

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Honolulu, Hawaii 96813
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IN REPLY REFER TO:

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

SENATE COMMITTEE ON HOUSING

March 16, 2021 at 1:15 p.m.
State Capitol, Room 225

In consideration of
H.B. 79, H.D. 1
RELATING TO HOUSING.

The HHFDC **offers the following comments on** H.B. 79, H.D. 1 which establishes an Affordable Homeownership Revolving Fund to provide loans to nonprofit community development financial institutions and nonprofit housing development organizations for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable for-sale housing units.

Providing an affordable financing source for higher risk pre-development and acquisition activities could facilitate the development of affordable for-sale housing by nonprofit developers. Additionally, the development of homes under a self-help housing model for rural areas is a relatively cost-effective way to expand homeownership opportunities for lower-income families.

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
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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 SENATE COMMITTEE ON HOUSING
ON
HOUSE BILL NO. 79, H.D. 1

March 16, 2021
1:15 p.m.
Videoconference

RELATING TO HOUSING

The Department of Budget and Finance offers comments on House Bill (H.B.) No. 79, H.D. 1.

H.B. No. 79, H.D. 1, establishes an Affordable Housing Revolving Fund (AHRF) within the Hawai'i Housing Finance and Development Corporation (HHFDC) to provide loans to non-profit community development financial institutions and non-profit housing development organizations for the development of affordable homeownership housing projects; allows the fund to include sums appropriated by the Legislature, private contributions, proceeds from the repayment of loans, interest, other returns, and moneys from other sources; authorizes the Director of Finance to transfer an unspecified amount of taxable general obligation bond proceeds and accrued interest from the Rental Housing Revolving Fund to the AHRF in FY 22; and appropriates an unspecified amount out of the AHRF for FY 22.

The measure outlines the qualifications and priority order for awarding AHRF loans, and specifically provides that funds shall not be used to finance day-to-day

administrative expenses of the projects allotted funds from the AHRF, except for an amount set by HHFDC and authorized by the Legislature.

As a matter of general policy, the department 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. 79, H.D. 1, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

B&F defers to HHFDC on issues of implementation and administration of such a fund.

Thank you for your consideration of our comments.

March 16, 2021

The Honorable Stanley Chang, Chair
Senate Committee on Housing
Via Videoconference

**RE: H.B. 606, HD1 Authorizing the Issuance of General Obligation Bonds for
Affordable Housing**

HEARING: Tuesday, March 16, 2021, at 1:15 p.m.

Aloha Chair Chang, Vice Chair Kanuha, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, testifying on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its over 10,000 members. HAR **supports** House Bill 606, HD1, which authorizes the issuance of general obligation bonds with the funds to be deposited into the Dwelling Unit Revolving Fund and the Rental Housing Revolving Fund (RHRF.)

According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawai'i, the State needs up to 46,000 housing units to meet demand in Hawai'i by 2030. Hawai'i needs more housing at all price points, including affordable rentals.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Revolving Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

As such, HAR supports this measure as it provides much needed funding for affordable rental housing opportunities for Hawaii's residents and will help address the States unique housing challenges.

Mahalo for the opportunity to testify.

HB-79-HD-1

Submitted on: 3/14/2021 1:58:56 PM

Testimony for HOU on 3/16/2021 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Kawamoto	Individual	Support	No

Comments:

My name is John Kawamoto, and I support HB 79 HD 1, which establishes the Affordable Homeownership Revolving Fund. This fund will provide funding for the development of affordable for-sale housing projects of nonprofit housing development organizations and nonprofit community development financial institutions.

All Hawaii residents should have access to livable homes that are affordable to them because housing creates the stability needed to build strong families and communities. Yet Hawaii faces a shortage of tens of thousands of housing units.

Organizations such as Hawaii Habitat for Humanity have proven that the self-help model works. It is effective in assisting low-income families become homeowners. Self-help housing organizations use federal funds and private contributions, but another source of funding would make housing more attainable.

The Affordable Homeownership Revolving Fund will enable more low-income families in Hawaii to become homeowners.

For the foregoing reasons, I urge the committee to pass HB 79 HD 1.



Building strength and stability through shelter

March 15, 2021
Senate Committee on Housing
Tuesday, March 16, 2021
Conference Room 225, 1:15p.m.

