



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
AND
HOUSE COMMITTEE ON WATER AND LAND**
March 17, 2022 at 11:00 a.m.
State Capitol, Room 423

In consideration of
S.B. 2372 SD2
RELATING TO AFFORDABLE HOUSING.

HHFDC supports S.B. 2372 SD2, which, 1) infuses \$300,000,000 into the Rental Housing Revolving Fund (RHRF) and allocates such amount among the counties; and 2) requires HHFDC to establish a five-year Dwelling Unit Revolving Fund (DURF) equity pilot program to address the high, unmet demand of for-sale units by Hawaii residents earning between 80% and 120% AMI; among other things.

1. RHRF Infusion to Support Rental Housing Development

RHRF provides loans to fill financing gaps to enable the development, preservation, or rehabilitation of affordable rental housing projects, and a continuous stream of RHRF is needed to support the ongoing development of affordable rental projects in the production pipeline.

It may be more beneficial to not specify allocations by counties as the criteria for awarding projects is not based on project location.

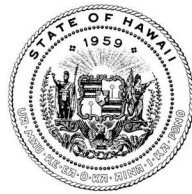
2. DURF Equity Pilot Program to Help Workforce Buy Homes

This bill infuses DURF with \$10,000,000 to allow HHFDC to purchase equity in new, for-sale developments to lower the price paid by eligible buyers, thereby providing more units at lower affordability thresholds (80% AMI to 100% AMI). Developers are unable to sufficiently meet demand at the 120% AMI and lower thresholds because per-unit development costs exceed affordable sales prices.

HHFDC supports this proposed DURF Equity Pilot Program, with the parameters on such investments to be established through the administrative rulemaking process. Implementation will require an additional 1.0 FTE at an annual cost of \$110,000 for program administration.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



LATE

EXECUTIVE CHAMBERS
HONOLULU

March 17, 2022

TO: The Honorable Representative Nadine K. Nakamura, Chair
House Committee on Housing

The Honorable Representative David A. Tarnas, Chair
House Committee on Water and Land

FROM: Scott Morishige, MSW, Governor's Coordinator on Homelessness

SUBJECT: **SB 2372 SD2 – RELATING TO AFFORDABLE HOUSING.**

Hearing: Thursday, March 17, 2022, 11:00 a.m.
VIA VIDEO CONFERENCE

POSITION: The Governor's Coordinator on Homelessness appreciates the intent of this bill, respectfully offers comments, and suggests amendments to Part I. The Coordinator defers to the Hawaii Housing Finance and Development Corporation regarding Part II of this bill.

PURPOSE: The purpose of the bill is to require the Governor's Coordinator on Homelessness to review the Affordable Housing Report and Ten-Year Plan issued by the Special Action Team on Affordable Rental Housing in July 2018; determine whether any of the lands identified in the report are suitable for development of temporary housing for the Ohana Zone program or other forms of affordable housing; determine the actions required to develop the lands into temporary housing for the Ohana Zone program or other forms of affordable housing; and submit a report to the Legislature before the Regular Session of 2023. The bill also makes an appropriation into and out of the Rental Housing Revolving Fund (RHRF). In addition, Part II of the bill requires HHFDC to establish a 5-year dwelling unit revolving fund equity pilot program, and makes an appropriation for the pilot program.

The Coordinator respectfully suggests amending Part I to include an appropriation to hire a planner or contract a consultant with specialized expertise to review the 2018 Affordable

Housing Report, identify lands that meet housing development criteria and determine actions required to facilitate development. The Coordinator notes that housing development – including assessing lands suitable for construction and developing necessary steps for development– requires specialized knowledge and expertise that includes an understanding of environmental and zoning regulations and criteria for housing financing.

The need for supportive housing is especially critical given the ongoing COVID-19 pandemic and its impacts on low-income households. In January 2021, the Economic Roundtable released a report that projected the pandemic recession would increase chronic homelessness in the United States by 49% over the next four years. Similarly, historical data for the statewide homeless Point in Time (PIT) count also indicates that demand for homeless services is likely to increase in the wake of the current economic recession. Following the last significant downturn in 2009, the statewide PIT count increased 37% between 2009 and 2016. Finally, the Coordinator notes that developing supportive housing units is just one piece of a more comprehensive effort to address homelessness and housing instability. In addition, the HICH prioritizes reducing upfront barriers to accessing existing rental housing inventory, scaling shallow rental subsidy programs, and expanding programs that assist key homeless sub-populations (e.g., unsheltered youth, adults with severe mental illness, etc.). For more information about the 2022 HICH policy priorities, please visit <https://homelessness.hawaii.gov/advocacy>.

The Coordinator appreciates the amendments of the Senate Committee on Ways and Means in Part I to appropriate \$300,000,000 into the RHRF to be expended by HHFDC for projects in the four counties. However, as currently drafted, it is unclear whether part of this appropriation into and out of the RHRF is intended to support the development of temporary housing facilities or supportive housing for individuals experiencing homelessness and other vulnerable populations or to support capital construction for projects implemented through the Ohana Zones program.

