

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
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IN REPLY REFER TO:

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

SENATE COMMITTEE ON HOUSING

January 28, 2021 at 1.00 p.m.
State Capitol, Room 225

In consideration of
S.B. 143
RELATING TO HOUSING.

The HHFDC ***offers the following comments on*** S.B. 143 which establishes an Affordable Homeownership Revolving Fund to provide loans to nonprofit community development financial institutions and nonprofit housing development organizations for the development, pre-development, construction, acquisition, preservation, and substantial rehabilitation of affordable for-sale housing units.

Providing an affordable financing source for higher risk pre-development and acquisition activities could facilitate the development of affordable for-sale housing by nonprofit developers. We are concerned, however, that the proposed new Affordable Homeownership Revolving Fund does not meet the criteria of a revolving fund as set forth in §37-62, HRS because expenditures out of the fund will not be replenished and it may not be self-supporting. It may be more appropriate to establish a different funding mechanism to support the activities of community development financial institutions and nonprofit housing development organizations, be it a special fund established for this purpose, or through the Chapter 42F Grant-in-Aid process.

Furthermore, the HHFDC does not have the capacity or resource to administer a new program at this time. Additional staffing and associated funding will be required: 1.0 FTE Program Manager position and 1.0 FTE Office Assistant III position, and approximately \$200,000 per year in salary and fringe benefits. Due to the difficult fiscal circumstances we currently face, and the hiring freeze State agencies are currently under HHFDC cannot support administering a new program at this time.

Thank you for the opportunity to testify.



Building strength and stability through shelter

January 26, 2021
Senate Committee on Housing
Thursday, January 28, 2021
Conference Room 225, 1:00 p.m.

SB143– STRONG SUPPORT

Aloha Committee Chair Chang, Vice-Chair Kanuha and Members;

I am submitting testimony in my capacity as Executive Director of Hawaii Habitat for Humanity Association (HHFHA), a nonprofit community development financial institution and State Support Organization for the direct service Habitat for Humanity organizations across the state to **STRONGLY SUPPORT SB143.**

SB143 recognizes the need for expanding 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. **SB143 would create a revolving loan fund**, with funds being directed to the Hawaii Housing Finance and Development Corporation, who would then loan to non-profit organizations across the Hawaiian Islands. This fund would provide short-term loans to nonprofit developers - including self-help housing developers - that would be paid back into the fund upon closing mortgages on the homes. With this funding source, self-help housing developers, such as Habitat for Humanity, are able to provide affordable homeownership for low and very low-income families.

According to the 2015 Hawaii Housing Demand Study, from the Department of Business, Economic Development, and Tourism, the projected long-run estimate of demand for total new housing (for either rental or ownership) in Hawaii is between 64,700 to 66,000 for the 2015 to 2025 period. Approximately 74% of these units need to be affordable for households earning \$75,000 annually or less.

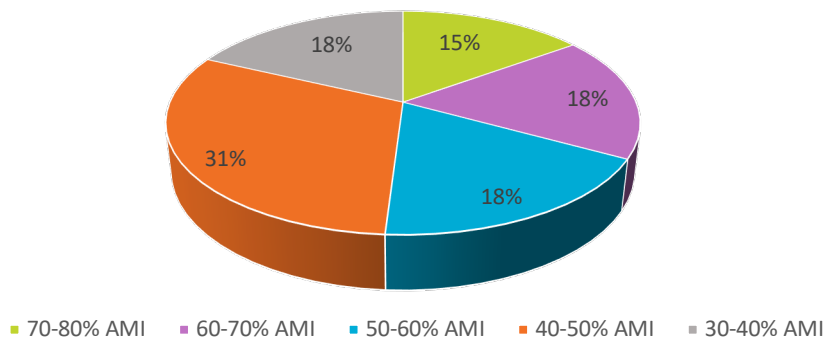
During the regular session of 2016, the legislature passed a bill that established a goal of developing or vesting the development of at least 22,500 affordable rental housing units ready for occupancy by the end of 2026. Increasing the supply of affordable homes is a cornerstone of the solution to our state’s housing needs, *but rental housing alone will not get us there.* **Homeownership is a critical part of the housing continuum.** When you create affordable homeownership opportunities for our local people, they move ahead and free up existing inventory for other individuals and families experiencing or at-risk of homelessness.

