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
FAX: (808) 587-0600

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

HOUSE COMMITTEE ON HOUSING
March 14, 2025 at 9:00 a.m.
State Capitol, Room 430

In consideration of
S.B. 71 SD2
RELATING TO THE RENTAL HOUSING REVOLVING FUND.

Chair Evslin, Vice Chair Miyake, and members of the Committee.

HHFDC has **comments** on SB 71 SD2, which renames the Rental Housing Revolving Fund (RHRF) to the State Housing Revolving Fund (SHRF). It also clarifies the prioritization of, and eligibility and preference criteria for, projects that may be funded by SHRF moneys.

HHFDC strives to maximize the effectiveness of its RHRF program through a competitive annual application process to ensure that the State's resources are efficiently used. Among the current criteria considered when awarding RHRF funds include project readiness, project cost and financing efficiency (uses the least amount of funding per unit per year), affordability commitment, tenant amenities, and target households served.

The prioritization of financing awards in sections 3 and 4 is without regard to the efficiency in the deployment of limited resources and project financial feasibility or readiness of projects. Financial feasibility assessments are essential to prevent the allocation of funds to projects that may fail to secure additional financing, encounter budget shortfalls, or stall due to unrealistic cost assumptions. Without feasibility requirements, there is a risk of funding projects that ultimately cannot be completed, leading to wasted resources and missed opportunities to address housing needs. Readiness ensures funds are awarded to developments that will begin construction and lease-up in a timely manner. Without this criterion, funds may be allocated to projects that are years away from breaking ground, delaying the production of much-needed affordable housing. Prioritizing shovel-ready projects ensures that funds are put to use immediately, leading to quicker delivery of housing for households in need.

We have concerns about section 4 of the bill, which appears to prioritize RHRF financing for households at 50-60% AMI. There is significant demand for housing by households under 50% AMI, specifically at the 30-40% AMI levels, which far exceeds the current supply, making it essential to have dedicated financing mechanisms that support deeply affordable rental units. The LIHTC program as used in conjunction with RHRF is the primary means of providing affordable housing for these households. The favorable financing terms of RHRF loans are essential not only for the initial development of these units but also for ensuring their long-term financial sustainability. Without these low-cost loan terms, the feasibility of creating and maintaining housing for residents at or below 30% AMI would be significantly compromised.

There is also demand for workforce housing, which is above 60% AMI to 120% AMI. Under the proposed language, HHFDC would be required to allocate all available funds to projects serving lower AMI levels before any resources could be directed toward workforce housing developments. Given the increasing concern over Hawaii's workforce outmigration, the ability to allocate funding toward workforce housing should be considered. Ensuring a balanced approach that supports both deeply affordable and workforce housing is essential to maintaining a stable, diverse, and economically sustainable community.

Subsection (g) does not need modification, as it is not feasible to construct housing units targeted at 30% AMI residents that are not rentals. We note that without specific requirements or financial incentives to support the development of units at or below 30% AMI, such units will not be built, as they are not financially viable under standard market conditions. Given that the demand for Section 8 vouchers significantly exceeds available resources, it is critical to ensure that deeply affordable housing options, and the required RHRF subsidy, remain a priority.

Section 5 of the bill removes the original eligibility criteria and replaces it with seven new criteria. HHFDC does not oppose giving preference to multifamily units near stations of a locally preferred alternative of a mass transit project; State or county owned projects; or projects that are required to be conveyed to the State or county at a definite time. We have concerns about criteria 4 through 7:

- Subsection (b)(4). Projects are typically owned by partnerships formed as special purpose entities specifically to own and operate the project. Any residual income will benefit the project.
- Subsection (b)(5). Requiring real property to be used for affordable housing in perpetuity could have long-term unintended consequences.
- Subsection (b)(6). A five-year loan term is not feasible for LIHTC projects. HHFDC supports reducing the maximum loan term of RHRF loans to 40 years.
- Subsection (b)(7). Awarding funds based solely on the lowest cost per unit per year will discourage the development of housing for the most vulnerable populations, particularly those at or below 30% AMI. These projects inherently require greater subsidies, incur higher operating costs due to onsite supportive

services, and generate lower rental revenue, making them more expensive to develop. Relying exclusively on cost-per-unit criteria may also incentivize unrealistic cost estimates to secure funding, result in lower construction quality that leads to higher long-term maintenance expenses, and prioritize large-scale developments that may not align with the character and housing needs of neighbor island communities.

