



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

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 2513, H.D. 1, RELATING TO THE RENTAL HOUSING REVOLVING FUND.

**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

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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 to be deposited into the rental housing revolving fund established under section 201H-202, Hawaii Revised Statutes, to be used for housing projects and units targeted to families with incomes between sixty-one and one hundred percent of the area median family income and enable the Hawai'i Housing Finance and Development Corporation to use any unused funds for other authorized rental housing projects.

Although the bill, in section 2, on page 2, line 14, through page 3, line 3, makes a general fund appropriation into the rental housing 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 3, line 4, of the bill:

There is appropriated out of the rental housing revolving fund the sum of \$ \_\_\_\_\_ or so much thereof as may be necessary for 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. 2513 HD1**  
**RELATING TO RENTAL HOUSING REVOLVING FUND.**

HHFDC is in **strong support** of H.B. 2513 HD1, which infuses \$150 million into the rental housing revolving fund to support the development of mixed-income rental projects between 61% to 100% of the area median income for moderate income households.

This infusion will help address a serious issue the state is facing with outmigration of our workforce, young professionals, and our tax base.

Thank you for the opportunity to testify on this bill.

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. 2513, H.D. 1

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

**RELATING TO THE RENTAL HOUSING REVOLVING FUND**

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

House Bill (H.B.) No. 2513, H.D. 1, appropriates \$150,000,000 in general funds for FY 23 to be deposited into the Hawai'i Housing Finance and Development Corporation's (HHFDC) Rental Housing Revolving Fund (RHRF) to be used to provide loans or grants to mixed-income rental projects or units for persons and families with incomes between 61% and 100% of the median family income; and enables HHFDC to use any unused funds as of June 30, 2023, for other authorized rental housing projects.

B&F defers to HHFDC regarding the implementation and administration of the proposed general fund infusion but has concerns with the lapsing language in the bill. Section 2 of H.B. No. 2513, H.D. 1, provides that all moneys from the appropriation that are unencumbered as of June 30, 2024, shall lapse on that date. B&F is unclear as to the effectiveness of this lapsing provision since the measure deposits the entire \$150,000,000 appropriation into the RHRF, thereby expending the entire balance of this specific appropriation and combining the funds from this appropriation with the existing

balance of RHRF monies from other sources. As a revolving fund, funds already deposited into the RHRF do not lapse to the credit of the originating appropriation source but, rather, carry forward into subsequent fiscal years for HHFDC to expend for authorized uses of the fund.

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 American Rescue Plan (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.



## CATHOLIC CHARITIES HAWAII

### COMMENTS on HB 2513 HD1: RELATING TO THE RENTAL HOUSING REVOLVING FUND

TO: House Committee on Finance  
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i  
Hearing: Thursday, 2/24/22; 12:30 PM; via videoconference

Chair Luke, Vice Chair Yamashita, and Members, Committee on Finance:

Thank you for the opportunity to provide **Comments on HB 2513 HD1**, which deposits funds (\$150 million) into the Rental Housing Revolving Fund be used to provide loans or grants to mixed-income rental projects for persons and families with incomes between 61% to 100% of the median family income. I am Rob Van Tassell, with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

Catholic Charities Hawai'i serves many elderly and family households that are in desperate need of an affordable rental unit. Struggling households up to the 60% AMI level are now the priority for funding for tax credit projects with the Rental Housing Revolving Fund. These are the working families of Hawaii. These are many of the ALICE population that struggle to pay rent, food and other expenses. These are also the fast growing elderly population living on fixed incomes. The Rental Housing Revolving Fund addresses these needs but each year there is insufficient funding. The State is falling behind in housing these households. Indeed, last year the Hawai'i Housing Finance and Development Corporation received funding requests to finance almost 2,700 units, but were only able to make awards up to \$151 million for 750 units.

**We support \$150 million to the RHRF if you target this funding to address workforce housing for 61%-80% AMI families, along with those at 60% AMI or below.** The federal rules for Low Income Housing Tax Credit (LIHTC) projects have been changed to allow income averaging in these projects. Now, the housing needs of households up to 80% AMI can also be addressed. This is a win-win solution that Hawai'i should focus upon. It would provide units to this higher income population which is also struggling, and also create more units for low-income households. The average of the incomes in these projects would be 60% AMI, thus meeting tax credit requirements. Hawaii's residents would benefit from the diversity of incomes now allowed in these LIHTC projects.

We understand that housing studies show need at all levels of income. These new rules allow a new focus to include workforce rentals for struggling families with incomes up to 80% AMI. We urge you to work with the HHFDC to implement this new option. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or [alohabettylou@hotmail.com](mailto:alohabettylou@hotmail.com) if you have any questions.





