



STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HI 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 HOUSING

March 22, 2022 at 1:00 p.m.
State Capitol, Room 225

In consideration of
H.B. 1917 SD1 Proposed
RELATING TO AFFORDABLE HOUSING.

HHFDC **opposes** H.B. 1917 SD1 Proposed, which:

1. Requires HHFDC to issue a new ground lease for the Front Street Apartments (FSA) affordable housing project located in Lahaina, Maui, to an eligible developer for a term of 75 years at a rent of \$1.00 per year; and
2. Appropriates \$22.8 million of private activity bond (PAB) allocation and \$12.5 million of funds from the Rental Housing Revolving Fund (RHRF) to HHFDC for the purpose of allowing an eligible developer to acquire and rehabilitate FSA.

The FSA is subject to an existing ground lease with HHFDC, which expires on June 30, 2066.

This project is subject to ongoing litigation and for that reason HHFDC has been unable to renegotiate the ground lease for the property or obtain an appraisal of the fair market value of the ground lease. To acquire the property's leasehold interest, an appraisal is required under Section 201H-33(d) of the Hawaii Revised Statutes to ensure that the purchase price does not exceed its appraised value.

HHFDC recommends that all projects seeking funds submit a consolidated application for financing to avoid circumventing the competitive review process and ensure that State funds are used in the most efficient manner. The concern is, why would the state pay for a project that the judge has ruled must remain affordable until 2051?

FSA was completed in 2001 and has been well maintained by the leasehold owner.

Based on a 2019 property condition report prepared by CBRE Assessment & Consulting Services, FSA is in “good to fair” overall physical condition. The need for substantial capital investment using State resources for this project is unclear at this time.

We defer to the Department of the Attorney General on the question of whether private activity bond allocation can be appropriated by the Legislature.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
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. 1917, H.D. 1, PROPOSED S.D. 1

March 22, 2022
1:00 p.m.
Room 225 and Videoconference

RELATING TO AFFORDABLE HOUSING

The Department of Budget and Finance (B&F) offers comments on the proposed S.D. 1, which: 1) requires the Hawai'i Housing Finance and Development Corporation (HHFDC) to issue a new ground lease for the Front Street Apartments affordable housing project to an eligible developer for a lease term of 75 years and ground lease rent of \$1 per year; 2) purports to appropriate private activity bonds in the amount of \$22,800,000 in FY 23 for the purposes of allowing an eligible developer to acquire and rehabilitate the Front Street Apartments; and 3) appropriates \$12,500,000 out of the Rental Housing Revolving Fund in FY 23 for the same purposes. B&F defers to HHFDC on the overall merits but offers the following comments on the portion of this measure relating to private activity bonds.

Under Chapter 39B, HRS, private activity bonds are not allocated to HHFDC, such that they may be appropriated to a specific housing project. Instead, upon HHFDC's request, and subject to the Governor's approval, B&F may assign all or a portion of the State's allocation of the annual state ceiling for private activity bonds to

HHFDC to issue pursuant to its authority under Part III of Chapter 201H, HRS.

However, this assignment of state ceiling for private activity bonds is to the issuer in general and not specific to any project. The selection of the projects for which bonds will be issued is a decision made by the issuer, in this case HHFDC, pursuant to its rules and procedures. The annual state bond ceiling for private activity bonds is not allocated to a specific project until the bond closing for that project takes place and the bonds are issued.

B&F further notes that the normal practice for housing revenue bonds is that the Legislature authorizes the issuance of revenue bonds by the State or its subdivisions up to a specific aggregate dollar amount. For example, HHFDC has been given authority by the Legislature to issue up to \$3,000,000,000 in Hula Mae Multi-Family revenue bonds pursuant to Act 291, SLH 1980, as amended. However, HHFDC may only issue bonds if there is an available annual private activity bond ceiling in the amount of the proposed issuance at the time and if it is assigned a sufficient portion of that ceiling.

Thank you for your consideration of our comments.