We respectfully request that preference be given to projects that meet *any* of the new criteria.

On page 12, nonprofit projects are no longer given preference when ranked equally with a for profit or government project. We note that nonprofit developers pledge to keep their projects affordable on a long-term basis, typically for a term of 65 years. Restrictive land-use covenants, including the agreed-upon term of affordability, are recorded and run with the land.

Thank you for the opportunity to testify on this bill.

JOSH GREEN, M.D.
GOVERNOR
KE KIAʻĀINA

HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
KA MOKUʻĀINA O HAWAIʻI
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
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IN REPLY PLEASE REFER TO:

25:OED

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
HOUSE COMMITTEE ON HOUSING

Friday, March 14, 2025
9:00 AM – Room 430, Hawaii State Capitol

In consideration of
SB 71, SD2
RELATING TO THE RENTAL HOUSING REVOLVING FUND

Honorable Chair Evslin and members of the House Committee on Housing, thank you for the opportunity to provide testimony on **Senate Bill (SB) 71, SD2**, which renames the Rental Housing Revolving Fund to the State Housing Revolving Fund (SHRF). Clarifies the prioritization of, and eligibility and preference criteria for, projects that may be funded by, State Housing Revolving Fund moneys. The Hawaii Public Housing Authority (HPHA) **supports** the passage of this measure and is grateful to the Legislature for its steadfast commitment to addressing Hawaii's affordable housing crisis.

The HPHA is dedicated to providing Hawaii's residents with safe, affordable housing and fostering equitable living environments free from discrimination. Through our public housing and rental assistance programs, we serve some of the most vulnerable members of our community, including families earning less than 30% of the area median income, individuals with disabilities, and the elderly.

Chapter 201H, Subpart III.J., Hawaii Revised Statutes, establishes the Rental Housing Revolving Fund – that will be amended to the SHRF in this measure, sets forth the activities eligible for SHRF assistance, and creates various preferences and priorities for the award of assistance. The SHRF, which is administered by the Hawaii Housing Finance and Development Corporation, provides equity and gap financing, low-interest loans to qualified owners and developers constructing or rehabilitating affordable rental housing units. **SB 71, SD2**, in part, realigns the project preference criteria specified in subsection (b) away from the production of certain unit types (e.g., apartment, townhome, single room occupancy, etc.) and towards meeting a broader range of goals such as promoting transit-oriented development and perpetual affordability commitments.

The Green Administration and the Legislature have provided crucial support to the HPHA in recent years, enabling us to launch multiple redevelopment projects aimed at improving housing conditions and revitalizing aging public housing communities across the State. Each of our agency's ongoing redevelopment projects will remain State-owned or will be conveyed back to the State at a definite time. Additionally, the HPHA is looking to utilize federal repositioning programs like the Rental Assistance Demonstration and Faircloth-to-RAD which require replacement rental units to remain affordable in perpetuity.

Thank you again for your thoughtful consideration of this measure and for your unwavering support of additional affordable housing development in Hawaii.

CATHOLIC CHARITIES HAWAIʻI

OPPOSE SB 71 SD2: RELATING TO THE RENTAL HOUSING REVOLVING FUND

TO: House Committee on Housing
FROM: Tina Andrade, President and CEO, Catholic Charities Hawaiʻi
Hearing: **Friday, 3/14/25; 9:00 AM**; CR 430 and Videoconference

Chair Evslin, Vice Chair Miyake, and Members, Committee on Housing:

Catholic Charities Hawaiʻi **opposes SB 71 SD2**, which amends the preference criteria and eligibility requirements for applicant developers seeking funding from the Rental Housing Revolving Fund (RHRF).

Catholic Charities Hawaiʻi (CCH) is a tax-exempt, community-based organization that has been providing social services in Hawaiʻi for over 77 years. CCH has programs serving elders, children, families, veterans, houseless persons and immigrants. Our mission is to provide services and advocacy for the most vulnerable people in Hawaiʻi. We have a long history of working in affordable housing and homelessness.

