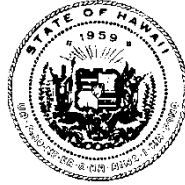


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
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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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

February 26, 2024 at 12:30 p.m.
State Capitol, Room 308

In consideration of
H.B. 2790 HD1
RELATING TO HOUSING.

HHFDC **supports** and offers **amendments** to HB 2790 HD1, which authorizes the issuance of general obligation bonds for the purpose of reviving HHFDC's housing loan and mortgage program, also known as the Hula Mae Single Family Program.

While HHFDC supports restarting this program in the current high interest-rate environment, we suggest an alternative method of financing to do so.

This bill appropriates an unspecified amount of funds to be deposited into the Dwelling Unit Revolving Fund (DURF) and financed through the issuance of general obligation bonds. Providing single-family mortgage loans is not an authorized use of DURF, which, pursuant to Section 201H-191, Hawaii Revised Statutes (HRS) is generally used for "the necessary expenses in administering housing development programs and regional state infrastructure programs, and for carrying out the purposes of housing development programs and regional state infrastructure programs."

Historically, the Hula Mae Single Family Program has been funded by the issuance of qualified tax-exempt private activity bonds (PABs) in the form of single-family mortgage revenue bonds. Pursuant to Section 201H-80(c), HRS, a separate revolving fund was established for each loan program financed from the proceeds of bonds secured under the same trust indenture.

- The amount of PABs that a state may authorize each year is limited by the bond cap (or ceiling) set by the federal government and was approximately \$359 million for the State of Hawaii for 2023. Allocation of the State's bond cap is governed by Chapter 39B, HRS.

- Under the Internal Revenue Code, affordable rental housing projects financed by 4% credits under HHFDC's Low-Income Housing Tax Credit (LIHTC) Program must be used in conjunction PABs, with no cap on the amount of 4% LIHTC credits that can be allocated by the states.
- Accordingly, PABs are more valuable when used for rental-housing financing program purposes than for any other qualified private activity (such as single-family mortgage lending programs and electric energy facility projects.)

HHFDC has been planning to re-start the Hula Mae Single Family Program using PABs, but on a relatively small scale of \$10 to \$20 million given the leveraging effect that PABs have in conjunction with the 4% LIHTC. With this method of financing, no legislation appropriating finds for the program is necessary.

We respectfully request that this bill be amended to:

- 1) Remove the appropriation to DURF; and
- 2) Change the report submission deadline in Section 4 to no later than 60 days before the commencement of the 2026 regular session due to the time required to issue the revenue bonds and enter into lending partnerships with local banks.

We appreciate the Legislature's willingness to support HHFDC's programs and thank you for the opportunity to testify on this bill.



 808-733-7060
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 1259 A'ala Street, Suite 300
Honolulu, HI 96817

February 26, 2024

The Honorable Kyle T. Yamashita, Chair

House Committee on Finance

State Capitol, Conference Room 308 & Videoconference

RE: House Bill 2790 HD1, Relating to Housing

HEARING: Monday, February 26, 2024, at 12:30 p.m.

Aloha Chair Yamashita, Vice Chair Kitagawa, 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 Hawaii and its over 11,000 members. HAR **supports** House Bill 2790 HD1, which authorizes the issuance of general obligation bonds to reinstate the Hula Mae Single Family Loans Program in order to assist homeowners in obtaining mortgage loans. Effective 7/1/3000.

Achieving the dream of homeownership is a goal that many struggle with accomplishing in Hawaii. High costs of living, rising interest rates, unexpected expenses that delay savings, and student loan debt are just some of the challenges Hawaii residents face when trying to save up for a down payment.

The Hula Mae program is intended to make home buying more affordable for qualified families by offering eligible first-time homebuyers with 30-year mortgage loans at very competitive interest rates. As such, the Hula Mae Program is a valuable tool to help first-time homebuyers and families reach the dream of owning their first home.

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





COMMITTEE ON FINANCE

BILL INSERT HB2790 HD1
POSITION: SUPPORT

Hearing Date: February 26, 2024

Aloha Chair Yamashita, Vice Chair Kitagawa, and Committee Members:

Aloha United Way supports HB2790 HD1, which authorizes the issuance of general obligation bonds to reactivate the Hula Mae Single Family Program in order to assist homeowners in obtaining mortgage loans.

Hawaii has the highest cost of living in the nation and imposes one of the highest tax burdens on low-income households, making home ownership incredibly difficult for local individuals and families. We urge you to pass this bill and support Hawaii's working families, including ALICE households, who are often outbid by non-resident homebuyers. The housing loan and mortgage program plays a vital role in providing affordable housing options for individuals and families across Hawaii. By authorizing the issuance of general obligation bonds and appropriating funds for the program, HB2790 HD1 will enable the Hawaii Housing Finance and Development Corporation to continue its mission of facilitating homeownership and promoting stable communities for our local families.

ALICE stands for Asset Limited, Income Constrained, Employed, and refers to households who are employed but whose incomes are not sufficient to meet their basic costs. According to our 2022 report an estimated **44% of Hawaii's households are ALICE households**, with an increasing number falling into poverty.

Programs like HB2790 HD1 have been shown to be an especially impactful tool in providing local families the opportunity to remain in Hawaii, build equity, and attain generational stability. Reinstating this will go a long way to helping ALICE families continue to live and work in Hawaii by providing accessible and stable housing through affordable home ownership.

Thank you for the opportunity to testify and for your action to support ALICE families and the non-profit programs working to improve financial stability in Hawaii. We urge you to pass HB2790 HD1.

Sincerely,

Handwritten signature of Kayla Keehu-Alexander in black ink.

Kayla Keehu- Alexander
Vice President, Community Impact
Aloha United Way

Handwritten signature of Suzanne Skjold in blue ink.

Suzanne Skjold
Chief Operating Officer
Aloha United Way

HB-2790-HD-1

Submitted on: 2/25/2024 6:30:56 AM

Testimony for FIN on 2/26/2024 12:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT.

MAHALO!