

JOSH GREEN, M.D.  
GOVERNOR



DENISE ISERI-MATSUBARA  
EXECUTIVE DIRECTOR

**LATE**

**STATE OF HAWAII**  
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM  
**HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION**  
677 QUEEN STREET, SUITE 300  
HONOLULU, HAWAII 96813  
PHONE: (808) 587-0620  
FAX: (808) 587-0600

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. 925**  
**RELATING TO HOUSING.**

HHFDC **has concerns with this measure.** H.B. 925 proposes to:

- Require HHFDC to use the Dwelling Unit Revolving Fund (DURF) to administer zero-interest loans to eligible homebuyers with incomes from 60% up to 140% of the area median income (AMI) for the purchase of affordable, for-sale housing units;
- Require that DURF prioritizes projects utilizing the lowest average loan amount as a percentage of unit sale price as well as to provide aid to existing for-sale projects in development that have received entitlement or loans from the fund to address increased construction costs or interest rates since receiving the entitlement or loan;
- Appropriate \$10 million in General Funds to DURF for the above new mandates; and
- Make an appropriation into the Rental Housing Revolving Fund (RHRF) for "Tier II" mixed-income rental projects or units in mixed-income rental projects, with priority given to Low-Income Housing Tax Credit (LIHTC) projects and then to existing affordable rental projects that were awarded LIHTC or bonds in order to address changes in interest rates or construction costs since receiving an award, with the flexibility of giving them to Tier I projects.

HHFDC recognizes the adverse impacts that rising interest rates and increased construction costs can have on housing development and a buyer's purchasing power.

However, HHFDC has the following **concerns with this measure**. Projects that receive funding from one of our programs are subject to conditions that preserve affordability and ensure the state receives something in exchange, such as a specified affordability term, a deed restriction that reflects that the property is subject to buy back provisions and shared appreciation terms under HRS 201H. All of these terms would have to apply in order to grant DURF funds to a project. Furthermore, HHFDC would have to verify that each buyer or homeowner met the eligibility requirements under HRS 201H-31 and 201H-32.

HHFDC also does not have the staffing capacity nor expertise to underwrite individual residential loans nor the capacity to monitor these loans, collect payments, and foreclose on defaulted loans. As the loans would likely be in second position to a primary mortgage, there is a greater risk of non-payment in the event of a default or foreclosure.

Additional staffing would be necessary in both our development and fiscal branches. Administrative rules may also have to be amended in order to implement.

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 925, 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 925, which requires that funds from the Dwelling Unit Revolving Fund be used to provide zero interest loans or grants to certain buyers and aid certain existing-for sale projects that have received funds from the Dwelling Unit Revolving Fund. Appropriates funds to the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund. Allocates funds out of the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund for certain purposes.

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> Ultimately, we have a housing supply problem, and investment is needed to meet our State's housing challenges. To add to our housing challenges, interest rates for residential mortgages have reached a 40 year high, which can put homeownership further out of reach for Hawai'i residents. As such, a zero-interest home loan to eligible homebuyers with incomes above 60% to 140% of the Area Median Income ("AMI") can help provide much needed assistance to homebuyers.

Additionally, the Hawai'i Association of REALTORS® has historically supported mechanisms to help increase the supply of affordable rental housing such as the Rental Housing Revolving Fund Program ("RHRF") which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities. As such, we support providing funding to the RHRF to help our state create more affordable rental and housing opportunities for Hawaii's residents to address our state's unique housing challenges.

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

<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>



February 9, 2023

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

RE: **HB 925 – 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 925 – 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 925 requires that funds from the Dwelling Unit Revolving Fund (DURF) be used to provide zero interest loans or grants to buyers with incomes between 60 and 140% AMI. Further, the measure appropriates funds to the Rental Housing Revolving Fund (RHRF) and the DURF to be utilized for: 1) aiding existing for-sale projects that have received entitlements or loans to address increased construction costs or interest rates; 2) additional funding for mixed income rental projects for families with incomes between 60 and 140% AMI.

