



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

February 4, 2021 at 9:00 a.m.
State Capitol, Room 423

In consideration of
H.B. 1213
RELATING TO AFFORDABLE HOUSING.

The HHFDC opposes H.B. 1213. This bill amends our 201H powers by requiring that if a housing project is to be constructed in a county having a population of more than 100,000 but less than 1 million (i.e., the counties of Hawaii and Maui), that portion of units designated as affordable housing shall be affordable housing in perpetuity.

Perpetual affordability requirements will hinder affordable housing development. Interviews with several local nonprofit housing developers brought to light several concerns with requiring assisted units be kept affordable in perpetuity:

1. The useful life of the property is the limiting factor. Requiring a property to remain affordable beyond its useful life is not reasonable;
2. Nonprofits pledge to keep their projects affordable over the long-term (typically 65 years). Restrictive land use covenants, including the agreed-upon term of affordability, are recorded and run with the land. Government cannot impose regulations that apply beyond the term of government assistance. There is no nexus between the benefit and the government regulation;
3. The perpetuity requirement will stifle reinvestment in the project and preclude the option for redevelopment of the project site in the future. Even nonprofits in the business of providing affordable housing may want the option to sell a poorly performing project to reinvest in another project; and

4. The perpetuity requirement will be a disincentive to public/private partnerships to develop rental housing. Private landowners may prefer to sell land in leasehold rather than in fee simple. The affordability restriction would permanently lower property values.

Thank you for the opportunity to testify.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

COMMITTEE ON HOUSING
THURSDAY, 2/4/21, 9 AM, Room No. 423

HB1213 RELATING TO AFFORDABLE HOUSING
Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair Nakamura, Vice-Chair Hashimoto, and Committee Members:

The League of Women Voters of Hawaii supports with an amendment, this bill, which requires that Hawaii housing finance and development corporation (HFDC) housing projects, in a county having a population of more than 100,000 but less than 1,000,000, include a restrictive covenant that the percentage of units of the housing project that are designated as affordable housing, as described in the submitted housing project application, shall be affordable housing in perpetuity.

The effect of Hawaii's shortage of affordable housing is especially felt by individuals with low incomes. To provide more affordable housing, both Counties and the State have incentivized developers, through HFDC, to provide some affordable units in the housing developments they propose.

Recent housing proposed or developed under HFDC affordable housing agreements have limited the number of years during which the initially affordable units must remain affordable, thus ensuring higher profits for building owners in the long term, but virtually guaranteeing that these units will not be affordable beyond the period agreed on. HB1213 would ensure that these units, paid for by ensuring higher profitability for the entire project in exchange for sacrificing some public interests encoded in regulations and statutes, remain as long as the public is still sacrificing the benefits thus encoded, i.e. for the lifetime of the projected development.

The incentives for developers include waiving of normally required permitting and planning requirements, including as stated in HB1213, "exemption from all statutes, ordinances, charter provisions, and rules of any government agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of dwelling units thereon".



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

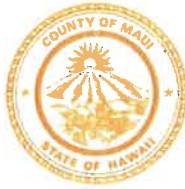
The League of Women Voters of Hawaii finds that the public interest is not served when the provision of one highly beneficial aspect, increasing affordable housing inventory, is bought at the cost of too many exemptions which are often inimical to the public interests, such as wider landscaped setbacks which provide healthier air and mental health enhancements, and many more compromises with community welfare as encoded in the various regulations cited.

Proposed amendment: We suggest that the paragraph on exemptions be narrowed to specify that exemptions from specific, not all, "statutes, ordinances, etc." be given in exchange for the provision of affordable units, and that HFDC justify the specific exemptions in terms of balancing the public interests involved.

Thank you for the opportunity to submit testimony.

Michael P. Victorino
Mayor

Sananda K. Baz
Managing Director



LATE



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

February 3, 2021

TESTIMONY OF MICHAEL P. VICTORINO
MAYOR
COUNTY OF MAUI

BEFORE THE HOUSE COMMITTEE ON HOUSING

Thursday, February 4, 2021, 9:00 a.m.
House Conference Room via Videoconference

HB1213, RELATING TO AFFORDABLE HOUSING

Honorable Nadine K. Nakamura, Chair
Honorable Troy N. Hashimoto, Vice Chair
Honorable Members of the House Committee on Housing

Thank you for this opportunity to offer comments on **HB1213**.