According to the Honolulu Board of Realtors, by November 2020 the median price for a single-family home **on Oahu rose to \$872,500.** With a simple mortgage calculator and using conservative assumptions on interest rates and down payment amounts, **a household needs to**

earn almost \$170,000 annually to afford to buy a median-priced home on Oahu in 2020. Data from more than 3000 households receiving services through local nonprofit, Hawaiian Community Assets, tells us our average household does not own land, has less than \$1000 saved, and can afford a \$185,000 mortgage. We need to expand our housing strategy and make affordable homes available for our local people – to rent AND own.

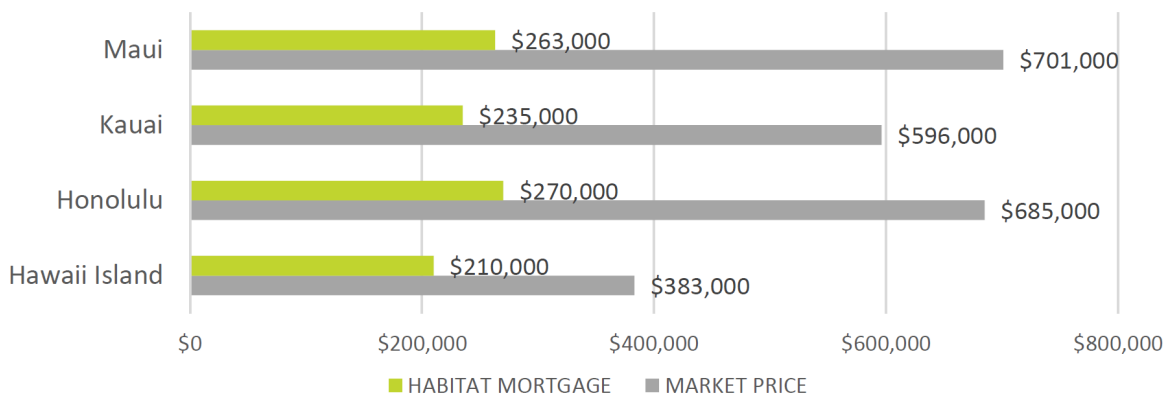
Habitat for Humanity provides homeownership opportunities in partnership with low-income families earning between \$35,000 and \$75,000 per year. Around 50% of the families we work with make at or below 50% AMI. Traditional financing is not possible for the hardworking families with whom we partner.

HABITAT HOUSEHOLD INCOME (as % of AMI)



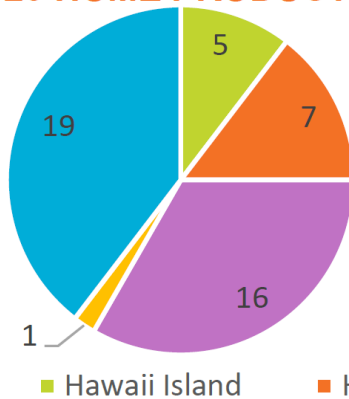
Hawaii Habitat Community Development Financial Institution funds and structure will provide an additional assurance that the funding through this program will be used as directed and effectively. According to Opportunity Finance Network, CDFIs leverage federal funding for affordable housing and community development activities at a ratio of eight to one. With additional and revolving 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.

AVERAGE MORTGAGE FOR A 3 BEDROOM HOME

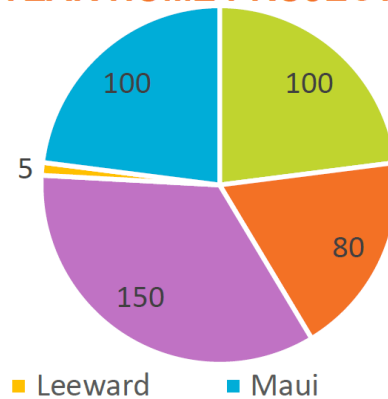


Habitat for Humanity is currently building up to 50 single family homes a year across the state, with plans to not only increase production on single family homes, but also provide more multi-family ownership units as the opportunities arise. With access to affordable funding, Habitat alone will have the opportunity to increase their capacity in providing homeownership in partnership with a minimum of 87 families a year in the next five years.