Catholic Charities Hawaiʻi respectfully opposes this bill. We have deep concerns about significant aspects of it. The current language for the Rental Housing Revolving Fund (RHRF) is more flexible and targets the critical needs of the vulnerable populations we serve: elders, families, houseless persons, veterans, and others, as well as the ALICE population.

Changing the Name to the State Housing Revolving Fund: This and other small but key changes in the bill seem to reflect a new legislative initiative to promote the development of affordable for-sale housing. If this is the Legislature's intent, <u>we urge the creation of a separate fund or process, for example via the Dwelling Unit Revolving Fund (DURF) for this purpose.</u> The process for the State to promote for-sale housing should be transparent to the public and should not create confusion with the RHRF's development of affordable rental units.

Deletion of Current Priorities, Particularly the 5% Set-Aside for Units Targeting People with Incomes at or Below 30% of AMI: Building units for very low-income people will require a higher subsidy, but these units are essential to preventing homelessness. Developers can only afford to build rentals for persons below 30% AMI with these subsidies and by mixing them with units that charge higher rents. This 5% set-aside is critical for elders facing homelessness, lower-income families in the workforce, and others. In fact, to even find a unit in 2020, well over half of the actual tenants (2,153 out of 3,226) in 47 LIHTC senior projects had incomes at or below 30% AMI. We need more units with rents addressing the 30% AMI population, not fewer.

The current Tier 1 and Tier 2 funding process (up to 100% AMI) for the RHRF reflects the greatest need for rental housing, enabling our workforce to remain in Hawaiʻi. <u>Before overhauling the system, we urge the Legislature to allow time for the current production of Tier 2 rental projects to be completed and evaluated.</u>

Priorities Listed in Section 4, 2(e), pages 6-7: Priority (2) deletes the 5% set-aside for those at 30% AMI and states that a priority "shall apply to awards… needed for persons/families with incomes at 50-60% of the area median income." How will the state address housing for those under 50% AMI?

Additionally, Priority (3) for mixed-income projects states that this "shall apply to awards… needed for persons/families with incomes at 120 to 140% of the area median income." Where do persons/families with incomes between 61% and 120% fit into this new state initiative?

TOD/Government Projects and Other Listed Priorities: These would screen out projects for our most vulnerable clients and disrupt the current pipeline for creating affordable rentals. We support the development of state- or county-owned projects, as they would be permanently affordable. However, we also believe residents of Hawai'i should have affordable housing choices in other areas, including outside TOD zones or state/county projects. The current priority, which serves the geographic needs of the population, is essential for elders who must live near transportation, shopping, and services to maintain independence. Our workforce also needs affordable housing options based on their jobs, family situations, and other factors. Lower-income areas of the state, especially non-urban areas, could be excluded by making TOD the top priority.

The current RHRF language already allows consideration of TOD areas and state/county projects alongside other projects. Housing priorities should reflect a wider scope of locations to meet the overall needs of our population rather than being limited to state, county, or TOD-designated projects.

Obligation to Use Financial Surplus for Housing: A major concern is the cost of implementing rules and creating a new bureaucracy for this proposed change. Yet, it is unclear whether any developers (aside from possibly the state or county) would utilize this priority. This new bureaucracy would need to monitor, audit, and track projects for 60–100+ years. Would this administrative burden on HHFDC detract from its main purpose of creating affordable housing?

Permanent Affordability: We support efforts to ensure that projects retain affordability beyond the 61-year requirement in most LIHTC awards. We suggest that the state continue exploring strategies to implement this.

Preference for Projects with a 5 year Loan Term: In order for projects to commit to this, they must target a much higher AMI. While this may be appropriate for for-sale projects, it could screen out most projects for the current LIHTC population and possibly even Tier 2 projects.

This is a complex bill with many possible unintended consequences. We respectfully urge you to defer this bill.

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.

TESTIMONY IN SUPPORT OF SB71 SD2
House Committees on Housing
March 14, 2025 at 9:00 am.

The Church of the Crossroads, founded over a century ago as Hawaii's first intentionally multiracial church, is with humility committed to do justice and love mercy.

