

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
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Statement of **DEAN MINAKAMI**

Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING AND SENATE COMMITTEE ON HAWAIIAN AFFAIRS

January 30, 2025 at 1:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 152

RELATING TO THE DEPARTMENT OF HAWAIIAN HOME LANDS.

Chairs Chang and Richards, Vice Chairs Hashimoto and San Buenaventura, and members of the Committee.

HHFDC **supports** SB 152, which authorizes the Department of Hawaiian Home Lands (DHHL) to utilize funds in the Dwelling Unit Revolving Fund (DURF) as collateral when DHHL is an eligible borrower of a loan guaranteed by the United States Department of Housing and Urban Development pursuant to the Housing and Community Development Act, as amended, subject to approval of the Hawaii Housing Finance and Development Corporation (HHFDC). It also appropriates funds.

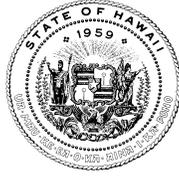
HHFDC recognizes that native Hawaiians suffer from longstanding socioeconomic hardships that include housing problems of affordability, overcrowding, and structural inadequacy. HHFDC supports efforts to help DHHL with its constitutional mandate.

The \$75 million appropriation for DHHL's use as collateral when acting as an eligible borrower of a loan guaranteed by the United States Department of Housing and Urban Development will help DHHL develop residential homestead lots and housing units.

Thank you for the opportunity to testify on this bill.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawaii*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawaii*



KALI WATSON
CHAIRPERSON, HHC
Ka Luna Ho'okele

KATIE L. LAMBERT
DEPUTY TO THE CHAIR
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

Ka 'Oihana 'Āina Ho'opulapula Hawaii'i

P. O. BOX 1879
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TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEE ON HOUSING AND
THE SENATE COMMITTEE ON HAWAIIAN AFFAIRS
HEARING ON JANUARY 30, 2025 AT 1:00PM IN CR 225

SB 152, RELATING TO THE DEPARTMENT OF HAWAIIAN HOME LANDS

January 29, 2025

Aloha Chairs Chang and Richards, Vice Chairs Hashimoto and San Buenaventura, and Members of the Committees:

The Department of Hawaiian Home Lands (DHHL) **strongly supports** this bill which allows the Department of Hawaiian Home Lands to utilize the Dwelling Unit Revolving Fund as collateral when the Department acts as an eligible borrower for a loan agreement under section 184A of the Housing and Community Development Act of 1992, as amended.

Congress established the Section 184A Native Hawaiian Housing Loan Guarantee Program in 2000 in order to provide access to sources of private financing on Hawaiian Home Lands. DHHL is an eligible borrower under the program and can use these funds to develop rental housing or to build single-family homes. Once the housing is developed, the native Hawaiian who is eligible to purchase the home can either assume the Section 184A loan or secure other financing to purchase the home.

A loan guaranteed under Section 184A must be secured by collateral authorized under and not prohibited by Federal or State law and determined by the lender and approved by HUD to be sufficient to cover the amount of the loan. The Hawaiian Homes Commission Act limits what can be utilized as collateral to secure loans made by government agencies or private lending institutions to the Department. Appropriating \$75 million in Fiscal Year 2026 and another \$75 million in Fiscal Year 2027 into the dwelling unit revolving fund for collateral would allow DHHL to secure private financing to develop rental housing or to build single-family homes.

Thank you for your consideration of our testimony.

SB-152

Submitted on: 1/28/2025 7:54:25 AM

Testimony for HOU on 1/30/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Master Shelby "Pikachu" Billionaire	Testifying for Kingdom of The Hawaiian Islands	Comments	Written Testimony Only

Comments:

Subject: Legislative Recommendations for Managing Risks and Enhancing Oversight of the Dwelling Unit Revolving Fund

Dear Members of the Hawaii State Legislature,

I hope this message finds you well. I am writing to share some legislative recommendations in regards to SB152 aimed at enhancing the effectiveness and safety of the proposed use of the Dwelling Unit Revolving Fund (DURF) as collateral for housing development loans under the Department of Hawaiian Home Lands (DHHL). These suggestions are crafted to address the potential risks while maximizing the benefits for Native Hawaiian beneficiaries:

Managing Financial Risks:

1. Risk Management Framework:
 - o Action: Enact legislation requiring DHHL to implement a comprehensive risk management plan for loans secured by DURF.
2. Cap on Collateral Use:
 - o Action: Propose a bill to set a statutory limit on the percentage of DURF that can be used as collateral.
3. Reserve Fund:
 - o Action: Create legislation to establish a reserve fund within or alongside DURF to handle potential loan defaults.

Ensuring Sustainable Use of Funds:

1. Long-term Financial Strategy:

- Action: Mandate through law that DHHL develops and regularly updates a long-term financial strategy for housing development.
- 2. Performance Audits:
 - Action: Legislation should require regular independent audits of DURF's use to ensure transparency and effectiveness.

