

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 79, H.D. 1, S.D. 1

April 1, 2021
9:30 a.m.
Room 211 and Videoconference

RELATING TO HOUSING

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

H.B. No. 79, H.D. 1, S.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 \$1,000,000 of taxable general obligation bond proceeds and accrued interest from the Rental Housing Revolving Fund to the AHRF in FY 22; and appropriates \$1,000,000 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

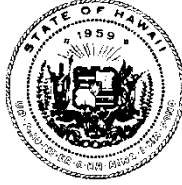
administrative expenses of the projects allotted funds from the AHRF, except for an amount set by HHFDC and authorized by the Legislature.

As a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 79, H.D. 1, S.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.

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
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

SENATE COMMITTEE ON WAYS AND MEANS

April 1, 2021 at 9:30 a.m.
State Capitol, Room 211

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

The HHFDC supports H.B. 79, H.D. 1, S.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.

HHFDC is currently reviewing applications for funding from the Rental Housing Revolving Fund. We believe \$1,000,000 should be available for transfer to the Affordable Homeownership Revolving Fund in FY 2022-2023.

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



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
THURSDAY, APRIL 1, 2021 AT 9:30 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and
Members of the Committee on Ways and Means,

SUPPORT HB79 HD1 SD1 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 SD1.

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

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.



Inspiring Hope, Changing Lives

Visit us on the web: www.hopeserviceshawaii.org

Connect via email: info@hopeserviceshawaii.org

HOPE Help Line: 808-935-3050

TESTIMONY IN SUPPORT OF HB 79: RELATING TO HOUSING

TO: Committee Chair, Vice-Chair and Committee Members
FROM: Brandee Menino, CEO, Hope Services Hawaii, Inc.
Hearing: Thursday, 4/1/21

Thank you for the opportunity to provide testimony **in strong support** of HB 79, to establish an Affordable Homeownership Revolving Fund within the Hawaii Housing Finance and Development Corporation to provide loans to nonprofit community development financial institutions and nonprofit housing development organizations for the development of affordable homeownership housing projects.

A lack of affordable housing is the single greatest cause of homelessness in Hawai'i, and our state's rising rents and stagnant wages have caused more new people to enter homelessness each year. In Hawai'i, a person earning minimum wage needs to work **153 hours per week to afford the rent for a 2-bedroom apartment**. This was the situation our former client from Kona, who asked to remain anonymous, faced as he worked a full-time job and two part-time jobs to support his wife and three children. After losing his part time jobs, he struggled to pay the rent, and his family was on the verge of eviction. This story is common in Hawai'i County, where, even before the pandemic, 55% of our residents fell beneath the ALICE threshold. Despite working, these ALICE households still spend more than 30% of their income on housing, leaving them without a safety net, and virtually zero chance of becoming homeowners.


With property values continuing to rise, and Hawaii becoming more attractive to those on the continent who can afford to wait out the pandemic here, our local people will continue to lose access to the housing market without safeguards.

Loans from this fund would allow qualifying nonprofit developers to help local people become homeowners--a dream currently out of reach for low-income families.

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

By working together, we can create homes for current residents and future generations to live, learn, and thrive. I urge you to join us in that effort by **supporting HB 79**. Mahalo nui for your consideration.

Sincerely,


Brandee Menino,
Chief Executive Officer

JOIN OUR COMMUNITY



HOPE SERVICES HAWAII, INC.
ADMINISTRATIVE
OFFICE
357 Wai'anuenue Avenue
Hilo, HI 96720
phone: (808) 935-3050
fax: (808) 935-3794

HALE MALUHIA
EMERGENCY SHELTER
110 Ululani Street
Hilo, HI 96720
phone: (808) 443-4717
fax: (808) 934-7456

KIHEI PUA
EMERGENCY SHELTER
115 Kapi'olani Street
Hilo, HI 96720
phone: (808) 933-6053
fax: (808) 934-0904

VETERAN HOUSING
PROGRAMS
21 West Ohea Street
Hilo, HI 96720
phone: (808) 934-8658
fax: (808) 934-8658