THE SENATE, COMMITTEE ON HOUSING

Senator Stanley Chang, Chair

Senator Dru Mamo Kanuha, Vice Chair

Tuesday, March 22, 2022 @ 1:00 pm

TESTIMONY IN SUPPORT OF HB 1917 SD1 PROPOSED

Aloha Chair Chang, Vice Chair Kanuha, and Members of the Senate Committee on Housing. My name is Makani Maeva and I am the President of Ahe Group. Based in Kailua, Oahu, Ahe Group is one of the most active affordable housing developers in Hawaii with over 1,800 affordable rental units in the state financed through the Low-Income Housing Tax Credit and Rental Housing Revolving Fund programs administered by the Hawaii Housing Finance and Development Corporation (“HHFDC”). Thank you for the opportunity to testify in **strong support of this bill**.

HB 1917 SD1, as proposed, is a practical solution to the preserve Front Street Apartments in Lahaina as affordable rental housing for seventy-five years. Due to the ongoing litigation regarding Front Street Apartments, its residents are currently experiencing housing uncertainty. Extending the time for HHFDC to renegotiate the ground lease is unnecessarily deferring implementation of a solution that is available immediately. Ahe Group, a qualified developer who is under contract to purchase Front Street, has a solution that will meet the needs of the various stakeholders and preserve this valuable housing asset.

To preserve the Front Street Apartments, Ahe Group requires: (1) a 75-year ground lease at \$1 per year (a term that is typical for affordable housing projects); (2) an allocation of \$22,800,000 of private activity bonds; and (3) a \$12,500,000 award of Rental Housing Revolving Fund. With these resources, Ahe Group will acquire the project and begin \$8,000,000 of renovations. Ahe Group will agree to operate the project as an affordable rental for 75 years and to return rents to their original affordability limits (5% of the units at 30% AMI, 45% of the units at 50% AMI, and 60% of the units at 60% AMI). No tenants in good standing will be displaced. I have personally spoken to the plaintiffs’ attorneys in the ongoing litigation on several occasions and I believe this bill and these resources satisfy their concerns.

Thank you for your attention to this testimony. I will be testifying via video conference tomorrow. If you have additional questions, please contact me at 808-381-5958 or mm@ahigroup.com

A handwritten signature in blue ink that reads 'Makani Maeva'.



HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
In Support of HB1917 SD1 Relating to Front Street Apartments on Maui
Tuesday March 22, 2022, at 1:00 PM via Videoconference

Aloha Chair Chang and Vice Chair Kanuha,

Thank you for the opportunity to provide testimony in strong **SUPPORT of HB1917 (Proposed SD 1)**, relating to Front Street Apartments on Maui.

Lawyers for Equal Justice represents tenants who reside at the Front Street Apartments on Maui.

Lawyers for Equal Justice supports a process that helps the existing residents of Front Street and Maui's affordable housing shortage by ensuring that the Front Street Apartments continues to abide by affordable housing requirements. The tenants will also benefit from renovation of the units.

The issues relating to the Front Street Apartments should be addressed now and not years from now, as costs to do any renovations will only increase. Moreover, addressing the issue now and guaranteeing affordable housing helps provide the tenants of the Front Street Apartments with stability.

Please vote yes on HB1917 with amendments as noted in Proposed SD1.

Thank you for considering this testimony.

I do not intend to provide oral testimony at the hearing.

Ray Kong
Legal Director
Hawaii Appleseed Center for Law and Economic Justice
Lawyers for Equal Justice

BOARD OF DIRECTORS
Scott W. Settle
David F. Fasi
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March 21, 2022

The Hawaii Senate
Thirty-First Legislature
Regular Session of 2022
Committee on Housing

BILL: IN SUPPORT OF HB 1917, HD1
HEARING: **Committee on Housing**
DATE: **Tuesday, March 22, 2022 at 1:00 pm**

Dear Chair Chang:

The Affordable Housing and Economic Development (AHED) Foundation is a 501(c)(3) nonprofit whose mission is to create and preserve affordable housing and other opportunities for Hawaii's residents in need. The AHED Foundation believes that each community has the right to thrive and prosper as well as the responsibility of taking care of community members over the long term. Good, clean, safe housing, is one of the most important and basic human needs.