Chair Evslin, Vice Chair Miyake, Members:

In **support** of SB71 SD2. The Rental Housing Revolving Fund (RHRF) has $1,038,249,619 that could be used for housing, but it tends to sit there. In FY 23, the RHRF built only 2,156 units.

SB71 SD2 will help the RHRF produce new housing with more efficiency. Currently, the RHRF spends $200,000 a unit with loan repayment collecting only 0.15% interest over 57 long years, After 61 years, project owners are free to sell the units on the open market and evict their renters. That's unless taxpayers buy the units back, which means paying for them twice.

SB7! SD2 will stretch housing dollars by spending on rehabilitation and preservation as well as new construction, by keeping the homes' affordability permanent, by taking full advantage of federal housing credits and nonprofit organization support to lower costs, and by restricting occupancy to *Hawaii residents* who *live in their units* and *don't own* a majority of *any other property*. No investors, no flippers.

Stretching dollars also means SB7! SD2 prioritizes units in multifamily structures near transit hubs, favors projects that are state- or county-owned, will be conveyed to the state or county, or are built by organizations who use their profits to construct, manage, or rehabilitate housing, and are committed to repaying loans within five years. The bill wants projects requiring the least amount of funding per unit.

Build for residents, keep the housing affordable, stretch *the re-named State* Housing Revolving Fund's (SRHF's) $1 billion as far as possible.

Mahalo for your attention to the Church's support for SB71 SD2.

Aloha, Galen Fox for
Church of the Crossroads

1212 University Avenue ⧫ Honolulu, Hawai`i ⧫ 96826
Phone: 808.949.2220 www.churchofthecrossroadshawaii.org Fax: 808.943.6719

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawaiʻi Appleseed Center for Law and Economic Justice
OPPOSITION SB71 SD2 – Relating to Rental Housing Revolving Fund
House Committee on Housing
Friday, March 14, 2025 at 9:00AM | Conf. Rm. 430 and via Videoconference

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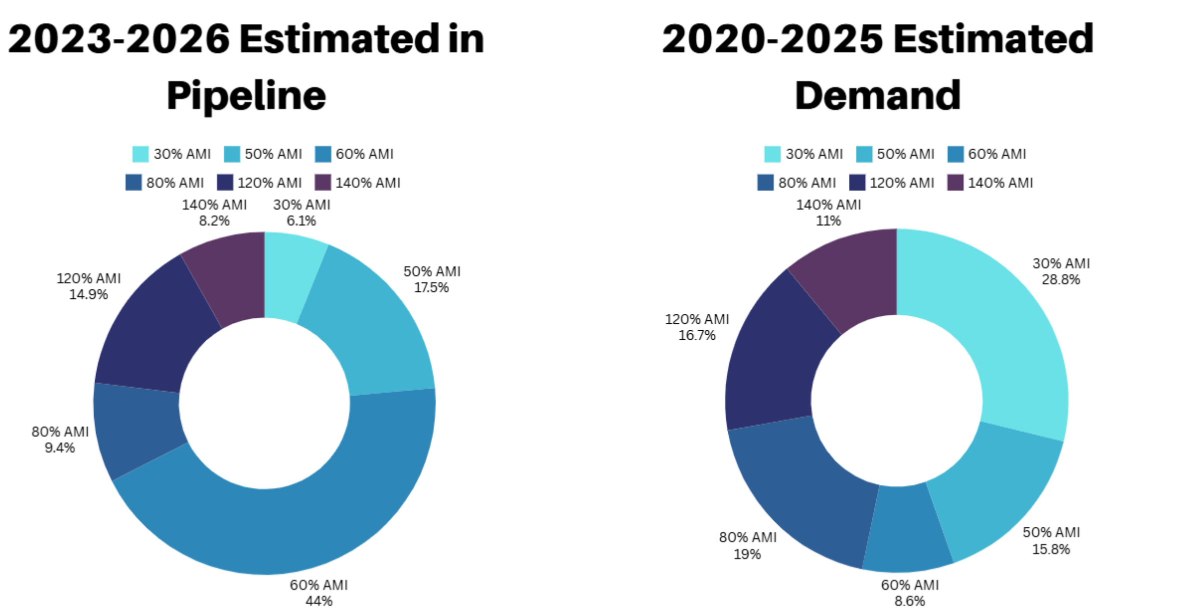
Aloha Chair Evslin, Vice Chair Miyake, and Members of the Committee:

Mahalo for the opportunity to testify on SB71, which proposes to restructure the State's housing financing priorities. While the bill highlights important areas of concern with the current Rental Housing Revolving Fund (RHRF) and the need for more efficient housing production, Hawaii Appleseed must express **strong opposition to SB71**.

