

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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IN REPLY REFER TO:

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

**HOUSE COMMITTEE ON HOUSING**

February 3, 2022 at 1:00 p.m.  
State Capitol, Room 225

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

HHFDC **strongly supports** H.B. 2020, which appropriates \$5 million of general funds to fund 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 housing projects 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

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
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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 HOUSING  
ON  
HOUSE BILL NO. 2020

**February 8, 2022**  
**9:30 a.m.**  
**Room 423 and Videoconference**

RELATING TO HOUSING

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

House Bill No. 2020 appropriates \$5,000,000 in 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.



**LATE**

*Building strength and stability through shelter*

February 7, 2022  
House Committee on Housing  
Tuesday, February 8, 2022  
Videoconference, 9:30a.m.

## **HB2020– STRONG SUPPORT**

Aloha Committee Chair Nakamura, Vice-Chair Hashimoto 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 and Affiliate Support Organization for the direct service Habitat for Humanity organizations across the state. Our organization **STRONGLY SUPPORTS HB2020** which appropriates \$5,000,000 in 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 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.**

With increased appropriations, 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. Hawaii Habitat Community Development Financial Institution provides additional 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 generation 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**, 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](mailto:jean@hawaiihabitat.org) should you have any questions or need additional information.

Sincerely,



Jean Lilley  
Executive Director