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GOVERNOR



DENISE ISERI-MATSUBARA
INTERIM EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON JUDICIARY

February 25, 2020 at 12:15 p.m.
State Capitol, Room 016

In consideration of
S.B. 2652, S.D. 1
RELATING TO HOUSING.

The HHFDC **opposes** S.B. 2652, S.D. 1. This bill amends Section 201H-38(a), HRS, by adding a new subparagraph prohibiting income restrictions, provided the proposed housing project is built only for owner-occupants who are Hawaii residents who own no other real property, in perpetuity.

Section 201H-38, HRS, governs HHFDC's 201H expedited approval processes for affordable housing developments. It is intended to help increase the supply of affordable housing by (1) allowing such developments to receive exemptions from certain planning, zoning, and construction standards, and (2) giving them expedited approvals by the Counties and/or the Land Use Commission, as applicable. If a project is no longer bound by income restrictions, there is no public purpose served in allowing it to use the 201H process.

Thank you for the opportunity to provide written comments on this bill.



SB2652 SD1
RELATING TO HOUSING
Ke Kōmike 'Aha Kenekoa o ka Ho'okolokolo

Pepeluali 25, 2020

12:15 p.m.

Lumi 016

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on SB2652 SD1, which would eliminate the requirement for income restrictions for housing projects developed in coordination with the Hawaii Housing Finance & Development Corporation and intended to be sold to state residents who own no other real estate. **Restricting or removing the HHFDC's ability to impose income restrictions on its projects, would dramatically change the State's current policy, and run counter to implementing state policies to further its commitment to facilitate meaningful affordable housing relief through a full range of housing opportunities targeted toward low-income, moderate-income, and gap group individuals and families.**¹

As the legislature recognizes, Hawai'i is in the midst of an affordable housing crisis: recent research indicates a projected need for 50,000 more housing units by 2025, with over 20% of this demand for units affordable for individuals and families at or below 30% of the Area Median Income (AMI);² over half of this demand is also for units affordable to those at or below 80% of the AMI.³ **With 48% of households in the State already unable to afford basic household necessities including housing, food, transportation, health care, and child care,⁴ the demand for and lack of affordable housing, combined with rising housing costs, require bold and aggressive policies that meaningfully prioritize the housing needs of local residents.**

Native Hawaiians have significant and unique housing needs, and are particularly affected by the ongoing lack of affordable housing. Notably, Native Hawaiians are less likely to own a home;⁵ Native Hawaiian households are also much more likely to be "doubled up," with multi-generational or unrelated individuals living together in single

¹ HRS § 226-19.

² See SMS, 2019 HAWAII HOUSING PLANNING STUDY, table 32 (2019), available at https://dbedt.hawaii.gov/hhfdc/files/2020/01/FINAL-State_Hawaii-Housing-Planning-Study.pdf.

³ See *id.*

⁴ ALOHA UNITED WAY, ALICE: A STUDY OF FINANCIAL HARDSHIP IN HAWAII (2017).

⁵ Native Hawaiians' homeownership rate is lower than the state average; it is 54.4%, compared to the statewide average of 58.5%. Excluding DHHL lessees from this figure, the Native Hawaiian homeownership rate is even more disparate, at 42.7%. U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 1-YEAR ESTIMATES: 2017, (2018). HHL: Homestead Services Division, Commission submittal, 02/20/18. Retrieved on 11/15/18 from <https://dhhl.hawaii.gov/wp-content/uploads/2018/02/February-20-21-2018-HHC-Packet-Kapolei-Oahu1.pdf>.

households.⁶ Furthermore, Native Hawaiian households are more than three times more likely have a ‘hidden homeless’ family member than all state households.⁷ Accordingly, ensuring that our housing planning agencies can explore and implement a range of policies that may address Hawai‘i’s multi-faceted affordable housing crisis is of particular importance for the Native Hawaiian community.