HB79 HD1– STRONG SUPPORT

Aloha Committee Chair Chang, Vice-Chair Kanuha 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 HB79 HD1.**

HB79 HD1 recognizes the need for expanding the housing needs of our communities across the state to include development of affordable, permanent homeownership units for Hawaii’s low- and moderate-income households. **HB79 HD1 would create a revolving loan fund**, with funds being directed to the Hawaii Housing Finance and Development Corporation, who would then provide short terms loans to non-profit housing development organizations and community development financial institutions across the Hawaiian Islands. With this funding source, affordable housing developers such as Habitat for Humanity affiliates and their CDFI counterparts such as Hawaii Habitat for Humanity, are able to provide affordable homeownership for low and very low-income families. HB79 HD1 also includes contracting with certified CDFIs to manage loans, as an effective and efficient process to deploy funds. This addition to the bill would not only help the local CDFIs build capacity, but will also provide some relief to HHFDC in managing the revolving funds.

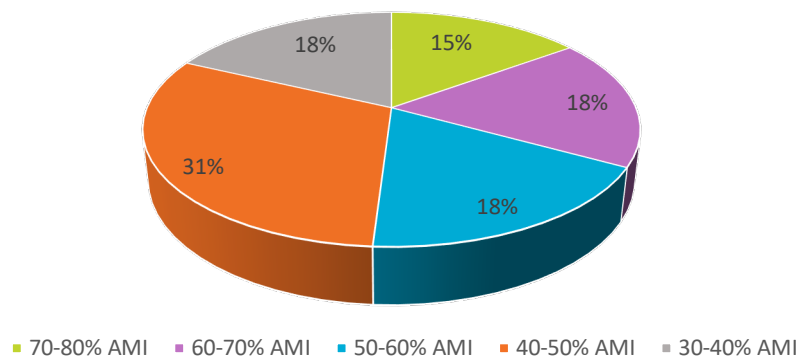
According to the 2015 Hawaii Housing Demand Study, from the Department of Business, Economic Development, and Tourism, the projected long-run estimate of demand for total new housing (for either rental or ownership) in Hawaii is between 64,700 to 66,000 for the 2015 to 2025 period. Approximately 74% of these units need to be affordable for households earning \$75,000 annually or less.

During the regular session of 2016, the legislature passed a bill that established a goal of developing or vesting the development of at least 22,500 affordable rental housing units ready for occupancy by the end of 2026. Increasing the supply of affordable homes is a cornerstone of the solution to our state’s housing needs, *but rental housing alone will not get us there.* **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.

According to the Honolulu Board of Realtors, by November 2020 the median price for a single-family home on Oahu had risen to \$872,500. With a simple mortgage calculator and using conservative assumptions on interest rates and down payment amounts, a household needs to earn almost \$170,000 annually to afford to buy a median-priced home on Oahu in 2020. Data from more than 3000 households receiving services through local nonprofit, Hawaiian Community Assets, tells us our average household does not own land, has less than \$1000 saved, and can afford a \$185,000 mortgage. We need expand our housing strategy and make affordable homes available for our local people – **to rent AND own**. As established in the HD1 revision of this bill, we support the transfer of taxable obligations bond proceeds and interest from the Rental Housing Revolving Fund to the Affordable Homeownership revolving fund.

Habitat for Humanity provides homeownership opportunities in partnership with low income families earning between \$35,000 and \$75,000 per year. Around 50% of the families we work with make below 50% AMI. Traditional financing is not possible for the hardworking families with whom we partner.

HABITAT HOUSEHOLD INCOME (as % of AMI)



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 and effectively. Between 2017-2020, Habitat for Humanity affiliates of Hawaii have been able to produce 125 homes with the use of \$26 million in federal funds – either grants, or direct loans to Habitat homeowners. These funds have been leveraged at an average ratio of 2:1 – providing direct investments to our local low-income families.

