



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2022**

ON THE FOLLOWING MEASURE:

H.B. NO. 2020, H.D. 1, RELATING TO HOUSING.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Thursday, February 24, 2022 **TIME:** 12:30 p.m.

LOCATION: State Capitol, Room 308, Via Videoconference

TESTIFIER(S): Holly T. Shikada, Attorney General, or
Sandra A. Ching, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General provides the following comments on this measure.

The purpose of the bill is to appropriate general funds for deposit into the affordable homeownership revolving fund established by section 201H-206, Hawaii Revised Statutes, to provide gap financing to developers of affordable housing targeted to households with incomes at or below one hundred twenty percent of the area median income.

Although the bill, in section 2, on page 1, lines 12-16, makes a general fund appropriation into the affordable homeownership revolving fund, the bill does not make a further appropriation *out* of the revolving fund so that the money may be expended by the Hawai'i Housing Finance and Development Corporation. See Haw. Const. art. VII, § 5 ("No public money shall be expended except pursuant to appropriations made by law.").

To address this concern, we suggest amending the bill by adding the following wording to page 2, line 1, of the bill:

There is appropriated out of the affordable homeownership revolving fund the sum of \$ _____ or so much thereof as may be necessary for the fiscal year 2022-2023 for the purposes of this Act.

Thank you for the opportunity to provide these 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

HOUSE COMMITTEE ON FINANCE

February 24, 2022 at 12:30 p.m.
State Capitol, Room 308

In consideration of
H.B. 2020 HD1
RELATING TO HOUSING.

HHFDC **strongly supports** H.B. 2020 HD1, which appropriates general funds to seed the Affordable Homeownership Revolving Fund (AHRF).

AHRF was created by Act 227, Session Laws of Hawaii 2021, to provide funds for the development of affordable, for-sale, single family homes by nonprofit community development financial institutions (CDFIs) and nonprofit housing development organizations (HDOs) to facilitate greater homeownership opportunities for Hawaii residents.

In August 2021, HHFDC convened a working group of Hawaii nonprofit CDFIs and HDOs to discuss possible projects to be assisted by AHRF and rulemaking for the fund. HHFDC anticipates that it will promulgate administrative rules later this year and expects that there will be high demand for the fund's resources in Fiscal Year 2022-2023.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

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

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

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 HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2020, H.D. 1

February 24, 2022
12:30 p.m.
Room 308 and Videoconference

RELATING TO HOUSING

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 2020, H.D. 1, appropriates an unspecified amount of general funds for FY 23 to be deposited into the Affordable Homeownership Revolving Fund (AHRF). The AHRF was established pursuant to Act 227, SLH 2021, under the administration of the Hawai'i Housing Finance and Development Corporation, to provide loans to non-profit community development financial institutions and non-profit housing development organizations for the development of affordable homeownership housing projects. Act 227, SLH 2021, appropriated \$1,000,000 in federal funds received from the American Rescue Plan (ARP) Act to initially seed the AHRF.

B&F notes that the use of ARP funds for the purpose of the AHRF may not be compliant with the permitted use provisions of the ARP Act and recommends that if the Legislature intends to provide general funds in lieu of ARP funds, that the \$1,000,000 appropriated via Act 227, SLH 2021, be repealed and lapsed.

Finally, B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal ARP Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.



Building strength and stability through shelter

February 22, 2022
House Committee on Finance
Thursday, February 24, 2022
Videoconference, 12:30p.m.

HB2020 HD1 – STRONG SUPPORT

Aloha Committee Chair Luke, Vice-Chair Yamashita and Members;

I am submitting testimony in my capacity as Executive Director of Hawaii Habitat for Humanity Association (HHFHA). We are a nonprofit Community Development Financial Institution (CDFI) and Affiliate Support Organization for the direct service Habitat for Humanity organizations across the state. Our organization **STRONGLY SUPPORTS HB2020 HD1** which appropriates an unspecified amount of general funds into the Affordable Homeownership Revolving Fund for Fiscal Year 2022-2023.

The Affordable Homeownership Revolving Fund is an opportunity to fulfill 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. The fund provides loans for for-sale housing units for development, pre-development, construction, acquisition, preservation, and substantial rehabilitation. Uses of funds may include planning, design, land acquisition, agreements of sale and down payments, and equity financing as matching funds for CDFIs.

HB2020 HD1 recognizes the need to expand housing solutions to meet the needs of our communities across the state by providing access to capital through this fund.

We recommend an appropriation of \$5,000,000 into the fund so that non-profit affordable housing developers such as Habitat for Humanity affiliates and their CDFI counterparts such as Hawaii Habitat for Humanity, will be able to increase their capacity to provide affordable homeownership for low and very low-income families.