2020 HOME PRODUCTION

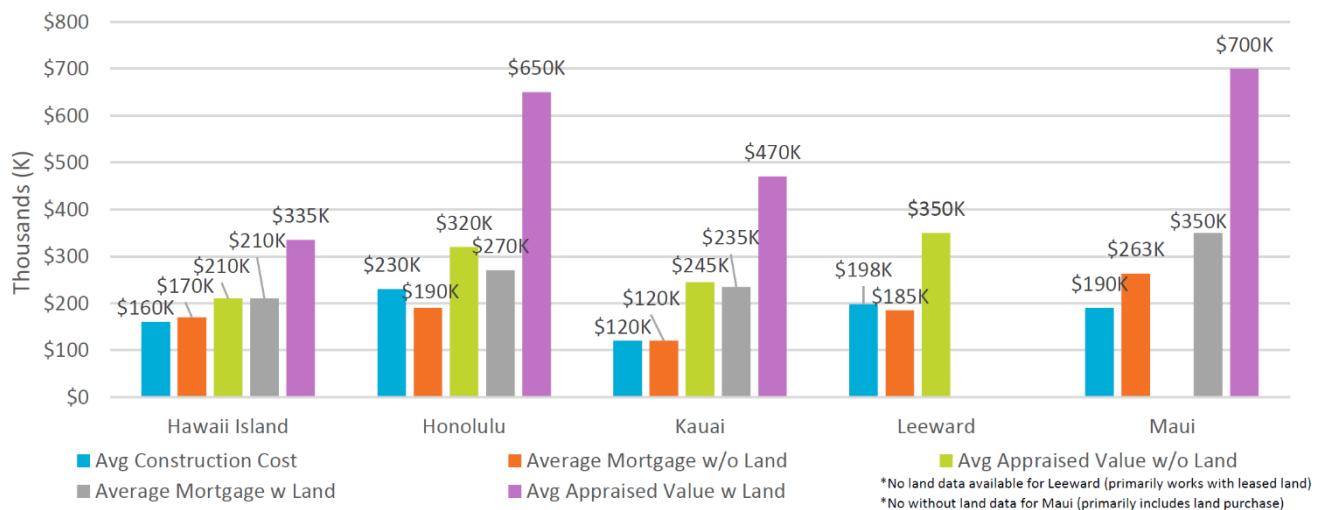


5 YEAR HOME PROJECTION



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. As demonstrated below in the value increase between mortgages against appraisal values, homeownership is a means to long term wealth generation for low-income families.

CONSTRUCTION V MORTGAGE V APPRAISAL OF HABITAT HOME



Homeownership allows for better health, provides safety, leads to stable neighborhoods and thriving families and leverages educational investment. Homeowners have a higher sense of community and greater willingness to fix neighborhood challenges. For this reason, homeowners are more likely to get involved in community organizations and be civically engaged. Residential

stability leads the way for more community investment. Habitat Homeowners currently pay over \$500,000 in property taxes each year, giving back to local and state government from their investment. In fact, over the course of the 20-year Habitat mortgage, current Habitat Homeowners will pay over **\$10,000,000** in property taxes.

Help us do our part to provide affordable homeownership for Hawaii's people. Please **PASS SB143**, 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,

A handwritten signature in blue ink, appearing to read "Jean Lilley".

Jean Lilley
Executive Director



Support SB 143

Aloha Senate Housing Committee,

Faith Action HousingNOW! supports SB 143, which creates a new source of funding to develop home ownership opportunities for low-income families by establishing the Affordable Homeownership Revolving Fund. This fund will provide funds for the development of affordable for-sale housing projects by nonprofit community development financial institutions and nonprofit housing development organizations.

Homeownership creates the stability needed to build strong families and communities. Yet homeownership has declined for 50 years in Hawaii, which now has the third lowest homeownership rate of all states. Furthermore, Hawaii faces a severe shortage of housing. The Department of Business and Economic Development projects that Hawaii will need 34,000 housing units by 2025.