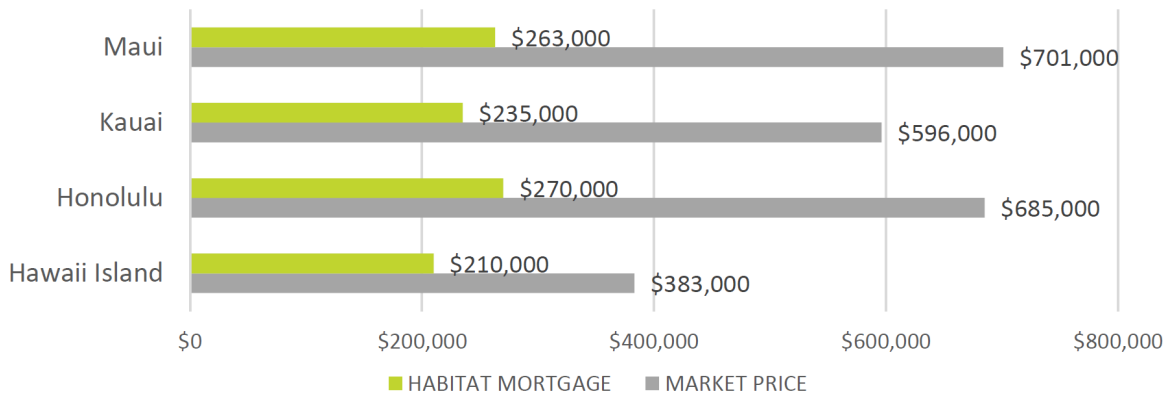
	Federal Funding between 2017-2020				
	Hawaii Island	Honolulu	Kauai	Leeward	Maui
Grants (CDBG, HOME, NAHASDA, USDA)	\$1,203,000	\$384,537	\$2,979,687	\$0	\$983,766
Direct Funding to Low Income Homeowners (NAHASDA, USDA, CDBG)	\$1,845,000	\$1,131,554	\$14,980,455	\$473,522	\$0
Loan Guarantee Programs (USDA)	\$0	\$0	\$2,113,251	\$0	\$0
Total	\$3,048,000	\$1,516,091	\$20,073,393	\$473,522	\$983,766

Total Federal Funding	\$26,094,772
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Federal Funds Leveraging - Appraisal: Mortgage					
	Hawaii Island	Honolulu	Kauai	Leeward*	Maui
Average Appraisal	335,000	650,000	470,000	350,000	700,000
Average Mortgage	210,000	270,000	235,000	185,000	350,000
Total	1.6:1	2.4:1	2:1	1.9:1	2:1

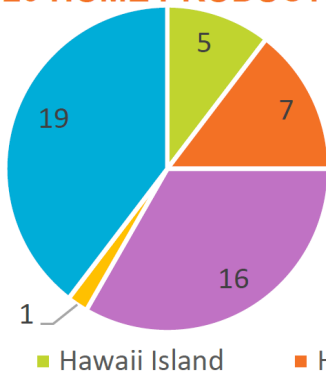
Because these federal funds are grants or direct loans, we can expect state dollars into the Affordable Homeownership Revolving Fund will be leveraged even further. According to Opportunity Finance Network, CDFIs leverage federal funding for affordable housing and community development activities at a ratio of eight to one. With additional and revolving funding, Habitat for Humanity affiliates across the state will have the opportunity to increase their production, while continually providing low cost and low interest mortgages well below market rate.

AVERAGE MORTGAGE FOR A 3 BEDROOM HOME

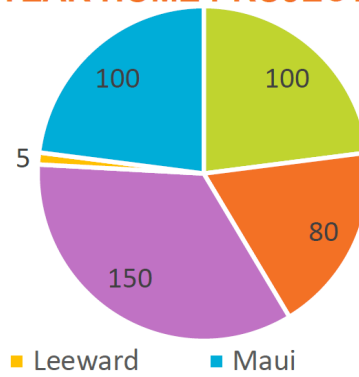


Habitat for Humanity is currently building up to 50 single family homes a year across the state, with plans to not only increase production on single family homes, but also provide more multi-family ownership units as the opportunities arise. With access to affordable funding, Habitat alone will have the opportunity to increase their capacity to providing homeownership in partnership with a minimum of 87 families a year in the next five years.

