI financing (for non-traditional leases)	\$19,650,000

Est. Home Construction Cost per Unit \$150,000
Avg. Construction Time 12 months
Avg. Time for Repayment 2 years
Permanent Financing? Federal Mortgages & CDFIs

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Hawaii Island Habitat for Humanity
Kauai Habitat for Humanity
Maui Habitat for Humanity
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Kapili Like
Hawaii Island Community Development Corporation

CDFI Lenders

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Puna and Kau (lava), Hawaii	31	\$4,650,000
Lahaina (fires), Maui	13	\$1,950,000
Waimea (floods), Kauai	3	\$450,000
TOTAL	314	\$47,100,000

*Includes only a limited number of self-help projects we were able to obtain.

Interim	State Homeownership Revolving Fund	\$25,000,000
	CDFI financing	\$22,100,000
Permanent	USDA Rural Development	\$25,095,000
	FHA Mortgage Products	\$2,355,000
	CDFI financing (for non-traditional leases)	\$19,650,000

<i>Est. Home Construction Cost per Unit</i>	<i>\$150,000</i>
<i>Avg. Construction Time</i>	<i>12 months</i>
<i>Avg. Time for Repayment</i>	<i>2 years</i>
<i>Permanent Financing?</i>	<i>Federal Mortgages & CDFIs</i>

Self-Help Developers

*Honolulu Habitat for Humanity
Leeward Habitat for Humanity
Hawaii Island Habitat for Humanity
Kauai Habitat for Humanity
Maui Habitat for Humanity
Self-Help Housing Corporation of Hawaii
Kapili Like
Hawaii Island Community Development Corporation*

CDFI Lenders

*Council for Native Hawaiian Advancement
Hawaii Community Lending
Hawaii Community Reinvestment Corporation
Hawaii Habitat for Humanity Association
HHOC Mortgage
Credit Unions (Hawaii Central FCU, Hawaii FCU, Hawaii First FCU, Molokai Community FCU)*

**Affordable Homeownership Revolving Fund
Demand Assessment
2.12.2019**

Project Location*	Units	Total Capital Demand
Waiohole Valley, Oahu	90	\$13,500,000
Varona Village, Oahu	93	\$13,950,000
Waimanalo Village, Oahu	25	\$3,750,000
Kahana Valley, Oahu	28	\$4,200,000
Kaikana Homestead, Oahu	19	\$2,850,000
Papakolea, Oahu	4	\$600,000
Poalima Street, Oahu	4	\$600,000
Aiea, Oahu	4	\$600,000
Puna and Kau (lava), Hawaii	31	\$4,650,000
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Papakolea, Oahu	4	\$600,000
Poalima Street, Oahu	4	\$600,000
Aiea, Oahu	4	\$600,000
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Leeward Habitat for Humanity
Hawaii Island Habitat for Humanity
Kauai Habitat for Humanity
Maui Habitat for Humanity
Self-Help Housing Corporation of Hawaii
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2.12.2019**

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TOTAL	314	\$47,100,000

*Includes only a limited number of self-help projects we were able to obtain.

Interim	Permanent
State Homeownership Revolving Fund	USDA Rural Development
CDFI financing	FHA Mortgage Products
\$25,000,000	\$2,355,000
\$22,100,000	\$19,650,000

Est. Home Construction Cost per Unit
 Avg. Construction Time
 Avg. Time for Repayment
 Permanent Financing?
 Federal Mortgages & CDFIs

Self-Help Developers
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 Leeward Habitat for Humanity
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 Hawaii Habitat for Humanity Association
 HHOC Mortgage
 Credit Unions (Hawaii Central FCU, Hawaii FCU, Hawaii First FCU, Molokai Community FCU)



Hawaii
Habitat
for Humanity®
Association

February 3, 2019

House Committee on Consumer Protection and Commerce
Tuesday, February 12, 2019
Conference Room 329

HB959, HD1 - 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 and State Support Organization for the direct service Habitat for Humanity organizations across the state to **STRONGLY SUPPORT HB959, HD1 – WITH AMENDMENTS.**

HB959, HD1 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 Habitat is in strong support of Part III of the bill with the following amendments:

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 on Oahu where land leases do not allow for mortgage financing through the mainstream marketplace.
2. **Strike language requiring eligible CDFIs to have Federal CDFI financial assistance awards in order to access funds and allow them to match homeownership revolving funds with any type of**

2051 Young St. #82
Honolulu, HI 96826
808-847-7676
www.hawaiihabitat.org

capital. To ensure the greatest participation of local nonprofit CDFIs in accessing the fund for financing the development of affordable homeownership, it is critical to allow these nonprofit entities to match homeownership revolving funds not just with Federal CDFI financial awards, but any capital they secure from foundations, banks, and other public entities in Hawaii. As stated previously, Federal funds make up only 1/8 of a typical CDFIs total loan capital, are highly competitive 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 and affordable rentals.

Please see the enclosed bill, Part III with recommended amendments for more information.

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. HB959, HD1 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 HB959, HD1 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 HB959, HD1 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,

A handwritten signature in blue ink, appearing to read "Jean Lilley". The signature is fluid and cursive, with the first name "Jean" and last name "Lilley" clearly distinguishable.

Jean Lilley
Executive Director

H.B. NO.959

A BILL FOR AN ACT

RELATING TO HOMEOWNERSHIP.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART III

SECTION 5. Chapter 201H, Hawaii Revised Statutes, is amended by adding to part II a new subpart to be appropriately designated and to read as follows:

“ SELF-HELP HOMEOWNERSHIP HOUSING REVOLVING FUND.

§201H- Purpose and findings. The legislature finds that the self-help housing model is a cost-effective means of assisting low-income families who would otherwise not have a homeownership opportunity. Self-help housing organizations leverage federal funds from the U.S. Department of Housing and Urban Development and the U.S. Department of Agriculture - Rural Development and low-income families' own contributions of labor to build their own communities. However, an additional non-federal matching funding source is needed.

The legislature further finds that homeownership is a national strategy for preserving affordable housing units financed through Federal the Low-Income Housing Tax Credit and Section 8 programs. Currently, there are 7,486 affordable

housing units in Hawaii developed with Low-Income Housing Tax Credits and Section 8 program funding that are at or beyond their mandatory affordability period and therefore be at-risk of becoming market-rate units. Action is needed to preserve our limited affordable housing opportunities for low- and moderate-income households in Hawaii.

The legislature further finds that nonprofit community development financial institutions are intermediaries that provide financing and technical assistance to assist self-help housing organizations in the development of affordable homeownership units in underserved communities. As private-sector organizations, community development financial institutions establish and maintain revolving loan funds to attract capital from the U.S. Department of the Treasury and other public and private sources of capital in order to increase the collective impact of affordable housing development by self-help housing organizations. According to Opportunity Finance Network, community development financial institutions leverage Federal funding for affordable housing and community development activities at a ratio of 8:1. Additional funding would help community development financial institutions attract private and public capital for affordable housing development.

The purpose of this subpart is to establish a self-help homeownership housing revolving fund to provide for the

development of affordable for-sale housing projects by nonprofit housing development organizations under a self-help housing program to facilitate greater homeownership opportunities for Hawaii residents.

§201H-___ Self-help homeownership housing revolving fund. (a) There is established an affordable homeownership 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 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, mortgage financing or non-traditional financing for lands with title issues, 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 ~~financial assistance awards~~, 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 6. There is appropriated out of the general revenues of the State of Hawaii the sum of \$25 million or so much thereof as may be necessary for fiscal year 2019-2020 to be deposited into the affordable homeownership revolving fund.

SECTION 7. There is appropriated out of the affordable homeownership revolving fund the sum of \$25 million 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 project.

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

SECTION 5. New statutory material is underscored.

SECTION 6. This Act, upon its approval, shall take effect on July 1, 2019.