Hawaii's housing crisis is severe, particularly for families in the 0-40% and 80-120% AMI ranges. While SB71 correctly identifies the issue of overbuilding in the 60% AMI segment, it fails to address the much more pressing issue of critically underbuilding for the lowest-income households (0-40% AMI) and working families earning between 80-120% AMI. These groups are the very ones our legislature seeks to help and, in our current market environment, require some level of subsidy to construct housing that is truly affordable for them. Without such support, they are often left out of housing policies that prioritize higher income brackets or are caught in the squeeze of rapidly rising housing costs without adequate relief.

Current Housing Deficiencies:



Source: www.hale.hawaii.gov, 2019 Hawaii Housing Planning Study

- **30-50% AMI**: These families are often living paycheck to paycheck, struggling to afford even the most basic housing. Overbuilding at the 60% AMI level does little to alleviate the urgent needs of this vulnerable population, whose limited income puts them at risk of homelessness but entirely eliminating priority for this group is intentionally destructive.
- **80-120% AMI**: Similarly, for working-class families—teachers, healthcare workers, and others in the 80-120% AMI range—there is also a severe shortage of housing that is affordable without becoming cost-burdened. This is a critical gap that SB71 fails to address, and by focusing primarily on the 60% AMI segment, the bill misses an opportunity to support these essential workers and families.

This shift in priority proposed by SB71 is deeply concerning. The current housing environment already overbuilds units for the 60% AMI group while severely underbuilding for those at or below 40% AMI, and for households between 80-120% AMI. **This bill's focus on higher-income brackets would not only continue to neglect those most in need but would also perpetuate the disparity between the availability of housing for those at the lowest and moderate income levels.**

The Rental Housing Revolving Fund has long been a crucial tool in financing affordable housing for low- and moderate-income families. However, SB71 would prioritize funding for projects that predominantly serve higher-income households, such as those in the 120-140% AMI range, without addressing the growing need for affordable housing in the 30-120% AMI segments. This bill would reduce the focus on the critical rental housing gap for families earning between 30-120% and would make it more difficult to build affordable housing for them, further burdening the state's most vulnerable residents.

SB71 overlooks the real needs of working families who struggle with skyrocketing rents and housing costs in Hawaii. These families are the ones who would most benefit from RHRF and the RHRF Tier II programs which help to finance housing options that are within their financial reach.

Rather than shifting resources away from the critical needs of low- and moderate-income residents, we urge the committee to focus on policies that prioritize funding for LIHTC and Tier II program projects. Only by providing targeted, appropriate subsidies for these groups can we hope to address the housing crisis in a meaningful way.

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawaiʻi Appleseed Center for Law and Economic Justice
OPPOSITION SB71 SD2 – Relating to Rental Housing Revolving Fund
House Committee on Housing
Friday, March 14, 2025 at 9:00AM | Conf. Rm. 430 and via Videoconference

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SB71 does not provide the solutions needed to create affordable housing for those who need it most. Instead, it exacerbates existing inequalities in housing availability and affordability. Therefore, **we respectfully urge the committee to change SB71 to reflect the commitment to our low and moderate income families across the state.**

Mahalo for the opportunity to testify.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

Hawaiʻi YIMBY
Honolulu, HI 96814
hawaiiyimby.org
info@hawaiiyimby.org

March 13, 2025

House Committee on Housing
Hawaiʻi State Capitol
Honolulu, HI 96813

RE: COMMENTS for SB 71 SD2 - RELATING TO THE RENTAL HOUSING REVOLVING FUND

Aloha Chair Evslin, Vice Chair Miyake, and Members of the Committee,

On behalf of Hawaiʻi YIMBY, we are writing with **comments for SB 71 SD2** which would rename the Rental Housing Revolving Fund (RHRF), and create a tiered prioritization for use of the funds. We support the intent of the bill to improve the RHRF, however have concerns over some aspects of this bill, as currently written.