2020 HOME PRODUCTION

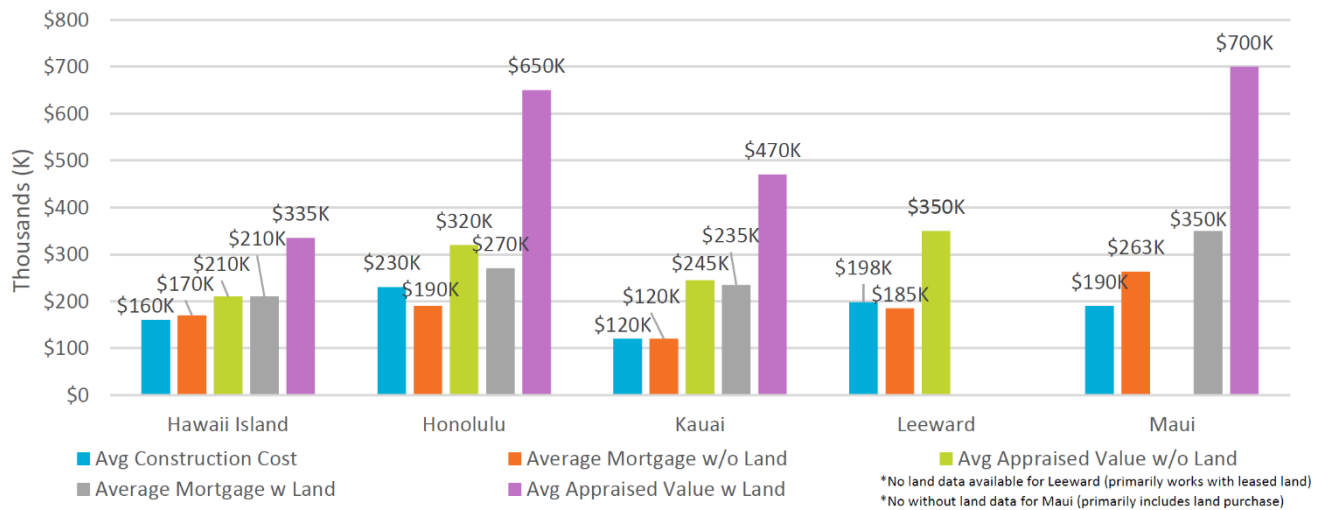


5 YEAR HOME PROJECTION



Habitat for Humanity and all of the Habitat organizations in Hawaii, know that homeownership is important. People who own their homes find it is a pathway out of poverty. As demonstrated below in the value increase between mortgages against appraisal values, homeownership is a means to long term wealth generation for low-income families.

CONSTRUCTION V MORTGAGE V APPRAISAL OF HABITAT HOME



Homeownership allows for better health, provides safety, leads to stable neighborhoods and thriving families and leverages educational investment. Homeowners have a higher sense of community and greater willingness to fix neighborhood challenges. For this reason, homeowners are more likely to get involved in community organizations and be civically engaged. Residential stability also leads the way for more community investment. Habitat Homeowners currently pay over \$500,000 in property taxes each year, giving back to local and state government from their investment. In fact, over the course of the 20-year Habitat mortgage, current Habitat Homeowners will pay over **\$10,000,000** in property taxes.

Help us do our part to provide affordable housing for Hawaii's people. Please **PASS HB79 HD1**, 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 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

HB-79-HD-1

Submitted on: 3/15/2021 1:02:01 PM

Testimony for HOU on 3/16/2021 1:15:00 PM

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

Comments:

I strongly support HB 79!

HB-79-HD-1

Submitted on: 3/15/2021 1:00:38 PM

Testimony for HOU on 3/16/2021 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kristen Alice	Testifying for HOPE Services Hawai'i	Support	No

Comments:

Hope Services Hawai'i strongly supports this bill.

HB-79-HD-1

Submitted on: 3/15/2021 11:05:25 AM

Testimony for HOU on 3/16/2021 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Shirley David	Testifying for St. Michael the Archangel Parish	Support	No

Comments:

Chair Chang, Vice-chair Kanuha, and Housing Committee members:

On behalf of the legislative advocacy ministry in St. Michael's Church in Kailua-Kona, **I urge you to vote yes when HB79 HD1 comes before your committee on March 16.**

B79 recognizes the need for expanding the housing needs of our communities across the state to include the development of affordable, permanent homeownership units for Hawaii's low- and moderate-income households. **HB79 would create a revolving loan fund**, with funds being directed to the Hawaii Housing Finance and Development Corporation, which would then loan to non-profit organizations across the Hawaiian Islands

On Hawaii Island we need 11,300 new housing per year to keep up with the demand. Our Hawaii County builders and government cannot keep up with the need for affordable, permanent housing for our low and moderate income households. In addition much of the new housing is rental units. Who among us would prefer to raise our children and our children to raise their children in rental apartments. That dream seems unobtainable to most young families today. Without housing they can afford, our young families will continue to move away from our islands. We need them to grow our economy, support good public education, and support our kupuna. We need family homes for our youth to grow up and thrive. The non-profits that have the experience building housing for our low income residents such as Habitat for Humanity and Catholic Charities could benefit from this type of revolving fund, would build houses and who could keep the fund revolving. There are small builders on Hawaii Island who have non-profits and who would also be able to build affordable houses for our young families to purchase.