NAIOP strongly supports HB 925 which will provide much needed funding to produce affordable housing for-sale and rental projects. 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 additional funding provided to DURF and RHRF seeks to assist in accomplishing this goal.

Primarily, the measure establishes a zero-interest loan program to be administered by HHFDC to qualified buyers which meet the income specifications. The intent of this provision is to assist buyers by reducing the current interest rates. Currently, interest rates for 30-year 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

Representative Troy Hashimoto, Chair  
Representative Micah Aiu, Vice Chair  
Members of the Committee on Housing  
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increase in monthly costs of owning a home in Hawaii and has severely decreased potential buyers' ability to purchase housing units.

HB 925 seeks to address this issue by allowing for the issuance of zero interest loans to buyers to bring down their blended interest rate. For example, a buyer would have a loan from a lender for a percentage of the purchase price at 6.90% interest and a second loan from HHFDC for the remainder of the purchase price at zero interest. The impact would effectively lower the combined interest rate between the two loans for the purchase price of the unit. In turn, this will increase a buyer's ability to purchase a unit. In addition, the zero interest loans would be repaid upon the sale of the unit to the DURF to be reused for future buyers.

Moreover, NAIOP supports HB 925 which addresses the recent increases in construction loan interest rates. Currently, construction loan interest rates have risen from .05% to 3.81% representing a nearly seventy-five-fold increase which dramatically increases the costs of building residential units. This rise in construction cost has impacted ongoing projects making these housing units difficult to build.

In turn, the measure includes an allocation of funding to be utilized for providing aid to existing for-sale projects in development that have received entitlements or loans to address the increased construction costs or interest rates. The loans provided from this funding will be vital to ensuring projects are able to be completed in the face of rising costs.

Lastly, the measure provides for additional funding to RHRF in order to support the construction of additional new projects. These funds are one of the most effective sources of support to target building units for local families who desire to rent their units rather than purchase a unit.

HB 925 will be a tool to increase the production of units and assist buyers in purchasing and renting units. 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.

Accordingly, NAIOP Hawaii strongly supports HB 925 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



February 9, 2023

Representative Troy N. Hashimoto, Chair  
Representative Micah P.K. Aiu, Vice Chair  
Members of the Committee on Housing

RE: **HB 925 – RELATING TO HOUSING**  
**Hearing date – February 10, 2023 at 9:30 a.m.**

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

My name is Moe Mohanna and I am President of Highridge Costa Development Company (“HCDC”). Thank you for allowing me to submit testimony in **STRONG SUPPORT of HB 925 – RELATING TO HOUSING**. HCDC is an affordable housing developer with significant experience in Hawaii. We currently have over 2,300 affordable rental units in development or operation throughout Oahu and Maui, including downtown Honolulu, Kapolei, Waipahu and Kihei. HCDC works closely with various state and local agencies to bring low- and moderate-income housing to communities Hawaii’s communities.

HB 925 provides much needed funding to the Rental Housing Revolving Fund (“RHRF”) and the Dwelling Unit Revolving Fund (“DURF”) programs. The bill would also allow DURF funds to be used to provide zero interest loans or grants to certain buyers and aid certain existing-for sale projects.

A set-aside allocation of DURF funds to provide zero interest loans for a portion of the senior mortgage to offset the current high interest rates is a practical and direct solution to the increased rates aspiring homeowners are facing. The rising interest rates over the past year has caused previously qualified individuals to be unable to purchase a home. HB 925 would provide the needed assistance to help these individuals finally reach their dream of owning a home. This along with a separate set-aside of DURF funds specifically for the production of affordable for-sale housing is an effective solution to address the current housing crisis.

HCDC strongly supports HB 925 and urges this committee to pass the bill as a way to help local families purchase a home and remain in Hawaii. Mahalo for your consideration.

Aloha,

Moe Mohanna, President  
Highridge Costa Development Corporation