The self-help housing model has proven to be effective in assisting low-income families become homeowners. Self-help housing organizations access federal funds and receive contributions from private corporations and individuals. However, another source of funding would make housing more attainable.

The Affordable Homeownership Revolving Fund would assist organizations such as Hawaii Habitat for Humanity, which has been making homeownership possible for low-income families for decades. Its model is to use the "sweat equity" of those who want to become homeowners and to teach them them financial strategies that enables them to become homeowners.

The Affordable Homeownership Revolving Fund will enable more low-income families in Hawaii to become homeowners.

For the foregoing reasons, HousingNOW! supports SB 143.

Mahalo for your consideration to pass this bill,

Foo Pham
Faith Action
HousingNOW! Chair
housing@faithactionhawaii.org

SB-143

Submitted on: 1/27/2021 10:33:38 AM

Testimony for HOU on 1/28/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Patrick F. Hurney	Testifying for Habitat for Humanity Hawaii Island, Inc.	Support	No

Comments:

January 26, 2021

Senate Committee on Housing

Thursday, January 28, 2021

Conference Room 225, 1:00 p.m.

SB143– STRONG SUPPORT

Aloha Committee Chair Chang, Vice-Chair Kanuha and Members;

I am submitting testimony in my capacity as Executive Director of Habitat for Humanity

Hawaii Island to **STRONGLY SUPPORT SB143.**

SB143 recognizes the need for expanding the housing needs of our communities across the state to include the development of affordable, permanent homeownership units for Hawaii’s low- and moderate-income households. SB143 would create a revolving loan fund, with funds being directed to the Hawaii Housing Finance and Development Corporation, which would then loan to non-profit organizations across the Hawaiian Islands. This fund would provide short-term loans to nonprofit developers -

including self-help housing developers - that would be paid back into the fund upon closing mortgages on the homes.

According to the 2015 Hawaii Housing Demand Study, from the Department of Business, Economic Development, and Tourism, the projected long-run estimate of demand for total new housing (for either rental or ownership) in Hawaii is between 64,700 to 66,000 for the 2015 to 2025 period. Approximately 74% of these units need to be affordable for households earning \$75,000 annually or less.

Please **PASS SB143**, 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 808.937-7443 or pat@habitathawaiiisland.org should you have any questions or need additional information.

Sincerely,

Patrick F. Hurney

Executive Director

HFH Hawaii Island

SB-143

Submitted on: 1/27/2021 9:29:52 AM

Testimony for HOU on 1/28/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kevin Carney	Testifying for EAH Housing	Support	No

Comments:

EAH is in strong support of creating a fund to help nonprofits, such as CDFIs and housing development organizations to enable the production of more homeownership housing for those most in need.

Sincerely,

Kevin R. Carney (PB)

Vice President, Hawaii

EAH Housing

January 27, 2021
Senate Committee on Housing
Thursday, January 28, 2021 Conference
Room 225, 1:00 p.m.

SB143– STRONG SUPPORT

Aloha Committee Chair Chang, Vice-Chair Kanuha and Members;

I am submitting testimony in my capacity as
St. Michael the Archangel Parish, Kailua Kona Legislative Advocacy Ministry Leader to
STRONGLY SUPPORT SB143.

SB143 recognizes the need for expanding 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. SB143 would create a revolving loan fund, with funds being directed to the Hawaii Housing Finance and Development Corporation, who would then loan to non-profit organizations across the Hawaiian Islands. This fund would provide short-term loans to nonprofit developers - including self-help housing developers - that would be paid back into the fund upon closing mortgages on the homes. With this funding source, self-help housing developers, such as Habitat for Humanity and Catholic Charities Hawaii Development Corporation, are able to provide affordable homeownership for low and very low-income families.

According to the 2015 Hawaii Housing Demand Study, from the Department of Business, Economic Development, and Tourism, the projected long-run estimate of demand for total new housing (for either rental or ownership) in Hawaii is between 64,700 to 66,000 for the 2015 to 2025 period. Approximately 74% of these units need to be affordable for households earning \$75,000 annually or less.