As a CDFI, Hawaii Habitat for Humanity Association can provide assurance that the funding through this program will be used as directed and effectively. In 2021 alone, Hawaii Habitat for Humanity's CDFI 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.

Habitat for Humanity provides homeownership opportunities in partnership with very low to 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. Revolving dollars provided by the Affordable Homeownership Revolving Fund, and loaned out to developers at low interest rates, allows for Habitat affiliates in Hawaii keep mortgages low for our community.

On average, we are able to provide mortgages at \$250,000 for 3-bedroom homes appraised at \$500,000 to our local low to very-low-income families. We're providing direct investments to our local low-income families by helping these families' dollars go twice as far. Currently we are able to achieve this with the use of our self-help model and leveraging federal funding. Federal funds have been matched at an average ratio of 2:1 through the hard work of our affiliates. Matching funds are obtained through grants and loans from private businesses and foundations, proceeds from affiliate operated Restores, and individual donations and fundraisers.

Therefore, on average, Habitat leverages federal funding at a ratio of 4:1. For every dollar Habitat receives in funding, it is quadrupled in value to Habitat Homeowners.

Because these federal funds are grants or direct loans, we can expect appropriations 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 8:1. With access to more state 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.

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 by building generational wealth. It allows our residents to not just survive, but thrive. Data highlights that homeownership contributes to better health, safety and long-term family stability. Homeownership also provides opportunities to build equity, leverage educational investments, and encourages community and civic participation.

Our organization supports the need for a continuum of housing across all income levels with opportunities for all families to thrive. Devoting resources to this fund will also help the Rental Housing Revolving Fund go further, by freeing up units as renters become homeowners. When you create affordable homeownership opportunities for our local people, they move ahead and free up existing rental inventory for other individuals and families experiencing or at-risk of homelessness.

Help us do our part to provide affordable housing for Hawaii's people. Please **PASS HB2020 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,



Jean Lilley
Executive Director



*Habitat for Humanity Maui
Builds strength, stability and
self-reliance through shelter.*

BC License #32403

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www.habitat-maui.org

February 23, 2022

February 23, 2022
House Committee on Finance
Thursday, February 24, 2022
Videoconference, 12:30p.m.

HB2020 HD1 – STRONG SUPPORT

Aloha Committee Chair Luke, Vice-Chair Yamashita and Members;

I am submitting testimony in my capacity as Family Services Director of Habitat for Humanity Maui, Inc. (HHM). We are an affiliate of Habitat for Humanity International servicing all islands of Maui County. Our organization **STRONGLY SUPPORTS HB2020 HD1** which appropriates an unspecified amount of general funds into the Affordable Homeownership Revolving Fund for Fiscal Year 2022-2023.

The Affordable Homeownership Revolving Fund is an opportunity to fulfill 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. The fund provides loans for for-sale housing units for development, pre-development, construction, acquisition, preservation, and substantial rehabilitation. Uses of funds may include planning, design, land acquisition, agreements of sale and down payments, and equity financing as matching funds for Community Development Financial Institutions (CDFI).

HB2020 HD1 recognizes the need to expand housing solutions to meet the needs of our communities across the state by providing access to capital to develop affordable for-sale housing.

We recommend an appropriation of \$5,000,000 into the fund so that non-profit affordable housing developers such as Habitat for Humanity affiliates like ours and their CDFI counterparts such as Hawaii Habitat for Humanity, will be able to increase their capacity to provide affordable homeownership for low and very low-income families.

HHM and other Hawaii affiliates provide homeownership opportunities in partnership with very low to 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. Revolving dollars provided by the Affordable Homeownership Revolving Fund, and loaned out to developers at low interest rates, allows for Habitat affiliates in Hawaii to keep mortgages low for our community.

On average, we are able to provide mortgages at \$250,000 for 3-bedroom homes appraised at \$700,000 to our local low to very-low-income families. We're providing direct investments to our local low-income families by helping these families' dollars go almost three times as far. Currently we are able to achieve this with the use of our self-help model and leveraging federal funding. Federal funds have been matched at an average ratio of 2:1 through the hard work of our affiliates. Matching funds are obtained through grants and loans from private businesses and foundations, proceeds from affiliate operated Restores, and individual donations and fundraisers.

Therefore, on average, Habitat leverages federal funding at a ratio of 4:1. For every dollar Habitat receives in funding, it is quadrupled in value to Habitat Homeowners.

Because these federal funds are grants or direct loans, we can expect appropriations 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 8:1. With access to more state 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.

HHM 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 by building generational wealth. It allows our residents to not just survive, but thrive. Data highlights that homeownership contributes to better health, safety and long-term family stability. Homeownership also provides opportunities to build equity, leverage educational investments, and encourages community and civic participation.