If this measure proceeds, the Coordinator suggests that a portion of the appropriation from the RHRF in Part I be designated for supportive housing projects within the four counties, which could include supportive housing projects supported through the Ohana Zones program.

Supportive housing combines ongoing housing support with wraparound social services to assist individuals with high levels of need, such as individuals experiencing homelessness, individuals with intellectual or developmental disabilities, and those exiting other systems of care such as behavioral health facilities or the criminal justice system.

Notably, the Corporation for Supportive Housing (CSH) estimates that 3,888 supportive housing units are needed statewide for homeless and non-homeless individuals who require housing with integrated social services and wrap around support. The appropriation from the RHRF would be a critical tool to close the housing gap for homeless individuals and other vulnerable populations statewide by constructing new supportive housing units, or supporting construction to expand existing Ohana Zone supportive housing projects such as [Kealaula](#) on Kauai or [Huliau](#) on Maui.

Thank you for the opportunity to testify on this measure.

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 HOUSE COMMITTEES ON HOUSING AND WATER & LAND
ON
SENATE BILL NO. 2372, S.D. 2

March 17, 2022
11:00 a.m.
Room 423 and Videoconference

RELATING TO AFFORDABLE HOUSING

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

Senate Bill No. 2372, S.D. 2: 1) requires the Governor's Coordinator on Homelessness to review the Affordable Rental Housing Report and Ten-Year Plan to determine whether any of the lands identified are suitable for development for the 'Ohana Zones Pilot Program or other forms of affordable housing, to determine the actions needed for such development, and to submit a report on the resulting findings and recommendations; 2) establishes a Dwelling Unit Revolving Fund (DURF) Equity Pilot Program within the Hawai'i Housing Finance and Development Corporation (HHFDC) to subsidize housing unit purchase costs of housing development projects for residents earning more than 80% and up to 120% of the area median income for a period of five years; 3) sets requirements for equity repayment, rule-making, and annual reporting for the DURF Equity Pilot Program; 4) appropriates \$300,000,000 in general funds to be deposited into the Rental Housing Revolving Fund (RHRF) and appropriates \$300,000,000 out of the RHRF in FY 23 for HHFDC to support the development,

acquisition, preservation, and rehabilitation of rental housing units in each of the counties at specified funding levels; and 5) appropriates \$10,000,000 in general funds to be deposited into the DURF and appropriates \$10,000,000 out of the DURF in FY 23 for HHFDC to implement the DURF Equity Pilot Program.

B&F notes that, with respect to the general fund appropriations 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.

March 17, 2022

The Honorable Nadine K. Nakamura, Chair

House Committee on Housing

The Honorable David A. Tarnas, Chair

House Committee on Water & Land

Via Videoconference

RE: S.B. 2372, SD2 Relating to Affordable Housing

HEARING: Thursday, March 17, 2022, at 11:00 a.m.

Aloha Chair Nakamura, Chair Tarnas, and Members of the Joint Committees,

I am Ken Hiraki, Director of Government Affairs, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its over 11,000 members. HAR **supports** Senate Bill 2372 SD2, which requires the Governor's Coordinator on Homelessness to review the Affordable Rental Housing Report and Ten-Year Plan issued by the Special Action Team on Affordable Rental Housing in July 2018; determine whether any of the lands identified in the report are suitable for development of temporary housing for the 'ohana zones pilot program or other forms of affordable housing; determine the actions required to develop the lands into temporary housing for the 'ohana zones pilot program or other forms of affordable housing; and submit a report to the Legislature before the Regular Session of 2023. Requires the Hawaii Housing Finance and Development Corporation to establish a 5-year dwelling unit revolving fund equity pilot program. Appropriates moneys.

Homeownership is one of the most important ways for families to build wealth, connect more deeply with their communities and support the economic growth of the State. Unfortunately, that goal has become difficult for many families in Hawai'i, which has the highest cost of living in the country and high housing prices.

According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawai'i, the state needs up to 46,000, housing units to meet demand in Hawai'i by 2030. Ultimately, we have a housing supply problem, and this measure is a creative approach to address those challenges. Land costs are a large part of the development cost of housing, so by identifying and utilizing State lands to build affordable housing would help address our State's housing challenges.

Mahalo for the opportunity to testify.

LATE

SB-2372-SD-2

Submitted on: 3/16/2022 6:44:38 PM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Denise Boisvert	Individual	Support	Written Testimony Only

Comments:

Aloha,

I FULLY SUPPORT SB2372 SD2.

Mahalo for your consideration to pass it.

LATE

SB-2372-SD-2

Submitted on: 3/16/2022 6:47:47 PM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kim Jorgensen	Individual	Support	Written Testimony Only

Comments:

I am submitting testimony in Full Support of SB2372 SD2.

Mahalo.