

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 HOUSING

March 15, 2022 at 1:00 p.m.
State Capitol, Room 225

In consideration of
H.B. 2513 HD2
RELATING TO RENTAL HOUSING REVOLVING FUND.

HHFDC is in **strong support** of H.B. 2513 HD2, which appropriates general funds into the Rental Housing Revolving Fund (RHRF) to support the development of mixed-income rental projects targeted to families with incomes between 61% to 100% of the area median income (AMI), which is for moderate income households.

RHRF provides loans to fill financing gaps to enable the development, preservation, or rehabilitation of affordable rental housing projects. Historically, development of affordable rentals for workforce housing has not been feasible due to financing challenges. This is because the low-income housing tax credit (LIHTC) program, which is by far the largest progenitor of affordable housing in the United States, is geared towards projects serving households up to earning up to 60% of the AMI. LIHTC projects typically require RHRF funding to be financially feasible and therefore have historically used all available gap financing offered by the State.

This bill will incentivize developers to build new workforce rental housing, thereby slowing the outmigration of our workforce, young professionals, and our tax base.

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
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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. 2513, H.D. 2

March 15, 2022
1:00 p.m.
Room 225 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. 2, appropriates an unspecified amount of 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 3 of H.B. No. 2513, H.D. 2, 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 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 HD2: RELATING TO THE RENTAL HOUSING REVOLVING FUND

TO: Senate Committee on Housing
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i
Hearing: Tuesday, 3/15/22; 1:00 PM; via videoconference

Chair Chang, Vice Chair Kanuha, and Members, Committee on Housing:

Thank you for the opportunity to provide **Comments on HB 2513 HD2**, which deposits funds into the Rental Housing Revolving Fund be used to provide loans or grants to mixed-income rental projects or units 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 of 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. Elders up to 80% AMI would also benefit since they often are challenged to find stable housing. 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 ALICE 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 and stable housing now allowed for LIHTC projects.

While there is housing need at all levels of income, the greatest needs are of households at 80% AMI and below. 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 if you have any questions.



HB 2513 HD 2 TESTIMONY

To: Senate Committee on Housing
Hearing on March 15, 2022 at 1:00 p.m.

From: John Kawamoto

Position: Support

Housing prices have relentlessly increased for decades, while wages have stagnated. As a result, housing has become less and less affordable for more and more people. Today, Hawaii faces a shortage of 50,000 housing units. Housing for residents that is affordable to them should be the State's highest priority.

Much must be done because the need is so great. This bill addresses one segment of the population that is in need of affordable housing by appropriating funds to subsidize rental housing projects for families whose income is 61% to 100% of the AMI. It won't build nearly enough housing for that segment of the population, but it is part of the solution.

Benjamin Duke

Kailua-Kona

March 14, 2022

Re: HB2513 HD2

Committee on Housing

Senator Stanley Chang, Chair

Senator Dru Mamo Kanuha, Vice Chair

Aloha Chair Chang, Vice Chair Kanuha, and Members of the Committee,

I would like to express my support for HB2513 HD2

Families continue to struggle financially because of the pandemic and inflation. Housing continues to be the biggest expense for most families in the state and the recent spike in housing costs has only made things worse. In conversations with friends and colleagues, finding affordable housing continues to be the biggest challenge in living in Hawaii.

Families deserve some help, and HB2513 HD2 would make a huge difference for families. This legislation could enable families to stay in the state as opposed to moving to the mainland where housing costs are cheaper.

Mahalo,

Benjamin Duke

HIGHRIDGE COSTA DEVELOPMENT COMPANY

March 14, 2022

Hawaii Senate
The Thirty-First Legislature
Regular Session of 2022

Bill: House Bill 2513, HD2
Committee: Committee on Housing
Date of Hearing: March 15, 2022

Dear Chair Luke:

I am writing to **SUPPORT** and provide **COMMENTS** to **HB 2513, HD2**.

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 strongly supports the State's goal to incentivize the development of more workforce housing for Hawaii's individuals and families. In fact, we urge the Legislature to make this commitment to workforce housing development more lasting. The current appropriation would be just for the 2022-23 fiscal year and as written, the moneys would lapse if not encumbered by June 30, 2024. This may not be enough time for developers to develop projects that could fit this funding program. We would encourage the Legislature to commit to funding workforce housing development projects for at least 3-5 years, and/or include an appropriate "gestation" period to provide developers with the time to put together these workforce housing rental projects.

Thank you for your time.

Sincerely,

Moe Mohanna

Moe Mohanna

President

Highridge Costa Development Company