Habitat
for Humanity®
Hawai'i Island

*Building houses,
building hope*

Deacon Michael Ross
Board President

Dr. AnnMarie Muramoto
Vice President

Anthony Cann
Secretary

Hobbs Lowson
Treasurer

Edwina Fujimoto

Father Richard Tardiff

Gail Noeau

Julie Ziemelis

Leiola Augustine

Melanie Lucas

Napua Kekauoha-Chartrand

Ron Lloyd

Steve Machesky

Patrick F. Hurney
Executive Director

Habitat for Humanity
Hawai'i Island, Inc.
PO Box 4619
Kailua-Kona, HI 96745

Phone (808) 331-8010
Fax (808) 331-8020
info@habitat-hawaii-island.org
www.habitat-hawaii-island.org



Community Partner

February 2, 2019

House Committee on Housings
Tuesday, February 12, 2019
Conference Room 423

HB959 – Relating to Housing – SUPPORT WITH AMENDMENTS

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

I am submitting testimony on behalf of Habitat for Humanity Hawaii Island (HFHHI), one of a few affordable housing organizations on the Big Island, to **SUPPORT HB959 WITH AMENDMENTS.**

Our self-help housing nonprofits have been responsible for a significant number of single- and multi-family homeownership units that are affordable for low-income households earning at or below 80% the HUD area median income.

These self-help housing nonprofits including Habitat for Humanity, Self-Help Housing Corporation of Hawaii, Hawaii Island Community Development Corporation make up the most robust portion of our nonprofit affordable housing industry in Hawaii.

Mahalo for your time, leadership and consideration. Please contact me directly at 808.937.7443 or pat@habitat-hawaii-island.org should you have any questions or need additional information.

Sincerely

Patrick F. Hurney
Executive Director

HB-959-HD-1

Submitted on: 2/11/2019 9:07:32 AM

Testimony for CPC on 2/12/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Deges	Hawaii Island HIV/AIDS Foundation	Support	No

Comments:



February 12, 2019

The Honorable Roy M. Takumi, Chair
The Honorable Linda Ichiyama, Vice Chair
House Committee on Consumer Protection & Commerce
State House of Representatives
Hawaii State Capitol
Honolulu, Hawaii 96813

RE: H.B. 959, H.D. 1 RELATING TO HOMEOWNERSHIP

Hearing: Tuesday, February 12, 2019 2:00 p.m., State Capitol, Conference Room 329

Dear Chair Takumi, Vice Chair Ichiyama, and Committee Members:

My name is Debbie Luning. I am employee of Gentry Homes and am also a volunteer member of the Board of Directors for both the Hawaii HomeOwnership Center and the HHOC Housing & Land Trust. I'd like to express my **strong support** of H.B. 959, H.D. 1, Relating to Homeownership, which establishes a new revolving fund to be administered by the Hawaii Housing Finance and Development Corporation.

This bill would provide a mechanism for qualified nonprofit housing trusts to access funds for the development, rehabilitation or acquisition of affordable for-sale homes. The HHOC Housing & Land Trust (HHLT) is an example of a nonprofit organization that could benefit greatly from the proposed revolving fund. HHLT is a new subsidiary of the Hawaii HomeOwnership Center and was formed for the purposes of preserving Hawaii's affordable housing inventory and to provide homeownership opportunities to low- and moderate-income families. As a low-cost financing tool, the new revolving fund would enable HHLT to lower costs associated with the acquisition, development, construction and rehabilitation of residential units, thereby reducing the overall cost of homes for its target market.

Please give this bill your favorable consideration.

Mahalo,

A handwritten signature in blue ink, appearing to read 'Debra', is written over the printed name below.

GENTRY HOMES, LTD.

Debra M.A Luning
Director of Governmental Affairs and Community Relations

HB-959-HD-1

Submitted on: 2/11/2019 1:42:05 PM

Testimony for CPC on 2/12/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

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
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 RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
ON
HOUSE BILL NO. 959, H.D. 1

**February 12, 2019
2:00 p.m.
Room 329**

RELATING TO HOMEOWNERSHIP

House Bill (H.B.) No. 959, H.D. 1: establishes the Qualified Nonprofit Housing Trust Program for Affordable For-Sale Housing Development 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 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; appropriates an unspecified amount of revolving funds from the QNHTRF for FY 20; establishes the Self-Help Homeownership Housing Revolving Fund (SHHHRF) within the HHFDC to provide loans for the development, pre-development, construction, acquisition, preservation and substantial rehabilitation of affordable for-sale housing units by nonprofit housing development organizations under a self-help housing program; appropriates an unspecified amount of general funds for FY 20 to be

deposited into the SHHHRF; and appropriates an unspecified amount of revolving funds from the SHHHRF 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 H.B. No. 959, H.D. 1, it is difficult to determine whether the two new revolving funds would be self-sustaining.