Our organization supports the need for a continuum of housing across all income levels with opportunities for all families to thrive. Devoting resources to this fund will also help the Rental Housing Revolving Fund go further, by freeing up units as renters become homeowners. When you create affordable homeownership opportunities for our local people, they move ahead and free up existing rental inventory for other individuals and families experiencing or at-risk of homelessness.

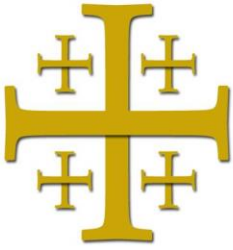
Help us do our part to provide affordable housing for Hawaii's people. Please **PASS HB2020 HD1**, so that we can increase our work across Hawaii and give our hard-working low-income families a chance at the benefits of homeownership.

Mahalo for your time, leadership and consideration. Please contact me directly at 808.242.1140 or matt@habtitat-maui.org should you have any questions or need additional information.

Respectfully,



Matt Bachman
Family Services Director
Habitat for Humanity Maui, Inc.



ST. MICHAEL THE ARCHANGEL CHURCH

75-5769 Ali'i Drive • Kailua-Kona, Hawaii 96740
PH: (808) 326-7771 • Email: stmichaelarchangel@rcchawaii.org
Website: stmichaelparishkona.org

February 22, 2022

House Committee on Finance
Thursday, February 24, 2022

HB2020 HD1 – STRONG SUPPORT

Aloha Committee Chair Luke, Vice-Chair Yamashita and Members.

I am submitting testimony in my capacity as Pastoral Council Chair of St. Michael the Archangel Church in Kailua Kona. St. Michael's **STRONGLY SUPPORTS HB2020 HD1** which appropriates an unspecified amount of general funds into the Affordable Homeownership Revolving Fund for Fiscal Year 2022-2023.

The Affordable Homeownership Revolving Fund is an opportunity to address 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. The fund provides loans for for-sale housing units for development, pre-development, construction, acquisition, preservation, and substantial rehabilitation. Uses of funds may include planning, design, land acquisition, agreements of sale and down payments, and equity financing as matching funds for CDFIs.

HB2020 HD1 recognizes the need to expand housing solutions to meet the needs of our communities across the state by providing access to capital to develop affordable for-sale housing. Revolving dollars appropriated into the fund, and loaned out to developers at low interest rates, allows for increased affordable homeownership opportunities for our community.

We need to leverage all available resources to help families in Hawaii work towards building their capacity to not only survive but thrive. St. Michael's supports any measure that assists families secure stable housing and are recognize the need for a continuum of housing across all income levels. Housing stability, and in particular homeownership, contributes to better health, safety, and long-term family stability. It has been linked to better physical and mental health, academic achievement, and increased wage earnings. Homeownership additionally provides opportunities to build equity, leverage educational investments, and encourages community and civic participation. For many families, it's a pathway out of poverty.

Devoting resources to this fund will also help the Rental Housing Revolving Fund go further, by freeing up units as renters become homeowners. When you create affordable homeownership opportunities for our local people, they move ahead and free up existing rental inventory for other individuals and families experiencing or at-risk of homelessness. It also gives our young people the opportunity to stay here in Hawaii. We need our next generation here not on the mainland.

Please **PASS HB2020 HD1**, so that we can give our hard-working low-income families a chance at the benefits of homeownership.

Mahalo for your efforts to find ways to support our ohana.

Shirley David,

Pastoral Council Chair
St. Michael the Archangel Church

ONE CATHOLIC OHANA

HB-2020-HD-1

Submitted on: 2/23/2022 12:41:07 PM

Testimony for FIN on 2/24/2022 12:30:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Patrick F. Hurney	Habitat for Humanity Hawaii Island, Inc.	Support	No

Comments:

February 23, 2022

House Committee on Finance

Thursday, February 24, 2022

HB2020 HD1 – STRONG SUPPORT

Aloha Committee Chair Luke, Vice-Chair Yamashita and Members;

I am submitting testimony in my capacity as Executive Director of Habitat for Humanity Hawaii Island. Our organization **STRONGLY SUPPORTS HB2020 HD1** which appropriates an unspecified amount of general funds into the Affordable Homeownership Revolving Fund for Fiscal Year 2022-2023.

HB2020 HD1 recognizes the need to expand housing solutions to meet the needs of our communities across the state by providing access to capital to develop affordable for-sale housing.

We recommend an appropriation of \$5,000,000 into the fund so that non-profit affordable housing developers such as Habitat for Humanity affiliates and their CDFI counterparts such as Hawaii Habitat for Humanity, will be able to increase their capacity to provide affordable homeownership for low and very low-income families.