We are in **support of HB 1917 HD1** because it would facilitate and finance the long-term affordability of the Front Street Apartments rental housing project for the next 75 years. The affordability of the Front Street Apartments project is something the local community and tenants in Lahaina, Maui care deeply about. We cannot miss this opportunity to ensure the project stays affordable to Lahaina's working families for the next 75 years.

Please support this project.

Very truly yours

Scott Settle

Scott Settle,
President
AHED Foundation

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Gabe Johnson
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

Deputy Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

March 21, 2022

TO: Honorable Chair Stanley Chang, Vice-Chair Dru Mamo Kanuha, and members of the Senate Committee on Housing

FROM: Tamara Paltin
Councilmember

DATE: March 21, 2022

SUBJECT: **SUPPORT OF HB 1917 SD1, RELATING TO AFFORDABLE HOUSING**

Thank you for the opportunity to testify on this important measure. The purpose of this measure is to appropriate private activity bond allocations and funds from the Rental Housing Revolving Fund to the Hawaii Housing Finance and Development Corporation for the purpose of allowing an eligible developer to acquire and rehabilitate the Front Street Apartments.

I **SUPPORT** this measure for the following reasons:

1. It is a practical solution to preserve the Front Street Apartments in Lahaina as affordable rental housing for seventy-five years.
2. The litigation regarding Front Street Apartments has gone on for far too long and has resulted in housing insecurity for my constituents. We cannot wait much longer for a solution.

For the foregoing reasons, I **SUPPORT** HB 1917 SD1.

Respectfully Submitted,

Handwritten signature of Tamara M. Paltin in black ink.

TAMARA PALTIN
Maui County Councilmember

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
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David M. Raatz, Jr., Esq.

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www.MauiCounty.us

March 19, 2022

TO: Honorable Stanley Chang, Chair
Senate Committee on Housing

FROM: Alice L. Lee
Council Chair

DATE: March 19, 2022

SUBJECT: **SUPPORT OF HB 1917, HD1, Proposed SD1, RELATING TO AFFORDABLE HOUSING**

Thank you for the opportunity to testify in **SUPPORT** of this important measure. The purpose of this measure is to appropriate funds to the Hawaii Housing Finance & Development Corporation to allow an eligible developer to acquire and rehabilitate Front Street Apartments Affordable Housing Project in Lahaina, Maui.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **SUPPORT** this measure for the following reasons:

1. This measure supports the need to keep and maintain Front Street Apartments as an affordable housing complex.
2. Front Street Apartments provides 142 rental units.
3. Maui County has a severe shortage of affordable rental housing, but the issue is especially problematic in Lahaina where rental costs are traditionally higher than other areas of Maui.

For the foregoing reasons, I **SUPPORT** this measure.

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**Testimony of Barbara Henny
Co-Chair, Front Street Tenants Group
Supporting HB543, HD1, HSCR164
February 26. 2019**

March 21, 2022

Subject: Support of HB 1817 SD1
Relating to Affordable House
Front Street Apartment

To: Honorable Chair Stanley Chang, Vice Chair Dru Mamo Kanuha, and members of the
Senate Committee on Housing

I would like to express thanks for allowing this testimony, albeit brief and last minute, to be heard and reviewed by the Honorable Members.

I was co chair of the Front Street Tenants Group, who for the last five years have been ensuring through various Bills and other avenues that Front Street Apartments remain affordable. There have been numerous efforts by Senator Baker and Representative Angus McKelvey as well as Tamara Paltin our local Council Representative to maintain the status of the Apartment complex. I believe you have the background pertaining to this. It has been a nerve wracking and insecure situation for the tenants and although various outcomes have been positive, latest developments have compounded our uncertainty.

I am writing to support the measure HB 1917 SD1 wherein appropriation of private activity bond allocations and funds from the Rental Housing Revolving Fund to the Hawaii Housing Finance and Development Corporation be enacted and supported for the purpose of allowing an eligible developer to acquire and rehabilitate the Front Street Apartments in order to preserve the complex as affordable rental housing for 75 years. This is a much needed ongoing resource for Lahaina and those in need of rental facilities.

Your worthy consideration of this plea is much appreciated and welcomed. Thank you.

Barbara J. Henny
1802 Kenui Place
Lahaina, HI 96761