Thank you for your consideration of our comments.



**TESTIMONY TO THE HOUSE COMMITTEE
COMMITTEE ON CONSUMER PROTECTION & COMMERCE
State Capitol, Conference Room 329
415 South Beretania Street
2:00 PM**

February 12, 2019

RE: HOUSE BILL NO. 959 HD 1, RELATED TO HOMEOWNERSHIP

Chair Takumi, Vice Chair Ichiyama, and members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii. Our members build the communities we all call home.

BIA-Hawaii is in **strong support** of H.B. 959 HD 1, which proposes to establish an interim construction financing program for qualified nonprofit housing trust organizations that develop affordable for-sale homes for Hawaii residents. The bill also establishes a Self-Help Homeownership Housing Revolving Fund to provide loans to nonprofit housing development organizations for development of affordable homeownership housing projects under a self-help housing program.

Building our way out of our housing crisis requires increasing the supply of housing at all price points. The bill focuses government assistance and funding where it is needed, supporting the families in the 140% and below area median income (AMI) group. It also enables qualified nonprofit housing organizations to keep affordable units affordable in the long term. Long term affordability in government-subsidized projects has been a challenge for government agencies in the past, and involving nonprofit housing organizations is a step in the right direction.

We are in strong support of H.B. 959 HD 1, and appreciate the opportunity to express our views on this matter.

February 12, 2019

The Honorable Roy M. Takumi, Chair

House Committee on Consumer Protection and Commerce
State Capitol, Room 329
Honolulu, Hawaii 96813

RE: H.B. 112, Relating to Taxation

HEARING: Tuesday, February 12, 2019, at 2:00 p.m.

Aloha Chair Takumi, Vice Chair Ichiyama and Members of the Committee,

I am Ken Hiraki Government Affairs Director, testifying on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its over 9,500 members. HAR **supports** House Bill 959, HD1, which establishes revolving funds revolving funds for the development of for-sale affordable homeownership housing projects. Additionally, this measure provides interim construction financing to qualified nonprofit housing trust organizations and loans to self-help housing organizations.

According to the Department of Business, Economic Development and Tourism, nearly 66,000 housing units are needed to meet long-term demand by the year 2025. We need more affordable homes to meet today's needs of our working individuals and families.

Additionally, Hawai'i posts one of the lowest homeownership rates in the nation, ranking only 47th among the fifty states and the District of Columbia. Hawaii's current homeownership rate is 56.9%, with the national average reaching 64.4%.

Hawai'i REALTORS® feel firsthand the pride that accompanies the milestone of homeownership. However, there are many challenges to homeownership in Hawai'i from the high costs of living and land prices; expenses that delay savings, such as student loan debt; and the amount of savings needed for a down payment.

As such, HAR believes this is a creative solution to address our State's housing crisis and help residents obtain homeownership, which builds strong communities.



SNAPSHOT OF CHALLENGES TO HOMEOWNERSHIP

EXPENSES DELAYING SAVINGS FOR HOME PURCHASES

EXPENSE	ALL BUYERS	AGE 37 & YOUNGER	AGE 38-52	AGE 53-62	AGE 63-71	AGE 72-92
Student Loans	49%	53%	25%	8%	8%	<1%
Credit Cards	42%	32%	41%	30%	18%	14%
Car Loans	37%	32%	24%	14%	6%	3%
Child Care	20%	16%	18%	2%	2%	3%
Health Care	19%	12%	14%	19%	8%	6%
Other	17%	19%	29%	46%	70%	78%

Source: National Association of REALTORS® 2018 Home Buyer and Seller Generational Trends Report

DIFFICULTY IN REACHING A 20% DOWN PAYMENT *AS OF NOVEMBER 2018*

CONDOMINIUMS

COUNTY	MEDIAN	20% DOWN
Island of Hawai'i	\$339,000	\$67,800
Kaua'i	\$552,500	\$110,500
Maui	\$528,350	\$105,670
O'ahu	\$420,000	\$84,000

SINGLE-FAMILY

COUNTY	MEDIAN	20% DOWN
Island of Hawai'i	\$358,000	\$71,600
Kaua'i	\$782,500	\$156,500
Maui	\$740,398	\$148,080
O'ahu	\$797,000	\$159,400

February 11, 2019

Chair, Vice Chair, and members of the House of Representatives of the Committee on Consumer Protection and Commerce

RE: HB 959 HD 1
February 12, 2019
Room 329
2:00 p.m.