FRIENDLY PLACE
RESOURCE CENTER
74-5593 Pawai Place
Kailua-Kona, HI 96740
phone: (808) 933-6062
fax: (808) 329-6219

WEST HAWAII EMERGENCY
HOUSING PROGRAM
74-5593 Pawai Place
Kailua-Kona, HI 96740
phone: (808) 217-5560
fax: (808) 327-2171

BOARD OF DIRECTORS
President/Chair
Dean Au

Vice Chair
Rev. Robert Stark, SSS

Secretary
Gwen DeCoito
Treasurer
Charlene Iboshi

Directors
Anne Harpham
Peter Hoffman

Patrick Hurney
Carol R. Ignacio

EXECUTIVE LEADERSHIP
Chief Executive Officer
Brandee Menino



Building strength and stability through shelter

March 29, 2021

Senate Committee on Ways and Means

Thursday, April 1, 2021

Conference Room 211, 9:30a.m.

HB79 HD1 SD1– STRONG SUPPORT WITH AMENDMENTS

Aloha Committee Chair Dela Cruz, Vice-Chair Keith-Agaran 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 SD1 WITH AMENDMENTS.**

HHFHA supports \$25 million in appropriations to the Affordable Homeownership Revolving Fund through 2026. **We support the appropriation amount of \$1,000,000 to establish the Affordable Homeownership Revolving Fund this year.** However, we request support to increase the appropriation significantly in the upcoming years to significantly expand homeownership opportunities across the state for Hawaii's families.

HB79 HD1 SD1 recognizes 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 SD1 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 SD1 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

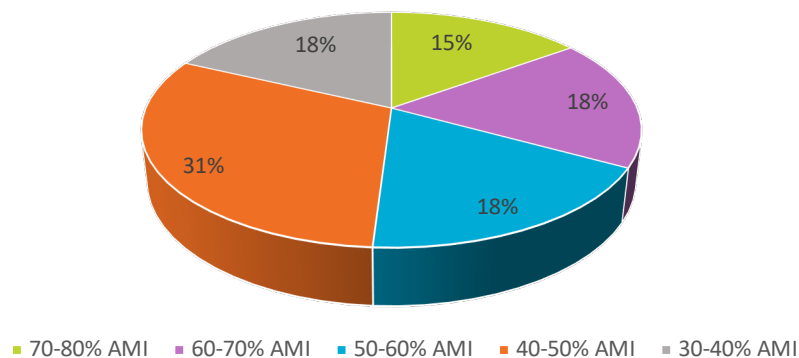
for occupancy by the end of 2026. Increasing the supply of affordable homes is a cornerstone of the solution to our state’s housing needs, *but rental housing alone will not get us there.*

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)



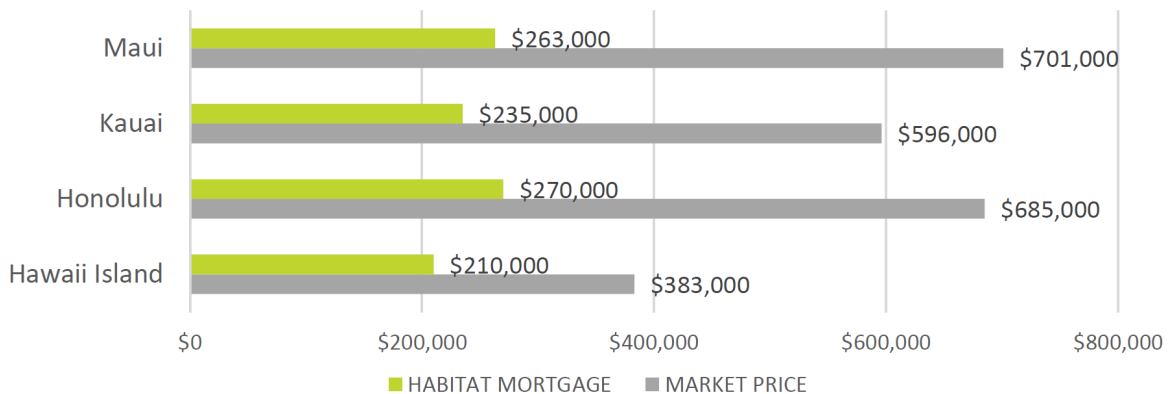
Hawaii Habitat Community Development Financial Institution funds and structure will provide an additional assurance that the funding through this program will be used as directed and effectively. Between 2017-2020, Habitat for Humanity affiliates of Hawaii have been able to produce 125 homes with the 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				

	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.