OHA appreciates that this measure seeks to facilitate increased development of housing units to meet state residents’ unprecedented demand for housing. **However, the development policies promoted by this measure do not necessarily ensure that new housing developments enjoying our limited resources will actually be reserved for current state residents.** For example, this bill would require that in order to enjoy HHFDC’s expedited approval process—including exemptions from a broad host of planning and permitting laws and regulations—developments must be built only for state residents and owner-occupants. However, OHA is concerned about whether it is sufficient to be effective and enforceable. Similarly, while prohibiting purchasers from owning any other real property could reduce the demand from speculators and multiple property owners, such a prohibition does not address the considerable demand from the potentially substantial numbers of nonresident home purchasers seeking to relocate to Hawai‘i. Accordingly, the “market” for units that would be encouraged under this measure may still continue to include national and global purchasers seeking to establish residency in Hawai‘i, and who are likely to have considerably greater buying power than Native Hawaiians and other local residents.

Removing all income requirements for HHFDC affordable for-sale housing projects may not address the housing demand of Native Hawaiian families or local families. Without income restrictions, any for-sale housing development targeted at state residents could qualify for the substantial financial benefit of HHFDC’s expedited approval process; and most, if not all, would likely seek the highest possible profit, yielding an excess of market and above-market rate homes. The most recent housing demand data reveals that even with the hundreds of millions of state taxpayer dollars recently committed to housing policy and programs targeted at all income levels⁸, by 2025 this investment will likely yield an estimated surplus of nearly 4,000 units affordable to those in the 80-140% AMI range, while producing a projected shortfall of over 23,000 units needed by households

⁶ 24.8% of Native Hawaiian households, compared to 9.6% of state households, include more than two generations or unrelated individuals. SMS, *supra* note 1, at 70.

⁷ 14.1% of Native Hawaiian households, compared to 4.2% of state households have a hidden homeless family member. *Id.*

⁸ In 2018, the legislature appropriated \$570M for GET exemptions for for-profit builders, with \$200M allocated to support affordable housing primarily for households up to 60% AMI and \$360M in GET exemptions targeted toward affordable housing for households at 140% AMI and below. And in 2019, the legislature provided \$20M to fund “Ohana Zones” to create kauhale style housing developments for chronically homeless households earning up to 30% AMI. And in 2019, an additional \$100M was appropriated to the rental housing revolving fund for a total of \$300M committed to providing housing for households making up to 60% AMI. These measures projected that they would provide 24,000 units affordable at 140% AMI, with 14,000 provided by 2025, an estimated 2,400 units affordable at 60% AMI, and 1,200 units affordable at 30% AMI.

under 80% AMI.⁹ Therefore, **the state should continue to prioritize affordable housing targeted toward the lower income classifications with the greatest unmet housing need for this investment of substantial public trust resources.**

The State must ensure that development policies appropriately prioritize meaningful affordable housing relief for its residents. **Restricting or removing the HHFDC's ability to provide such relief, would run counter to the State's obligations to facilitate such relief and ensure a full range of housing opportunities currently needed by low-income, moderate-income, and gap group individuals and families.**¹⁰

Mahalo nui loa for the opportunity to testify on this measure.

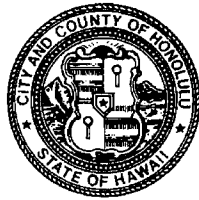
⁹ See SMS at table 32.

¹⁰ HRS § 226-19.

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February 25, 2020



The Honorable Karl Rhoads, Chair
and Members of the Committee on Judiciary
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Rhoads, and Committee Members:

**Subject: Senate Bill No. 2652, SD 1
Relating to Housing**

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 2652, SD 1, which would drop income requirements for beneficiaries of affordable housing projects seeking exemptions from State and county processes and permits.

This Bill runs counter to decades-long State and county basic housing strategy, which is to focus limited public resources on lower-income households not able to participate on their own in the housing market. Instead, this Bill replaces this strategy by changing the strategy to support housing production for Hawaii residents who do not own property.

Inasmuch as Chapter 201H, HRS, is built around household income as a basis for defining beneficiaries of government housing support, we suggest this Chapter be reviewed comprehensively before making the single change reflected in Senate Bill No. 2652, SD 1. This will create a coherent set of policies, programs and priorities.

Accordingly, we ask that this Bill be held in committee until amended as suggested.

Thank you for the opportunity to testify.

Very truly yours,

Handwritten signature of Kathy K. Sokugawa in black ink.
Kathy K. Sokugawa
Acting Director