Help our non-profit low income housing providers do their part to provide affordable housing for Hawaii's people. Please **PASS SB143**, we can give our hard-working low-income families a chance at the benefits of homeownership.

Mahalo for your time, leadership and consideration!

Shirley David

Shirley David,
St. Michael the Archangel Parish
Legislative Advocacy Leader

SB-143

Submitted on: 1/27/2021 7:59:55 AM

Testimony for HOU on 1/28/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Kawamoto	Individual	Support	No

Comments:

I support SB 143, which establishes the Affordable Homeownership Revolving Fund. This fund will provide funding for the development of affordable for-sale housing projects by nonprofit community development financial institutions and nonprofit housing development organizations.

All Hawaii residents should have access to livable homes that are affordable to them because housing creates the stability needed to build strong families and communities. Yet Hawaii faces a shortage of tens of thousands of housing units.

Organizations such as Hawaii Habitat for Humanity have proven that the self-help model works. It is effective in assisting low-income families become homeowners. Self-help housing organizations use federal funds and private contributions, but another source of funding would make housing more attainable.

The Affordable Homeownership Revolving Fund will enable more low-income families in Hawaii to become homeowners.

For the foregoing reasons, I urge the committee to pass SB 143.

JAN 21 2021

A BILL FOR AN ACT

RELATING TO HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. The legislature finds that homeownership is
3 positively correlated with economic and social stability in low-
4 and moderate-income households. However, in the last fifty
5 years, the number of full-time Hawaii residents who own homes
6 has steadily declined. Currently, Hawaii has the third lowest
7 homeownership rate of any state in the nation. The department
8 of business, economic development, and tourism projects that
9 Hawaii will need approximately thirty-four thousand new housing
10 units by 2025 to address the critical shortage of housing.
11 Action is needed to increase the availability of owner-occupied
12 housing to meet demand.

13 The legislature further finds that the self-help housing
14 model is a cost-effective means of assisting low-income families
15 who would otherwise not have a homeownership opportunity. Self-
16 help housing, nonprofit developers, and community land trust
17 organizations leverage federal funds from the United States



1 Department of Housing and Urban Development and the United
2 States Department of Agriculture - Rural Development program
3 with low-income families' own contributions of labor to build
4 their own communities. However, an additional non-federal
5 matching funding source is needed.

6 The legislature further finds that nonprofit community
7 development financial institutions are intermediaries that
8 provide financing and technical assistance to assist nonprofit
9 housing organizations in the development of affordable
10 homeownership units in underserved communities. As private
11 sector organizations, community development financial
12 institutions establish and maintain revolving loan funds to
13 attract capital from the United States Department of the
14 Treasury and other public and private sources of capital in
15 order to increase the collective impact of affordable housing
16 development by nonprofit housing organizations. According to
17 Opportunity Finance Network, community development financial
18 institutions leverage federal funding for affordable housing and
19 community development activities at a ratio of eight to one.
20 Additional funding will help community development financial



1 institutions attract private and public capital for affordable
2 housing development.

3 The purpose of this Act is to establish an affordable
4 homeownership revolving fund to provide funds for the
5 development of affordable for-sale housing projects by nonprofit
6 community development financial institutions and nonprofit
7 housing development organizations to facilitate greater
8 homeownership opportunities for Hawaii residents.

9 PART II

10 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
11 amended by adding a new subpart to part III to be appropriately
12 designated and to read as follows:

13 " . Affordable Homeownership Revolving Fund

14 §201H-A Affordable homeownership revolving fund. (a)

15 There is established an affordable homeownership revolving fund
16 to be administered by the corporation for the purpose of
17 providing, in whole or in part, loans to nonprofit community
18 development financial institutions and nonprofit housing
19 development organizations for the development of affordable
20 homeownership housing projects.