This bill requires the Hawaii Housing Finance & Development Corporation (HHFDC) to include a restrictive covenant that the percentage of units of the housing project . . . shall be affordable housing “*in perpetuity*”. [emphasis added]

“In perpetuity” may be problematic since we cannot fully predict the future needs of the County or the state. There are, however, other mechanisms for preserving the affordability of units over the long term.

For rental projects:

- 1) Perpetuity requires a longer-term look at how projects are structured financially as well as physically. This could drive up the initial cost of the construction (*e.g.* better materials), and increase the project's replacement reserve requirements (meaning the developer cannot carry as much debt) to ensure that the owners are adequately reinvesting in the asset.
- 2) Even a well-maintained project will typically require additional public investment at about the 30-year mark. Currently, there is significant incentive to recapitalize a project as it nears the end of its compliance period in order to keep it affordable. That incentive goes away with perpetuity. The state will need to consider recapitalizing

projects that are not at risk of market conversion, and write that guarantee into the law.

3) More profit-oriented developers will not be interested in projects with a limited back-end profit, so we may be limiting our partner choices.

For home owner projects:

1) The typical argument is that limiting affordable home prices “in perpetuity” denies the lower-income owners the option of accessing the equity in their homes, which might be their only source of capital for things like their children’s college or medical bills.

2) As with rental projects, there is an argument that while the limited return on investment may not discourage a homeowner from maintaining their unit, it does not provide a particular incentive for doing so.

I appreciate your consideration of these comments on **HB1213**.

LATE

HB-1213

Submitted on: 2/3/2021 1:16:46 PM

Testimony for HSG on 2/4/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ellen Godbey Carson	Individual	Support	No

Comments:

I seek your support of HB 1213, to help us preserve our affordable housing supply in perpetuity. We have a severe housing crisis and homelessness in Hawaii, that warrant protecting our affordable housing supply for those who need it when current owners are ready to sell. We are woefully behind on creating affordable housing to meet our community's need. Allowing the scarce "affordable" units to be sold at market value after a period of years creates unwarranted windfalls to those who acquire it while it has affordable restrictions. The public policy behind setting aside affordably priced housing does not disappear after 5-10 or even 20 years. There is no end in sight for our need to assure housing that is affordably priced for families, workforce, and seniors, all of whom we want to be able to live safely in Hawaii. Until we can create much larger supply of housing that truly meets Hawaii's housing needs, we need to preserve the affordable units that have been created to date.

I am testifying individually today but have served as President of IHS, the Hawaii Bar Association and Hawaii Women Lawyers, as issues of affordability of housing and economic equity are very important to me and our community. Thank you for your consideration.

LATE



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423
THURSDAY, FEBRUARY 4, 2021 AT 9:00 A.M.**

To The Honorable Nadine K. Nakamura, Chair;
The Honorable Troy N. Hashimoto, Vice Chair; and
Members of the Committee on Housing,

OPPOSITION HB1213 RELATING TO AFFORDABLE HOUSING

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. I am writing share our opposition to HB1213.

Affordable housing and rentals is one of our top priorities each year and we strongly support getting more units built. We urge the County and State to look at lands they own and consider using those lands to create additional affordable housing and rentals. Units being sold out of affordability is not the main reason why our state is in a housing crisis. Regulatory burdens within the code and infrastructure costs and challenges are a bigger issue. Further, we want to give homeowners a chance to move up and housing in perpetuity does not do that.

We also want to encourage financial literacy and homebuyer education, as well as qualified certification of applicants to ensure our residents are ready to purchase affordable homes when they become available.

Mahalo for your consideration of our testimony and ask that you please defer this bill.

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.

LATE

HB-1213

Submitted on: 2/4/2021 8:38:25 AM

Testimony for HSG on 2/4/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Janice Takahashi	HHFDC	Oppose	No

Comments:

Appearing for questions only