Testimony in Support of HB 959 HD 1 with Amendments

Aloha Chair Takumi, Vice-Chair Ichiyama, and Members of the Consumer Protection and Commerce Committee of the House of Representatives:

The **Council for Native Hawaiian Advancement testifies in support of HB 959 HD 1 with suggested amendments.** The Council for Native Hawaiian Advancement (CNHA) is a member-based 501(c)3 non-profit organization with a mission to enhance the cultural, economic, political, and community development of Native Hawaiians. CNHA is a national network of Native Hawaiian organizations and a strong voice on public policy. CNHA operates a loan fund, delivers capacity building services, fosters leadership development and has convened the Annual Native Hawaiian Convention for 17 consecutive years. CNHA has an 18-year record of providing support to native Hawaiians to homestead beneficiaries. It also is a Community Development Financing Institution which serves the Native Hawaiian community.

HB959, HD1 recognizes the need for Hawaii to establish a continuum of affordable housing options by creating a homeownership revolving fund that would provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households.

We recommend the following amendments to part III of the bill:

- 1. Add language to allow CDFIs to access the homeownership revolving fund for relending.** The bill needs technical amendments to allow CDFIs to access the homeownership revolving fund. Locally, we have community-based and credit union CDFIs that offer flexible mortgage financing, loans to assist in making a down payment, and non-traditional financing for lands beset by title issues. If these changes were made, our CDFIs could leverage State investments in a significant manner. By allowing CDFIs access to these funds, these nonprofit lenders could finance emergency and permanent homeownership housing for households residing on Hawaii Island in areas ravaged by lava eruptions, on Kuleana Lands in Kauai and Maui where floods and fires have recently occurred, or in the valleys of Waiahole and Kahana where unique forms of land leases scare away mainstream lenders and make financing unavailable.
- 2. Expand the number of CDFI's able to participate in this program by striking language requiring CDFI's to have Federal CDFI financial assistance awards and recognize that many of them have access to other sources of funding.** To ensure the greatest participation of local nonprofit CDFIs in accessing the fund for financing the development of affordable homeownership, it is critical to allow these nonprofit entities to

match homeownership revolving funds not just with Federal CDFI financial awards but with any capital they may be able to garner from foundations, banks, or other public entities. Federal funds make up only 1/8 of a typical CDFI's total loan capital and, as now written, HB 959 HD 1 would unnecessarily limit access to homeownership revolving funds by local, non-profit CDFI's.

3. Appropriate a \$25 million authorization to the Hawaii Housing Finance and Development Corporation for the Homeownership Revolving Fund which will yield \$200 million in capital that could be used to build 1500 affordable homes. Based on CDFI's' standard leverage ratio alone (8:1), a \$25 million investment by the State could result in \$200 million of total housing financing activity, which in turn could build 1,500 affordable homes by 2020, which could enable current affordable housing renters to become new homeowners, and which could enable more low to moderate renters to qualify for the affordable rental units vacated by renters moving up to homeownership.

Thank you for the opportunity to testify on this bill.

Respectfully,

A handwritten signature in blue ink, appearing to read 'J. Kuhio Lewis', is positioned above the printed name.

J. Kuhio Lewis
Chief Executive Officer



February 12, 2019

Honorable Roy M. Takumi, Chair
House Committee on Consumer Protection & Commerce
Hawaii State Capitol
Honolulu, Hawaii 96813

Subject: HB 959, HD1 Relating to Homeownership

Dear Chair Takumi and Committee Members,

Housing and Land Enterprise of Maui, dba Na Hale O Maui (NHOM) is a Nonprofit 501 (c) 3 Community Land Trust 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 NHOM homes have been resold to additional income-qualified island families substantiating that CLT homes remain truly affordable homeowner after homeowner. They never go to market price.

