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WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON HOUSING
ON
SENATE BILL NO. 576

January 30, 2025
1:10 p.m.
Room 225 and Videoconference

RELATING TO FINANCIAL ADMINISTRATION

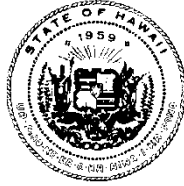
The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 576 amends Chapter 356D, HRS, to: 1) exempt the Public Housing Special Fund (PHSF) non-administrative expenditures from appropriation and allotment; 2) add new annual reporting requirements for the Hawai'i Public Housing Authority (HPHA); and 3) expand and clarify the allowable uses and sources of revenue for the PHSF. The bill also amends Section 201H-21, HRS, to update annual reporting requirements for the Hawai'i Housing Finance and Development Corporation (HHFDC).

B&F notes that, although the proposed expenditure exemption language for the PHSF directly mirrors the allotment and appropriation exemption language provided in Section 201H-211, HRS, for HHFDC's revolving funds, HPHA's PHSF does not have regular significant revenue sources like the Rental Housing Revolving Fund (RHRF) and the Dwelling Unit Revolving Fund to support similar development and redevelopment activities. It is likely that HPHA will need to continue to rely on the RHRF for gap funding for its redevelopment projects even with the statutory changes proposed in S.B. No. 576.

Thank you for your consideration of our comments.

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IN REPLY, PLEASE REFER TO:

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
SENATE COMMITTEE ON HOUSING

Thursday, January 30, 2025
1:10 PM – Room 225, Hawaii State Capitol

In consideration of
SB 576
RELATING TO FINANCIAL ADMINISTRATION

Honorable Chair Chang, and Members of the Senate Committee on Housing, thank you for the opportunity to provide testimony in **strong support** of Senate Bill SB 576, a measure that enhances the efficiency of legislative reporting requirements and optimizes the use of the Public Housing Special Fund to better serve Hawaii's most vulnerable residents.

We deeply appreciate the Legislature's steadfast commitment to addressing Hawaii's housing crisis. Your leadership has been instrumental in creating pathways for innovative and sustainable housing solutions, and HPHA remains committed to working alongside you to maximize federal and state resources for the benefit of our communities.

HPHA's Commitment to Affordable Housing

At the Hawaii Public Housing Authority (HPHA), our mission is to provide Hawaii's residents with safe, adequate, and affordable housing, while fostering economic opportunity and creating suitable living environments free from discrimination. HPHA serves some of the most disadvantaged populations in the state, including:

- ✓ Families earning below 30% of the Area Median Income (AMI)
- ✓ Seniors on fixed incomes
- ✓ Persons with disabilities

The Legislature's ongoing support has been invaluable in helping HPHA meet the growing demand for affordable housing and address the critical shortage of deeply affordable units in Hawaii.

Maximizing Federal Resources: A Unique Approach to Doubling Subsidies

Unlike any other housing development initiative in the state, HPHA is maximizing federal resources to significantly increase funding that supports low-income households. Through projects such as Ka Lei Momi and Kuhio Park Terrace (KPT) Redevelopment, we are doubling the federal subsidy coming to Hawaii by utilizing a two-pronged approach:

- Tenant Protection Vouchers (TPVs) – For every public housing unit being demolished, HPHA applies for and receives one-for-one Tenant Protection Vouchers (TPVs) from HUD. These vouchers become permanent additions to HPHA's Section 8 program, allowing tenants to secure housing in the private market.
- Rental Assistance Demonstration (RAD) Conversion – Simultaneously, we replace each demolished unit with a new affordable unit under the RAD program, ensuring a project-based subsidy remains tied to the redeveloped site.

HUD is fully aware of and supportive of this strategy, which effectively doubles the number of federally subsidized households in Hawaii and expands housing options for low-income residents.

The Importance of Direct Legislative Funding

HPHA is grateful for the Legislature's continued investment in affordable housing, and direct appropriation of state funds to HPHA would further enhance our ability to leverage federal funding and accelerate redevelopment. Allocating funds directly, rather than through the Hawaii Housing Finance and Development Corporation (HHFDC) Rental Housing Revolving Fund (RHRF), would provide the flexibility needed to structure financing more effectively, ensuring the greatest impact for Hawaii's communities.

