

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

April 5, 2022 at 2:30 p.m.  
State Capitol, Room 308

In consideration of  
**S.B. 2667 SD1 HD1**  
**RELATING TO AFFORDABLE HOUSING.**

HHFDC ***supports*** S.B. 2667 SD1 HD1. This bill removes the deadline for HHFDC to renegotiate the ground lease for the Front Street Apartments affordable housing project before the agency may initiate condemnation proceedings.

In 2019, HHFDC paid nearly \$15 million in order to acquire the leased-fee interest in Front Street Apartments from 3900, LLC, in an effort to preserve the project's affordability. Unfortunately, there is ongoing litigation affecting the project, and for that reason, HHFDC has been unable to obtain an appraisal report on the fair market value of the ground lease for the property. Without such a report, HHFDC could not proceed with re-negotiation or condemnation of the ground lease by the deadline of December 31, 2021, as required by Act 150, SLH 2018 as amended by Act 98, SLH 2019 and Act 34, SLH 2020.

This measure is necessary to ensure that the State's hands are not unduly tied during the Front Street Apartments ground lease renegotiation.

HHFDC requests that Section 4 of the bill be **amended** to be effective upon its approval.

Thank you for the opportunity to testify.

Council Chair  
Alice L. Lee

Vice-Chair  
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore  
Tasha Kama

Councilmembers  
Gabe Johnson  
Kelly Takaya King  
Michael J. Molina  
Tamara Paltin  
Shane M. Sinenci  
Yuki Lei K. Sugimura



Director of Council Services  
Traci N. T. Fujita, Esq.

Deputy Director of Council Services  
David M. Raatz, Jr., Esq.

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

April 2, 2022

TO: Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Alice L. Lee  
Council Chair

DATE: April 2, 2022

SUBJECT: **SUPPORT OF SB 2667, SD1, HD1 RELATING TO AFFORDABLE HOUSING**

Thank you for the opportunity to testify in **SUPPORT** of this important measure. The purpose of this measure is to indefinitely extend the deadline and help ensure the continued availability of affordable rental housing in Maui County at the Front Street Apartments in Lahaina.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **SUPPORT** this measure for the following reasons:

1. This measure indefinitely extends the deadline for the Hawaii Housing Finance and Development Corporation to renegotiate an existing, or issue a new, ground lease for the Front Street Apartments affordable housing project before the corporation's requirement to initiate condemnation proceedings is triggered.
2. Maui County has a severe shortage of affordable rental housing, especially in the western part of the island of Maui.
3. Front Street Apartments in Lahaina provides 142 rental units.

For the foregoing reasons, I **SUPPORT** this measure.

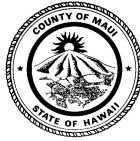
ocs:proj:legis:22legis:testimony:sb2667\_sd1\_hd1\_paf22-018(93)a\_lma

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April 4, 2022

TO: Honorable Chair Sylvia Luke, Vice-Chair Kyle T. Yamashita, and members of the House Committee on Finance

FROM: Tamara Paltin  
Councilmember

DATE: April 4, 2022

SUBJECT: **OPPOSITION TO SB 2667 SD1, HD1, RELATING TO AFFORDABLE HOUSING**

Thank you for the opportunity to testify on this important measure. The purpose of this measure is to extend the deadline indefinitely for HHFDC to renegotiate the ground lease or initiate condemnation proceedings for Front Street Apartments in Lahaina.

I **OPPOSE** this measure for the following reasons:

1. The Front Street Apartments litigation has continued for far too long and has resulted in housing insecurity for my constituents. We cannot wait much longer for a solution.
2. The Ahe Group, one of the most active affordable housing developers in Hawaii, is under contract to purchase Front Street Apartments.
3. Should the pending litigation be overturned on appeal, Front Street Apartments runs the risk of converting to market-rate housing. Moreover, in the current economic climate, the apartments will likely undergo a dramatic increase in price on the open market.

For the foregoing reasons, I **OPPOSE** this measure.

Respectfully Submitted,

A handwritten signature in black ink that reads "Tamara M. Paltin".

TAMARA PALTIN  
Maui County Councilmember



**THE HOUSE OF REPRESENTATIVES, COMMITTEE ON FINANCE**

Rep. Sylvia Luke, Chair

Rep. Kyle T. Yamashita, Vice Chair

Tuesday, April 5, 2022 @ 2:30 pm

**TESTIMONY IN OPPOSITION TO SB 2667, SD1, HD1 (HSCR 1127-22)**

Aloha Chair Luke, Vice Chair Yamashita, and Members of the House Committee on Finance. My name is Makani Maeva and I am the President of Ahe Group. Based in Kailua, Oahu, Ahe Group is one of the most active affordable housing developers in Hawaii with over 1,800 affordable rental units in the state financed through the Low-Income Housing Tax Credit and Rental Housing Revolving Fund programs administered by the Hawaii Housing Finance and Development Corporation (“HHFDC”). Thank you for the opportunity to testify in **strong OPPOSITION to this bill**.

SB 2667, SD1, HD1, as proposed will extend the deadline for HHFDC to renegotiate the ground lease and/or condemn the property and is prolonging the housing uncertainty for the residents of Front Street Apartments in Lahaina. Instead, we ask for action and **propose amendments** to preserve the Front Street Apartments, as follows:

- (1) a 75-year ground lease at terms recently approved by the HHFDC Board for affordable housing projects);
- (2) an allocation of \$22,800,000 of private activity bonds; and
- (3) a \$12,500,000 award of Rental Housing Revolving Fund

Companion bill HB1917 HD1 SD1 includes similar amendments and provides the resources for a solution. This will allow \$8,000,000 of renovations, long term affordability for 75 years and a return to rents at the original affordability levels (5% of the units at 30% AMI, 45% of the units at 50% AMI, and 60% of the units at 60% AMI). No tenants in good standing will be displaced.