We strongly support of H. B. 959-H.D.1 to establish a new revolving fund to promote affordable homeownership opportunities by establishing an acquisition, rehabilitation and development financing program for qualified nonprofit housing trusts, to be administered by the Hawaii Housing Finance and Development Corporation. The availability of revolving funds will be an important tool to increase our ability to deliver more homes.

The proposed fund has the capacity 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.

We respectfully request the Committee on Consumer Protection & Commerce pass HB 959, HD1. 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. 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



SELF-HELP HOUSING CORPORATION OF HAWAII

1427 Dillingham Blvd., Suite 305 • Honolulu, Hawaii 96817
Telephone: (808) 842-7111 • Toll Free: 1-800-336-4035 • Fax: (808) 842-7896

February 12, 2019

To: Representative Roy Takumi, Chair
House Committee on Consumer Protection and Commerce

From: Claudia Shay
Executive Director

A handwritten signature in black ink, appearing to read 'Claudia Shay', written in a cursive style.

RE: Testimony in Support of HB 959, HD 1

The Self-Help Housing Corporation of Hawaii (SHHCH) is a non-profit housing corporation providing technical assistance to very low and low income families in Hawaii to enable them to build their own houses through the team self-help housing method. Technical assistance includes: the development of suitable land sites, the provision of financial counseling; the attainment of low interest mortgage financing; the provision of homeownership education; and on-the-job training in home building skills in the mutual self-help housing method. To date SHHCH has assisted 685 very low and low income families on Oahu, Kauai, Maui, and Molokai to build their own houses. Currently, SHHCH has 35 houses under construction, with another 35 houses coming on line within the next 8 months.

SHHCH will also be developing an 88 lot subdivision in Nanakuli, and a 150 lot subdivision in Kauai. All of the units will be for families whose incomes are below 80% of the area median income, and who will build their own houses through the mutual self-help housing method. As the Secretary of the National Rural Self-Help Housing Association I can report that more than 50,000 units have been built through the mutual self-help housing method for very low and low income households from Hawaii to Maine in the past 50 years. In the State of Hawaii the mutual self-help housing method has shown itself to be an effective method for developing affordable housing for very low and low income families, minority households, single parent households, farm workers, employee self-help housing projects, and for the "workforce of Hawaii".

The Self-Help Housing Corporation of Hawaii strongly supports HB 959, HD 1. With additional funding for acquisition, and development of subdivisions more families in Hawaii could be assisted to attain qualify affordable housing.

HB 959

Measure Title: RELATING TO HOMEOWNERSHIP

Description: Establishes revolving funds for the development of for-sale affordable homeownership housing projects. Provides interim construction financing to qualified nonprofit housing trust organizations. Provides loans to self-help housing organizations.

Just want to remind everyone that Thursday is Valentines Day. I mention this since I would like to see a little love in this bill. You are recognizing self help and non profit developers, I am neither. I am a for profit developer that acts like a non profit developer. I have developed thousands of units that were sold to buyers in the 20% to 80% median income range.

Yet, this bill does not appple to me. Years ago when I was 15 years old, my father told me capitalism is not about making a profit. It's about providing a good or service. The profit is only the measuring stick to determine how effective you are.

I make very little profit and actually lose money on some projects, my goal is to break even. I have given away approximately \$300 million in profit to my buyers in the form of lower prices. Yet, I am eliminated from all of the government programs because I am a slightly different for profit developer with a program of selling below market.

So please show me a little love and somehow allow for profit developers to be able to access the funds. In my case, I set my profit at 5%, where most developers are at 15% to 20%.

I would also include developers being able to sell by way of rent to buy. Buyers in the 80% or below as a rule do not have down payments.

If not rent to buy then we need government programs to finance the down payment at a low interest rate, say 2%, or have the state put up equity interest free and be a partner with the buyer and get paid back when they sell. This could be a 10% to 20% of value second mortgage with no payment but you get a corresponding increase in the value of the tenants equity when sold in addition to a return of your original down payment.

Thank you for allowing me to testify.