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**The State Legislature**  
**The House Committee on Finance**  
**Thursday, February 24, 2022**  
**12:30 p.m.**

TO: The Honorable Sylvia Luke Chair

RE: Support for H.B 2513 H.D.1 , Relating to Rental Housing Revolving Fund

Aloha Chair Luke and Members of the Committee:

My name is Keali'i Lopez and I am the State Director for AARP Hawai'i. AARP is a membership organization of people age fifty and over, with over 140,000 members in Hawai'i. **AARP supports H.B. 2513 H.D.1** which requires some funds in the rental housing revolving fund be used to provide loans and grants to mixed-income rental projects or units for persons and families with incomes between sixty-one and one hundred percent of median family income.

This is an important bill as it sets aside money for housing projects, which are sometime neglected due to policies being concentrated for very low or extremely low-income housing. The bill targets housing projects and units to families with incomes between 60-100% area median income, which means for a family of four that are low to moderate income household. Therefore, this creates a balanced approach.

There is almost no housing being built in the 60-80 percent AMI price range. That's because the pricing is above what that current Hawai'i Low-Income Housing Tax Credit (LIHTC) Program will fund, but below what private market developers are required to provide. (The LIHTC Program is a financing tool for private developers and non-profit entities to construct or rehabilitate affordable rental units.) The household income range for this "missing middle" category is \$81,900 to \$109,200.

According to the National Low Income Housing Coalition, in Hawaii 63% of the low income renter households are cost burdened, with 20% of the low income renter households are severely cost burdened. Furthermore, 45% of the middle-income renter households are cost burdened and 11% of the middle income renter households are severely cost burdened. Renter households spending more than 30% of their income on housing costs and utilities are cost burdened and those spending more than 50% of their income are severely cost burdened.

The Hawaii Housing Finance and Development Corp., state agency charged with developing and financing low- and moderate-income housing, finds that Hawai'i will need about 50,000 more housing units between 2020 and 2025. Hawaii has the 2nd highest rent in the country out of 56 states and territories. The Fair Market Rent in Hawaii ranges from \$1,469 for a 2-bedroom apartment in Hawaii County, HI to \$2,073 for a 2-bedroom unit

in urban Honolulu. This bill is a good step forward in addressing the housing needs of low-moderate income families.

Thank you very much for the opportunity to **support H.B. 2513 H.D.1.**

Sincerely,

A handwritten signature in black ink, reading "Keali'i Lopez". The signature is written in a cursive style with a large, stylized initial "K".

Keali'i Lopez, State Director



HIGHRIDGE COSTA DEVELOPMENT COMPANY

February 23, 2022

House of Representatives  
The Thirty-First Legislature  
Regular Session of 2022

Bill: House Bill 2513  
Committee: Committee on Finance  
Date of Hearing: February 24, 2022

Dear Chair Luke:

I am writing to **SUPPORT** and provide **COMMENTS** to **HB 2513**.

My name is Moe Mohanna and I am President of Highridge Costa Development Company ("HCDC"). HCDC is a national affordable housing developer and for the past decade we have been establishing roots in Hawaii. In Hawaii, we have just under 1,300 affordable rental units either in development, under construction or in operation in various communities on Oahu and Maui, including downtown Honolulu, Kapolei, Waipahu and Kihei. Over my career, I have worked closely with various state and local agencies in utilizing financing programs (tax credits, bonds, grants, etc.) and land use exemption programs that are needed to bring low- and moderate-income housing to communities.

HCDC supports the State's goal to incentivize the development of more workforce housing for Hawaii's individuals and families. However, we think that HB 2513 should be re-worded so that RHRF funding is available for projects serving families and individuals earning between **60%-100% AMI**, instead of 61%-100% AMI, **but excluding** projects that receive funding from state ceiling cap bonds and/or federal and state low-income housing tax credits (i.e., "Traditional Affordable Housing Financing Sources"). This nuance is important because we believe that there are market capital sources, other than Traditional Affordable Housing Financing Sources, which may be available to build workforce housing rental projects, but which may require that some portion of the project serve individuals or families earning 60% AMI or below (i.e., "Other Market Capital Sources").

By opening up the use of these funds to projects serving families earning 60% AMI (without compromising the ability of the State to exclude low-income housing rental projects already being financed with Traditional Affordable Housing Financing Sources), developers will be able to more efficiently utilize a new source of financing that will ultimately make workforce housing more feasible.

Thank you for your time.

Sincerely,  
*Moe Mohanna*  
Moe Mohanna  
President  
Highridge Costa Development Company