

JOSH GREEN, M.D.  
GOVERNOR



**LATE**

**STATE OF HAWAII**  
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM  
**HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION**  
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IN REPLY PLEASE REFER TO:

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

**HOUSE COMMITTEE ON HOUSING**

February 10, 2023 at 9:30 a.m.

State Capitol, Room 312

In consideration of  
**H.B. 678**  
**RELATING TO HOUSING.**

HHFDC ***has concerns*** with H.B. 678, which requires the counties to recognize housing units developed pursuant to Chapter 201H, Hawaii Revised Statutes, and to issue affordable-housing credits to developers of those housing units.

HHFDC shares the concern that the current, high-interest-rate environment will negatively impact affordable-housing production in Hawaii. However, the affordable housing credits program offered by the counties are complex and need to have adequate internal controls to ensure the credits are properly issued, controlled, and accounted for. We would suggest the legislature consider researching the effectiveness of the current programs to see if they are working properly before expanding it to apply to HRS 201H units.

Thank you for the opportunity to testify on this bill.

February 10, 2023

**The Honorable Troy N. Hashimoto, Chair**

House Committee on Housing

State Capitol, Conference Room 225 & Videoconference

**RE: House Bill 678, Relating to Housing**

**HEARING: Friday, February 10, 2023, at 9:30 a.m.**

Aloha Chair Hashimoto, Vice Chair Aiu, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, 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** House Bill 678, which clarifies a county's obligations with respect to housing developed through the housing development programs overseen by the Hawai'i housing finance and development corporation. Sunsets 7/1/2031.

According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawai'i, the state needs up to 45,497, housing units to meet demand in Hawai'i by 2030.<sup>1</sup> To add to our housing challenges, interest rates for residential mortgages have reached a 40 year high. The recent increases in interest rates have decreased the sales prices of income specified units built under 201H due to the Area Median Income ("AMI") price limitations. Additionally, construction costs and construction loan interest rates have increased dramatically as well. These issues have prevented projects from penciling out creating challenges to the use of the 201H program by the home building community.

Ultimately we have a housing supply problem and this measure could help with the development of much needed affordable housing.

For the foregoing reasons, Hawai'i Association of REALTORS® supports this measure. Mahalo for the opportunity to testify.

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<sup>1</sup> Department of Business, Economic Development & Tourism. (2019). *Hawaii Housing Demand 2020-2030*. <https://files.hawaii.gov/dbedt/economic/reports/housing-demand-2019.pdf>

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February 9, 2023

Representative Troy Hashimoto, Chair  
Representative Micah Aiu, Vice Chair  
Members of the Committee on Housing

RE: **HB 678 – RELATING TO HOUSING**  
**Hearing date – February 10, 2023 at 9:30 a.m.**

Aloha Chair Hashimoto, Vice Chair Aiu and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **STRONG SUPPORT FOR HB 678 – RELATING TO HOUSING**. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

HB 678 creates an affordable housing credit program for 201H projects by requiring the counties to issue affordable housing credits for income-specified housing units. Specifically, HB 678 seeks to resolve the potential concern by allowing for the issuance of affordable housing credits to eligible developers for residences required to be sold or rented to individuals within a specific income range. The credits are market based, issued on a one-to-one basis, and may be applied within the same county in which the credits were issued to satisfy county affordable housing obligations. Further, the measure allows HHFDC to enter into memorandums of agreements with certain counties to establish, modify, or clarify the condition for the issuance, transfer, and redemption of the affordable housing credits.

NAIOP strongly supports HB 678 which ensure continued the production of housing units under HRS 201H. Currently, Hawaii is in a housing crisis. In 2019, a study commissioned by DBEDT found that Hawaii will need an additional 50,156 homes by 2025. In order to meet this projection housing units will need to be developed in mass quantities. The affordable housing credit program seeks to assist in accomplishing this goal.

Furthermore, interest rates for 30 years fixed residential mortgages have significantly risen from 3.07% to 6.90% within the past 2 years representing a near 150% increase. This has led to a dramatic increase in monthly costs of owning a home in Hawaii. Moreover, the recent increases in interest rates have decreased the sales prices of

Representative Troy Hashimoto, Chair  
Representative Micah Aiu, Vice Chair  
Members of the Committee on Housing  
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income specified units built under HRS 201H due to the AMI price limitations. In conjunction, construction loan interest rates have increased from .05% to 3.81% representing a nearly seventy-five-fold increase which dramatically increase the costs of building residential units.

The rising construction costs combined with the dramatic drop in sales prices due to AMI limitations has prevented projects from penciling out and rendered 201H nearly unusable by the home building community. Accordingly, NAIOP Hawaii is concerned that development of 201H projects may come to a halt if policies are not implemented which further incentivize development and offset rising costs.

The affordable housing credits created by HB 678 will be a tool for homes to be built and provides a means for market developers to fulfill their affordable housing requirements with less risk. The incentivize created with these credits will help to encourage the production of more affordable units.