At St. Michael's we support our families, spiritually and with other needs. Among our large congregation we have many young families from all ethnic and cultural groups that make up our state, both immigrants and those whose families have been here generations. The high cost of housing affects them all. We strongly support HB 79 HD 1. We hope that you can support families with assistance to non-profit builders through

this housing revolving fund so that they can build houses affordable housing for the moderate and low income families.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
TUESDAY, MARCH 16, 2021 AT 1:15 P.M.**

To The Honorable Stanley Chang, Chair;
The Honorable Dru Mamo Kanuha, Vice Chair; and
Members of the Committee on Housing,

SUPPORT HB79 HD1 RELATING TO HOUSING

Aloha, my name is Pamela Tumpap. 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 to share our support of HB79 HD1.

The Maui Chamber of Commerce has supported similar bills in the past. Given the extreme need for affordable housing and rentals that we all see and well understand, we hope this bill passes this year. This proposal is an excellent tool in the toolbox for getting affordable housing and rentals built and every tool helps. We hope to see other initiatives move forward as well.

In addition, we support increased funding for the Rental Housing Revolving Fund and Dwelling Unit Revolving Fund.

Mahalo for your consideration of our testimony and ask that you please pass 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.

HB-79-HD-1

Submitted on: 3/15/2021 1:14:13 PM

Testimony for HOU on 3/16/2021 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Katie Benioni	Testifying for Lei Ho'olaha CDFI	Support	No

Comments:

As a Native CDFI in Hawaii, we see the many benefits this legislation would provide, specifically expanding the housing needs of our communities across the state to include development of affordable, permanent homeownership units for Hawaii's low and moderate-income households. HB79 HD1 would also create a revolving loan fund, with funds being directed to the Hawaii Housing Finance and Development Corporation, who would then provide short terms loans to non-profit housing development organizations and community development financial institutions across the Hawaiian Islands. With this funding source, affordable housing developers such as Habitat for Humanity affiliates and their CDFI counterparts such as Hawaii Habitat for Humanity, are able to provide affordable homeownership for low and very low-income families. HB79 HD1 also includes contracting with certified CDFIs to manage loans, as an effective and efficient process to deploy funds. We fully support the passage of this bill and the postive effects it could have on affordable housing in Hawaii.



HAWAI' APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
SUPPORT HB79, HD1 – Relating to Housing
Senate Committee on Housing
Tuesday, March 16th, 2021 at 1:15 PM, Conference Room 225

Dear Chair Chang and members of the Senate Committee on Housing,

We, at Hawai'i Appleseed, **strongly support HB79** and the goal of increasing affordable homeownership. This bill would establish an Affordable Homeownership Revolving Fund to provide loans for non-profit housing development organizations to develop affordable housing projects. This revolving fund would provide benefits now as:

- 1) Access to affordable homeownership is increasingly getting out of reach for local residents** as the housing market has progressively become an investment tool for people with far greater resources than the average local resident. Hawai'i has had the highest unemployment rates in the nation for most of the past year as a result of the pandemic¹ and yet, home prices are still increasing and breaking new records. The average home price in Kaua'i reached above \$1 million for the first time in January.² In Maui, the average condo price of \$570,000 in 2020 was well above the previous high of \$550,000 in 2007.³ **The price of housing is becoming disconnected from the local economy and local wages, so Hawai'i residents need additional support to be able to afford housing.**
- 2) Hawai'i residents need alternatives to market priced housing now more than ever.** HB79 adds an important tool in the affordable housing toolbox. The self-help housing model and other affordable for-sale housing projects supported by community development financial institutions have a proven track record of providing successful long-term and sustainable homeownership opportunities here in Hawai'i. Across the state, thousands of self-help homes have been built and owned by local resident earning below 80% of the Area Median Income (AMI). The residents of these homes take pride in their homes and are far less likely to move out or sell their homes than owners in the private market.⁴ The State should expand these opportunities to as many local residents as possible.

For the reasons listed above we urge the passing of HB79 HD1. Mahalo for the opportunity to testify.

¹ Feb. 2nd 2021, "Hawaii's unemployment rate remains highest in the nation" by Hawaii News Now <https://www.hawaiinewsnow.com/2021/02/02/hawaiis-unemployment-rate-remains-highest-nation/>

² Feb. 5th 2021, "Median home price on Kauai tops \$1M in January" by Pacific Business News <https://www.bizjournals.com/pacific/news/2021/02/05/median-home-price-on-kauai-tops-1m-in-january.html>

³ Jan 20th 2021, "Maui home, condominium sales set price records in 2020" by Honolulu AP <https://apnews.com/article/financial-markets-prices-hawaii-honolulu-f2efbbc730d89308045019858823df88>

⁴ Interviews with Self-Help Housing Corporation of Hawaii, Hawaii Island Community Development Corporation, Habitat for Humanity on Maui and Kauai County Housing Agency.