1 Loans shall be awarded in the following descending order of
2 priority:

3 (1) Projects or units in projects that are funded by
4 programs of the United States Department of Housing
5 and Urban Development, United States Department of
6 Agriculture Rural Development, and United States
7 Department of the Treasury Community Development
8 Financial Institutions Fund, wherein:

9 (A) At least fifty per cent of the available units
10 are reserved for persons and families with
11 incomes at or below eighty per cent of the median
12 family income and of which at least five per cent
13 of the available units are for persons and
14 families with incomes at or below fifty per cent
15 of the median family income; and

16 (B) The remaining units are reserved for persons and
17 families with incomes at or below one hundred
18 twenty per cent of the median family income; and

19 (2) Mixed-income affordable for-sale housing projects or
20 units in a mixed-income affordable for-sale housing
21 project wherein all of the available units are



S.B. NO. 143

1 reserved for persons and families with incomes at or
2 below one hundred per cent of the median family
3 income.

4 (b) Moneys in the fund shall be used to provide loans for
5 the development, pre-development, construction, acquisition,
6 preservation, and substantial rehabilitation of affordable for-
7 sale housing units. Uses of moneys in the fund may include but
8 are not limited to planning, design, land acquisition, including
9 the costs of options, agreements of sale, and down payments;
10 equity financing as matching funds for nonprofit community
11 development financial institutions; or other housing development
12 services or activities as provided in rules adopted by the
13 corporation pursuant to chapter 91. The rules may provide that
14 money from the fund shall be leveraged with other financial
15 resources to the extent possible.

16 (c) The fund may include sums appropriated by the
17 legislature, private contributions, proceeds from repayment of
18 loans, interest, other returns, and moneys from other sources.

19 (d) An amount from the fund, to be set by the corporation
20 and authorized by the legislature, may be used for
21 administrative expenses incurred by the corporation in



S.B. NO. 143

1 administering the fund; provided that moneys in the fund shall
2 not be used to finance day-to-day administrative expenses of the
3 projects allotted moneys from the fund.

4 (e) The corporation may provide loans under this section
5 as provided in rules adopted by the corporation pursuant to
6 chapter 91.

7 (f) The corporation shall submit a report to the
8 legislature no later than twenty days prior to the convening of
9 each regular session describing the projects funded.

10 **§201H-B Additional powers.** The powers conferred upon the
11 corporation by this subpart shall be in addition and
12 supplemental to the powers conferred by any other law, and
13 nothing in this subpart shall be construed as limiting any
14 powers, rights, privileges, or immunities conferred."

15 SECTION 3. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so
17 much thereof as may be necessary for fiscal year 2021-2022 and
18 the same sum or so much thereof as may be necessary for fiscal
19 year 2022-2023 to be deposited into the affordable homeownership
20 revolving fund established under section 201H-A, Hawaii Revised
21 Statutes.



S.B. NO. 143

1 SECTION 4. There is appropriated out of the affordable
2 homeownership revolving fund established under section 201H-A,
3 Hawaii Revised Statutes, the sum of \$ or so much as
4 may be necessary for fiscal year 2021-2022 and the same sum or
5 so much thereof as may be necessary for fiscal year 2022-2023
6 for loans to nonprofit community development financial
7 institutions or nonprofit housing development organizations
8 operating programs for the development of affordable for-sale
9 housing projects.


10 The sums appropriated shall be expended by the Hawaii
11 housing finance and development corporation for the purposes of
12 this part.

13 SECTION 5. In codifying the new sections added by section
14 2 of this Act, the revisor of statutes shall substitute
15 appropriate section numbers for the letters used in designating
16 the new sections in this Act.

17 SECTION 6. This Act shall take effect on July 1, 2021.

18

INTRODUCED BY:



S.B. NO. 143

Report Title:

Housing; Affordable Homeownership Revolving Fund; Appropriation

Description:

Establishes an affordable homeownership revolving fund within HHFDC to provide loans to nonprofit community development financial institutions and nonprofit housing development organizations for the development of affordable homeownership housing projects. Makes appropriations into and out of the affordable homeownership revolving fund.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



SB-143

Submitted on: 1/27/2021 12:09:43 PM

Testimony for HOU on 1/28/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Catherine Ishida	Individual	Support	No

Comments:

In this time of "sheltering in place" and "stay at home," Hawaii as a community needs to redouble our efforts to end homelessness. The only way to do is making sure that housing is available and affordable to all, including households that earn the equivalent of a single minimum wage full-time income.

This bill is a move in the right direction.