Addressing Federal Policy Dependence:

1. Diversification of Funding:
 - Action: Encourage legislation that promotes DHHL to explore diverse funding sources, reducing reliance on federal guarantees.
2. Federal Liaison Role:
 - Action: Establish or assign a role dedicated to monitoring federal policy impacts on DHHL's financial strategies.

Enhancing Oversight and Transparency:

1. Oversight Committee:
 - Action: Propose the formation of an oversight committee to review DHHL's financial decisions involving DURF.
2. Public Reporting Requirements:
 - Action: Enact laws requiring DHHL to provide periodic public reports on the use and health of DURF.

Mitigating Administrative Challenges:

1. Streamlined Approval Process:
 - Action: Suggest legislation to streamline the approval process for using DURF as collateral.
2. Training and Capacity Building:
 - Action: Allocate funds for specialized training programs for DHHL and HHFDC staff.

Preventing Misuse or Misallocation:

1. Whistleblower Protections:
 - Action: Strengthen or introduce legislation for whistleblower protections within DHHL.

2. Ethics and Conflict of Interest Policies:
 - Action: Propose enhanced ethics policies to prevent conflicts of interest in financial management.

Ensuring Beneficiary Impact:

1. Beneficiary Involvement:
 - Action: Legislation should ensure beneficiary participation in decisions regarding DURF.
2. Outcome-Based Funding:
 - Action: Link funding or collateral use to specific, measurable outcomes in housing development.

These legislative measures are designed not only to mitigate risks but also to ensure that the use of DURF as collateral truly advances the housing needs of Native Hawaiians while maintaining the integrity and sustainability of state resources. I urge you to consider these recommendations for the betterment of our community and the effective stewardship of our state's financial resources.

Mahalo for your consideration, and I look forward to any actions you might take towards these ends.

Sincerely,

Master Shelby "PIkachu" Billionaire

Kingdom of The Hawaiian Islands, HRM

SB-152

Submitted on: 1/27/2025 3:19:51 PM

Testimony for HOU on 1/30/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
De MONT Kalai Manaole	Testifying for Hoomana Pono, LLC	Support	In Person

Comments:

We STRONGLY SUPPORT this measure that will give DHHL leverage to access badly needed funding.

SB152

He Mele komo a he mele aloha no na kupuna o ke au i hala Aloha mai kakou.

Aloha,

My name is Cindy Freitas and I'm a Native Hawaiian descended of the native inhabitants of Hawai'i prior to 1778 and born and raised in Hawai'i.

I am also a practitioner who still practice the cultural traditional customary practices that was instill in me by my grandparents at a young age from mauka (MOUNTAIN TO SEA) to makai in many areas.

I'm in SUPPORT

1. HUD Loan Guarantees

The Housing and Community Development Act provides the framework for the **U.S. Department of Housing and Urban Development (HUD)** to offer guarantees for loans aimed at funding housing projects. This is particularly important for entities like the Department of Hawaiian Home Lands (DHHL), as it allows them to access capital for housing projects with more favorable terms (due to the loan guarantee).

For DHHL, this means they could potentially secure funding for housing development projects, including those for Native Hawaiians, at lower interest rates or with more flexible terms because HUD guarantees part of the loan. This encourages lenders to provide financing that they might otherwise deem too risky.

2. Community Development Block Grants (CDBG)

Under the HCD Act, HUD administers the **Community Development Block Grant (CDBG) program**, which provides funds to local and state governments to address a wide range of community development needs, including housing, public services, and economic development.

In the context of DHHL, this may not be directly relevant, but it demonstrates the broader intent of the Act to fund community development in areas of need, like Native Hawaiian communities.

3. Section 108 Loan Guarantee Program

The **Section 108 Loan Guarantee Program** is one of the key provisions of the HCD Act that allows local governments and entities like DHHL to borrow funds for economic development, housing, and infrastructure projects. The Section 108 program is often used to back larger-scale community development efforts, which could include housing initiatives for Native Hawaiians.

In your case, the measure you mentioned may be referencing DHHL's eligibility to use the **Dwelling Unit Revolving Fund** as collateral for loans under this provision.

4. National Housing Policy and Goals

The HCD Act also set forth the **National Housing Policy**, which included goals such as:

- The construction of affordable housing

- Supporting low-income housing projects
- Promoting housing for underserved populations, including Native Americans and Hawaiian communities.

5. Impact on DHHL's Role

For the Department of Hawaiian Home Lands (DHHL), being able to access loans under the HCD Act's provisions means they could fund housing development programs that are essential to addressing housing shortages and improving living conditions for Native Hawaiians. This would align with the mission of DHHL to help Native Hawaiians secure land and homes through various programs.

In essence, the HCD Act creates a structure that allows DHHL to access favorable financing options for housing projects, which could be especially helpful in alleviating the housing challenges faced by Native Hawaiian communities.

Mahalo,

_____/s/_____
Cindy Freitas

SB-152

Submitted on: 1/29/2025 11:30:37 AM

Testimony for HOU on 1/30/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Marion K A Kapuniai	Individual	Support	Written Testimony Only

Comments:

I support this bill - supports positive results.

Thank you,

M Kapuniai