While RHRF plays a key role in funding affordable housing, its funding structure is not always well-suited for public housing redevelopment. Specifically, RHRF requires:

- A fixed 0.75% interest rate
- 75% of project cash flow to be allocated toward RHRF repayment.
- Repayment within HHFDC's prescribed term limits

These restrictions not only limit HPHA’s ability to structure financing efficiently and maximize affordability but also extend project timelines by adding an additional layer of administrative processing. Currently, even when funds are appropriated for HPHA projects through HHFDC, HPHA must still apply for the funds, HHFDC staff must review and score the application, and both agencies must then complete the closing process. This duplicative process delays projects and requires significant staff hours that could be better spent advancing affordable housing initiatives by both agencies.

For example, the time staff currently spend navigating the application, review, and closing process could instead be used to expedite site planning, coordinate construction timelines, and process tenant applications—allowing projects to break ground sooner and provide housing to those in need more quickly.

By directly appropriating funds to HPHA, these inefficiencies can be eliminated, enabling both agencies to focus their efforts on delivering housing solutions rather than administrative redundancies. Additionally, allowing HPHA to recycle repaid funds would allow these resources to be reinvested into future redevelopment projects, further reducing administrative burden and accelerating housing production.

Ensuring that critical affordable housing units are delivered as efficiently as possible is essential, and streamlining the funding process through direct appropriations will help Hawaii meet its housing goals faster and more effectively.

Addressing the Affordable Housing Crisis Through Redevelopment

Hawaii’s public housing inventory is aging, with over \$720 million in deferred maintenance costs. To address this urgent challenge, HPHA is undertaking large-scale redevelopment projects that will:

- ✓ Replace functionally obsolete public housing with modern, resilient communities
- ✓ Expand affordability while deconcentrating poverty
- ✓ Provide residents with better access to schools, healthcare, and jobs
- ✓ Leverage private investment through public-private partnerships (PPPs)

Key HPHA Redevelopment Initiatives

With support from the Legislature, HPHA has made significant progress on transformative redevelopment efforts, including:

- Kuhio Park Terrace (KPT) Low-Rises & Kuhio Homes Redevelopment – 650 total units (replacing 174 public housing units) – Phase 1 construction to begin before July 1, 2025
- School Street Senior Affordable Rental Project (Phase 1A) – 250 units (of 800 planned) – Construction is ongoing, with completion anticipated by September 2026
- Mayor Wright Homes Redevelopment (Phase 1A) – 309 mixed-income rental units (part of a 2,448-unit master plan).
- Kapaa Affordable Housing Project – 124 units (replacing 36 public housing units)

These projects will dramatically increase the supply of affordable and workforce housing across Hawaii while ensuring that new units remain affordable in perpetuity.

Statewide Benefits of HPHA Redevelopment

The Legislature’s investment in HPHA’s redevelopment efforts will provide immense long-term benefits to the state, including:

- ✓ Revitalizing Aging Housing Stock – Eliminating costly maintenance on 1950s- and 1960s-era public housing
- ✓ Advancing State Housing Priorities – Directly supporting legislative goals to expand access to permanent affordable housing and reduce homelessness
- ✓ Maximizing Federal Funding – Ensuring Hawaii captures federal subsidies that might otherwise be lost
- ✓ Lowering Development Costs – State-owned land reduces land acquisition expenses, making projects more attractive to private partners
- ✓ Ensuring Long-Term Affordability – Guaranteeing affordability for life
- ✓ Enhancing Economic and Social Mobility – Creating mixed-income, mixed-use communities with better educational and employment opportunities
- ✓ Strengthening Public-Private Partnerships – Incentivizing private sector investment through structured risk-sharing

Conclusion

We recognize that tackling Hawaii’s affordable housing crisis requires a shared commitment, and we are deeply grateful for the Legislature’s ongoing leadership in this effort. Your continued support has allowed HPHA to leverage historic levels of federal funding, paving the way for transformational housing solutions that will benefit Hawaii’s residents for generations to come.

By approving SB 576, the Legislature will ensure that HPHA has the tools, resources, and flexibility necessary to accelerate housing development, enhance affordability, and create thriving, sustainable communities across the state.

Mahalo for your time, consideration, and unwavering commitment to ensuring safe, stable, and affordable housing for all of Hawaii's residents.

We deeply appreciate your continued support and the opportunity to provide testimony today.