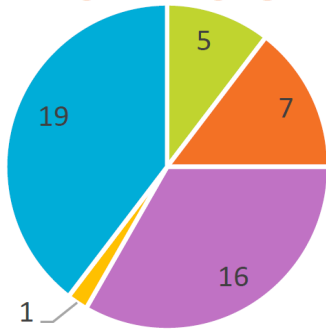
AVERAGE MORTGAGE FOR A 3 BEDROOM HOME



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

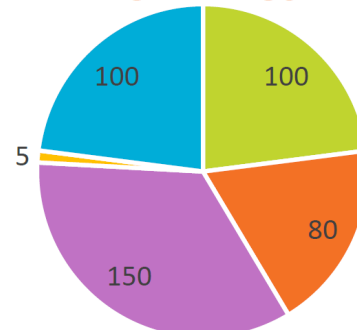
alone will have the opportunity to increase their capacity to providing homeownership in partnership with a minimum of 87 families a year in the next five years.

2020 HOME PRODUCTION



■ Hawaii Island ■ Honolulu ■ Kauai ■ Leeward ■ Maui

5 YEAR HOME PROJECTION



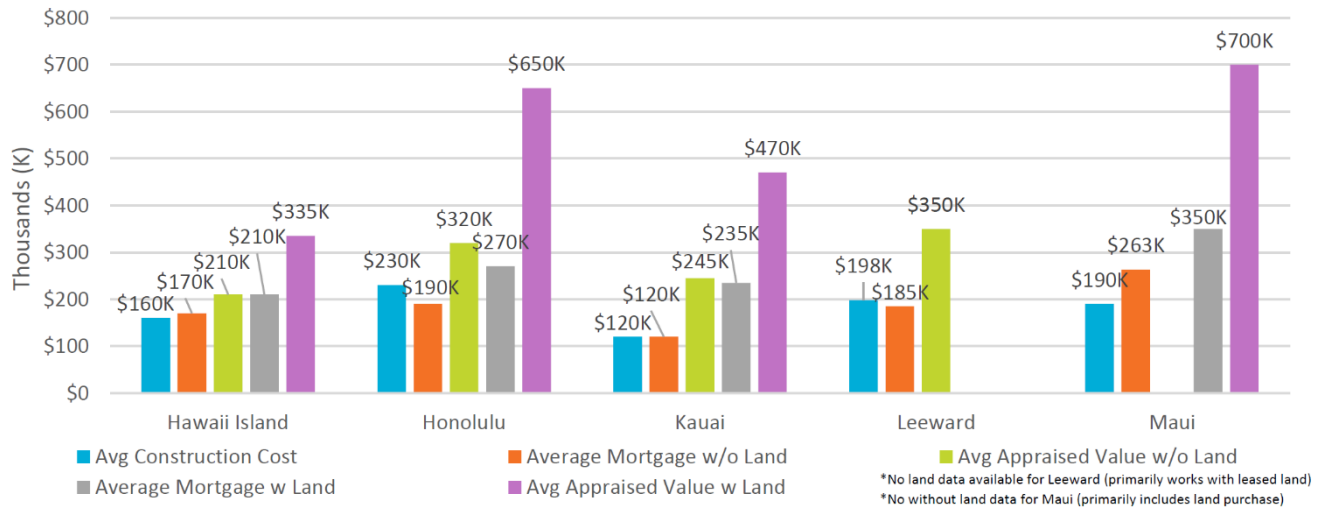
To further increase the production of more affordable homes throughout our state, HHFHA supports \$25 million in appropriations to the Affordable Homeownership Revolving Fund through 2026.