Indefinitely extending the deadline for renegotiation and/or issuance of a new ground lease leaves the Front Street residents under a cloud of uncertainty and may increase the cost of a solution. Ahe Group, a qualified developer is under contract to purchase Front Street. In the current real estate market, interest rates and construction costs are increasing with no end in sight. Significantly, in the event the pending litigation is overturned on appeal, Front Street Apartments runs the real risk of converting to market rate housing, leaving the current residents without housing, and materially increasing the price of the property on the open market.

Thank you for your attention to this testimony. I will be testifying via video conference tomorrow. If you have additional questions, please contact me at 808-381-5958 or mm@ahegroup.com that will meet the needs of the various stakeholders and preserve this valuable affordable housing asset for seventy-five years.

A handwritten signature in black ink that reads 'Makani Maeva'. The signature is fluid and cursive, written in a professional style.

BOARD OF DIRECTORS  
*Scott W. Settle*  
*David F. Fasi*  
*Misty Kjallman*



900 Fort Street Mall, Suite 1818  
Honolulu, Hawaii 96813  
*phone* 808.534.4435  
*fax* 808.694.3051

April 4, 2022

House of Representatives  
Thirty-First Legislature  
Regular Session of 2022  
Committee on Finance

**BILL:** COMMENTS ON SB 2667 SD1 HD1  
**HEARING:** House Committee on Finance  
**DATE:** Tuesday, April 5, 2022 at 2:30 pm

Dear Chair Luke:

The Affordable Housing and Economic Development (AHED) Foundation is a 501(c)(3) nonprofit whose mission is to create and preserve affordable housing and other opportunities for Hawaii's residents in need. The AHED Foundation believes that each community has the right to thrive and prosper as well as the responsibility of taking care of community members over the long term. Good, clean, safe housing, is one of the most important and basic human needs.

We don't believe that this version of the bill you are reviewing to simply extend the deadline to condemn the leasehold interest of the Front Street Apartments will sufficiently move the needle to ensure the tenants have access to affordable housing in a timely manner. Instead, we support the version of the bill that was approved by the House (HB 1917 HD1 Proposed), which we have attached for your convenience.

We are in support of this revised language because it would facilitate and finance the long-term affordability of the Front Street Apartments rental housing project for the next 75 years. The affordability of the Front Street Apartments project is something the local community and tenants in Lahaina, Maui care deeply about. We cannot miss this opportunity to ensure the project stays affordable to Lahaina's working families for the next 75 years.

Please support this project.

Very truly yours

*Scott Settle*

Scott Settle,  
President  
AHED Foundation

HOUSE OF REPRESENTATIVES  
THIRTY-FIRST LEGISLATURE, 2022  
STATE OF HAWAII

**H.B. NO.** 1917  
H.D. 1  
S.D. 1  
Proposed

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# A BILL FOR AN ACT

RELATING TO AFFORDABLE HOUSING.

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

SECTION 1. By December 31, 2022, the Hawaii housing finance and development corporation shall issue a new ground lease for the Front Street Apartments affordable housing project to an eligible developer, as defined in section 201H-32, Hawaii Revised Statutes, for a term of seventy-five years and a ground lease rent of \$1 per year.

SECTION 2. There is appropriated out of the private activity bonds allocated to the Hawaii housing finance and development corporation the sum of \$22,800,000 or so much thereof as may be necessary for fiscal year 2022-2023 for the purposes of allowing an eligible developer as defined in section 201H-32, Hawaii Revised Statutes, to acquire and rehabilitate the Front Street Apartments affordable housing project on Maui.

The sum appropriated shall be expended by the Hawaii housing finance and development corporation for the purposes of this Act.

SECTION 3. There is appropriated out of the rental housing revolving fund the sum of \$12,500,000 or so much thereof as may be necessary for fiscal year 2022-2023 for the purposes of allowing an eligible developer as defined in section 201H-32, Hawaii Revised Statutes, to acquire and rehabilitate the Front Street Apartments affordable housing project on Maui.

The sum appropriated shall be expended by the Hawaii housing finance and development corporation for the purposes of this Act.

SECTION 4. This Act shall take effect on July 1, 2022.

**Report Title:**

Hawaii Housing Finance and Development Corporation; Affordable Housing; Front Street Apartments; Private Activity Bonds; Appropriation

**Description:**

Appropriates private activity bond allocations and funds from the Rental Housing Revolving Fund to the Hawaii Housing Finance and Development Corporation for the purpose of allowing an eligible developer to acquire and rehabilitate the Front Street Apartments affordable housing project on Maui. (Proposed SD1)

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



**SB-2667-HD-1**

Submitted on: 4/4/2022 1:56:15 PM

Testimony for FIN on 4/5/2022 2:30:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Raymond Kong	HI Appleseed	Oppose	Written Testimony Only

Comments:

Hawaii Appleseed/Lawyers for Equal Justice does not believe that an indefinite extension of time to condemn/renege the lease for Front Street serves the interests of our clients, the individuals who reside in the Front Street Apartments. We **STRONGLY OPPOSE** this bill as worded as it creates no incentive to timely resolve the issues at Front Street.