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 by building generational wealth. It allows our residents to not just survive, but thrive. Data highlights that homeownership contributes to better health, safety, and long-term family stability. Homeownership also provides opportunities to build equity, leverage educational investments, and encourages community and civic participation.

Mahalo for your time, leadership, and consideration. Please contact me directly at 808.937.7443 or pat@[habitathawaiiisland.org](mailto:pat@habitathawaiiisland.org) should you have any questions or need additional information.

Mahalo,

Patrick F. Hurney

Executive Director



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

SUPPORTING HB2020 HD1 – RELATING TO HOUSING

Conference Room 308 Via Videoconference

Thurs, February 24th, 2022 at 12:30PM

Aloha Chair Sylvia Luke, Vice Chair Kyle Yamashita, and members of the finance committee,

Thank you for the opportunity to stand **in strong support of HB2020 HD1**.

We appreciate the appropriation of funds to assist our community members in need of affordable housing and home ownership opportunities. The Affordable Homeownership Revolving Fund is an opportunity for the state to provide loans for for-sale housing opportunities that target low to moderate income families such as land trust models or sweat equity models.

Expanding access to affordable homeownership opportunities has been a goal of the State of Hawaii since statehood and this fund helps to achieve that purpose.

We recommend an appropriation of \$5M as was proposed in initially proposed for the homeownership fund for fiscal year 2022-2023.

Hawaii Appleseed supports all efforts to increase access to housing for our lower and middle income families and providing this fund with a modest amount of resources is an important step in the right direction.

Mahalo for the opportunity to testify.



HAWAII ISLAND HOUSING COALITION
A Stream of Vibrant Hawai'i



February 24, 2022
House Committee on Finance
Thursday, February 24, 2022
Videoconference, 12:30p.m.

HB2020 HD1 – STRONG SUPPORT

Aloha Committee Chair Luke, Vice-Chair Yamashita and Members;

I am submitting testimony in my capacity as co-Chair of the Hawai'i Island Housing Coalition. The Hawai'i Island Housing Coalition **STRONGLY SUPPORTS HB2020 HD1** which appropriates an unspecified amount of general funds into the Affordable Homeownership Revolving Fund for Fiscal Year 2022-2023.

The Affordable Homeownership Revolving Fund is an opportunity to fulfill 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. The fund provides loans for for-sale housing units for development, pre-development, construction, acquisition, preservation, and substantial rehabilitation. Uses of funds may include planning, design, land acquisition, agreements of sale and down payments, and equity financing as matching funds for CDFIs.

HB2020 HD1 recognizes the need to expand housing solutions to meet the needs of our communities across the state by providing access to capital to develop affordable for-sale housing.

We recommend an appropriation of \$5,000,000 into the fund so that non-profit affordable housing developers will be able to increase their capacity to provide affordable homeownership for low and very low-income families. Revolving dollars appropriated into the fund, and loaned out to developers at low interest rates, allows for increased affordable homeownership opportunities for our community.

We need to leverage all available resources to help families in Hawaii work towards building their capacity to not only survive, but thrive. The Hawai'i Island Housing Coalition supports any measure that assists families secure stable housing and are recognize the need for a continuum of housing across all income levels. Housing stability, and in particular homeownership, contributes to better health, safety and long-term family stability. It has been linked to better physical and mental health, academic achievement, and increased wage earnings. Homeownership additionally provides opportunities to build equity, leverage educational investments, and encourages community and civic participation. For many families, it's a pathway out of poverty.

Devoting resources to this fund will also help the Rental Housing Revolving Fund go further, by freeing up units as renters become homeowners. When you create affordable homeownership opportunities for our local people, they move ahead and free up existing rental inventory for other individuals and families experiencing or at-risk of homelessness.

Help us do our part to provide affordable housing for Hawaii's people. Please **PASS HB2020 HD1**, so that we can give our hard-working low-income families a chance at the benefits of homeownership.

Mahalo for your time, leadership and consideration.

Darryl Oliveira

Hawai'i Island Housing Coalition co-Chair

HB-2020-HD-1

Submitted on: 2/23/2022 9:46:42 PM

Testimony for FIN on 2/24/2022 12:30:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Arjuna	Individual	Support	No

Comments:

The Affordable Homeownership Revolving Fund is an opportunity to fulfill 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. The fund provides loans for for-sale housing units for development, pre-development, construction, acquisition, preservation, and substantial rehabilitation. Uses of funds may include planning, design, land acquisition, agreements of sale and down payments, and equity financing as matching funds for CDFIs.

We need to leverage all available resources to help families in Hawaii work towards building their capacity to not only survive, but thrive.