In order to further the purpose of this measure, NAIOP Hawaii would recommend the following clarifying amendment to include Hawaii Community Development Authority (HCDA) affordable housing requirements in the definition of "affordable housing obligation." This amendment would allow the credits to be applied more broadly and increase utilization. Specifically, Page 9, lines 19-21 and Page 10, lines 1-3 should be amended to read as:

"For purposes of this section, "affordable housing obligation" means the requirements imposed by a county, or the Hawaii County Development Authority, regardless of the date of its imposition, to develop vacant lots, single-family residences, multi-family residences, or any other type of residence for sale or rent to individuals within a specified income range".

Ultimately, Hawaii residents need housing units to be produced to allow our local families to continue to thrive here. NAIOP Hawaii is supportive of all policies which encourage the production of much needed housing stock for our local residents. For instance, we similarly supported making the DHHL affordable housing credit program permanent as it would lead to the production of affordable housing units.

Accordingly, NAIOP Hawaii strongly supports HB 678 which will ensure the continued production of homes for our residents. Thank you for the opportunity to testify on this measure.

Mahalo for your consideration,



Jennifer Camp, President  
NAIOP Hawaii

# 201H Affordable Housing Credit (HB 678)

**BILL SUMMARY** – EXPAND HRS 46-15.1 TO INCLUDE 201H. INCOME SPECIFIED HOUSING UNITS WILL RECEIVE CREDIT AS A REQUIRED AFFORDABLE HOUSING UNIT WITHIN EACH COUNTY.

## HOW IS THE MAXIMUM UNIT SALE PRICE CALCULATED?

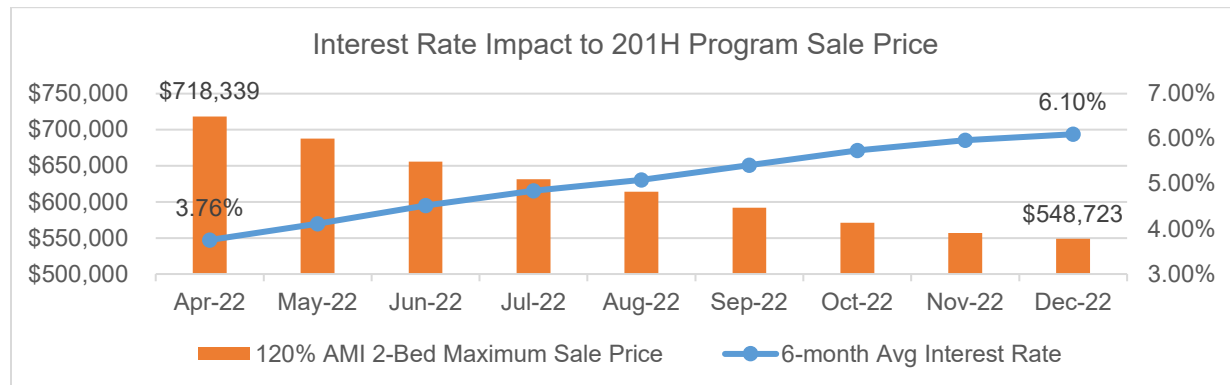
The 201H Program's **maximum unit sale price** is based on a household spending **33% of its income on Housing Expenses** within a specified AMI range

Housing Expenses: Mortgage Interest & Principal Payments, Mortgage Insurance, Maintenance Fees, Real Property Tax and Homeowner's Insurance. Mortgage based on 6-month average interest rate.

Household Size - Honolulu County	1 Person	2 Person	3 Person	4 Person	5 Person
120% AMI Household Income	\$109,800	\$125,400	\$141,120	\$156,720	\$169,320
33% of Income - Monthly	\$3,020	\$3,449	\$3,881	\$4,310	\$4,656

\*AMI = Area Median Income; 120% AMI Household income is based on HHDFC published AMI Household Income by Family Size for 2022

## 201H HAS BEEN RENDERED UNUSABLE DUE TO THE SIGNIFICANT INCREASE IN HOME MORTGAGE RATES CAUSING HOUSING PROJECTS TO NOT BE FEASIBLE



April 2022 - Avg 6mo Interest Rate	
Monthly Mortgage Payment	\$2,996
Interest Rate	3.76%
Loan Amount	90% \$646,505
Purchase Price	\$718,339

Dec. 2022 - Avg 6mo Interest Rate	
Monthly Mortgage Payment	\$2,996
Interest Rate	6.10%
Loan Amount	90% \$493,851
Purchase Price	\$548,723

Diff (#)	Diff (%)
(\$0)	(0.0%)
+2.3%	+62.5%
(\$152,654)	(23.6%)
(\$169,616)	(23.6%)

## OVER 4,000 AFFORDABLE HOMES WERE BUILT USING 201H IN THE PAST 5 YEARS (2016-2021)

201H PROJECTS - PAST 5 YEARS	60-140% AMI	Market	Total Units
Total Units Built (2016-2021)*	4,039	613	4,652

\*Provided by HHDFC

NOTE: ALL PREVIOUSLY APPROVED 201H PROJECTS HAVE "GRANDFATHERED IN" UNIT PRICING AND ARE NOT AS IMPACTED BY THE RECENT MORTGAGE RATE INCREASES