Since the beginning of 2021, Hawaii Habitat for Humanity’s CDFI has distributed \$1 million in funds to non-profit affordable housing developers. Affordable Housing Kauai received \$550,000 for purchase of land to develop up to 19 affordable single-family homes in Kalaheo, Kauai, Honolulu Habitat received \$400,000 in bridge loans to cover funding gap periods in government funding (where they produce on average 10 single family homes per year), and we had an additional application of \$475,000 for the development of affordable housing lots in Hana, Maui where we are actively seeking capital opportunities to fund this project.

Although we appreciate the appropriations of \$1,000,000 into the Affordable Homeownership Revolving Fund, we believe our CDFI alone has the capacity to evaluate loan applications and distribute the funds within a few months. To sustain the continual production of affordable homes to our community and to keep up with the capacity of affordable housing developers and CDFIs, we request the committee to increase its initial appropriations.

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 SD1**, 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,

Jean Lilley
Executive Director



HAWAI'I COMMUNITY
FOUNDATION

To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair
And Members of the Senate Committee on Ways and Means

LATE

From: Micah Kāne, Chief Executive Officer & President
Hawai'i Community Foundation

Re: Testimony in Support of HB79 HD1 SD1

Relating to Housing

Date: Thursday, April 1, 2021

Time: 9:30 A.M.

Place: Via Conference Room 211 & Videoconference

Dear Chair Dela Cruz, Vice-Chair Keith-Agaran and members of the Ways and Means Committee,

Thank you for this opportunity to testify in support of HB79 HD1 SD1, which creates a revolving loan fund, directed to the Hawaii Housing Finance and Development Corporation to provide short term loans to non-profit housing development organizations and community development financial institutions ("CDFI's") in Hawaii to address the need for affordable homeownership opportunities.

The Hawaii Community Foundation ("HCF") supports the need for a continuum of housing across all income levels with opportunities for all families to thrive. HB79 recognizes the need to expand housing solutions to meet the needs of our communities across the state by providing access to capital to create affordable, permanent homeownership units for Hawaii's low- and moderate-income households.

HCF understands that essential elements of our island home are not working well for everyone. We believe that change can happen when we understand the challenges in front of us and work together to find and implement equitable solutions to those challenges. HCF has developed the CHANGE Framework identifying six essential sectors, or areas, that affect the overall well-being of our islands and people. Data from the community and economy sector highlights that 48% of households in Hawaii do not meet a survival budget and struggle, living paycheck to paycheck. In addition, 40.3% of homeowners are burdened by housing costs. This means homeowners are dedicating more than 30% of their monthly household income to their housing payment.

HCF is also investing in building the capacity of Hawaii's CDFI's. In 2020 we started a social impact investment fund to provide low-cost capital to CDFI's working within the sectors of the CHANGE framework. HB79 includes contracting with US Treasury Certified CDFI's to manage loans, as an

effective and efficient process to deploy funds. This helps to build local CDFI capacity and provides an opportunity for a public-private partnership between HCF and the State. Our mutual interest in partnering with and investing in Hawaii's CDFI's can support Hawaii's economic recovery while bringing capital to underserved communities.

Data highlights that homeownership contributes to better health, safety and long-term family stability. Homeownership provides opportunities to build equity and leverage educational investments. Homeownership encourages community and civic participation. HCF supports the passage of HB79 to provide affordable homeownership opportunities for Hawaii families so all in Hawaii can thrive.

HB-79-SD-1

Submitted on: 3/27/2021 8:24:48 AM

Testimony for WAM on 4/1/2021 9:30:00 AM

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

Comments:

I support this program for affordable homeownership. We are in critical need of more affordable housing options.

HB-79-SD-1

Submitted on: 3/27/2021 9:15:02 PM

Testimony for WAM on 4/1/2021 9:30:00 AM

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 SD 1, which establishes the Affordable Homeownership Revolving Fund to 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, especially for working families.

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 SD 1.

HB-79-SD-1

Submitted on: 3/29/2021 11:00:23 AM

Testimony for WAM on 4/1/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John D. Smith	Individual	Support	No

Comments:

I support