We understand and agree that the current state of the RHRF results in homes that do not fit the needs of Hawaiʻi residents with relation to their income. Indeed, we need to more effectively distribute these limited funds to build more homes targeted at a wider spectrum of income, not only 60% AMI and below. However, this bill greatly downplays the vital role that rental housing plays within our housing market and the populations it serves. We agree that home ownership is a critical part to determining a families potential outcomes, however we cannot increase our reliance on the private market to fill the potential gaps if the RHRF prioritization is shifted towards for-sale homes.

Regarding prioritization of funds, as currently written, this bill only lists two AMI brackets, 50-60% and 120-140%. This seems to leave **a very large gap** for AMI brackets of a very critical population. Much of our workforce falls between 60-120% AMI, like teachers, first responders, nurses and skilled trade workers. We ask that if passed, this bill be amended to ensure that these AMI brackets are incorporated into the prioritization with an emphasis on ensuring that we are building more homes for our workforce.

We believe in funding affordable housing and find workforce housing to be especially important as it provides working-class residents with an affordable place to live. Building homes for families that fall into these income brackets will greatly help with retaining a vibrant and diverse workforce, which is desperately needed across the state. It is important for us to continue to fund homes for our lower income residents, but we must target additional funds to our middle-income, working class families who struggle to compete for market-rate homes.

Hawaiʻi YIMBY *(Yes In My Backyard)* is a volunteer-led grassroots advocacy organization dedicated to supporting bold and effective solutions for Hawaiʻi's devastating housing crisis. Our members are deeply concerned about Hawaiʻi's chronic and worsening housing shortage, which has caused home prices to rise much faster than incomes and pushes thousands of kamaʻāina out to the mainland or into homelessness every single year.

Thank you for the opportunity to testify.

Sincerely,
Damien Waikoloa
Chapter Lead, Hawaiʻi YIMBY

Edgardo Díaz Vega
Chapter Lead, Hawaiʻi YIMBY

holomua
COLLABORATIVE

OUR MISSION
To support and advance public policies that make Hawai‘i affordable for all working families.

OUR VISION
Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai‘i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai‘i can thrive.

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HolomuaCollaborative.org

Committee:	**House Committee on Housing**
Bill Number:	**SB71 SD2, Relating to The Rental Housing Revolving Fund**
Hearing Date and Time:	**March 14, 2025, 09:00am (Room 430)**
Re:	**Testimony of Holomua Collaborative – Comments**

Aloha Chair Evslin, Vice Chair Miyake, and members of the committee:

Mahalo for the opportunity to submit **comments** on SB71 SD1, Relating to the Rental Housing Revolving Fund. This bill would rename the Rental Housing Revolving Fund to the State Housing Revolving Fund, and clarify the prioritization of, and eligibility and preference criteria for, projects for which it may fund.

Hawai‘i remains in a housing crisis. In October 2024, a survey[1] gathering information about the day-to-day financial experience of local workers was released and it suggests this growing crisis has the potential to reach staggering levels. When nearly 1,500 local workers were asked if they may need to move to a less expensive state, only thirty-one percent answered a definitive “no,” while sixty-nine percent said “yes” or “unsure.” And nearly two-thirds of the respondents said the cost of housing was the primary impact on their cost of living in Hawai‘i. Each local worker and family we lose to the continent contributes to a loss of our economy, our culture, and our family.

We note that the amendments made by this measure to the order of priority for projects, result in a gap in funding for projects for residents with an area median income between 60% and 120%. If these changes are adopted as proposed, there will be less funding for housing for this population group, one of the most likely to leave Hawai‘i. This population group includes those that may not have enough financial security to comfortably live in Hawai‘i, but do have just enough to leave.

If this measure is to advance, we respectfully recommend that it be amended to account for and bridge this gap for residents with an area median income between 60% and 120%.

Sincerely,

Joshua Wisch
President & Executive Director

[1] https://holomuacollective.org/survey/

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

March 13, 2025

Representative Luke Evslin, Chair
Representative Tyson Miyake, Vice Chair
Committee on Housing

RE: **SB 71 SD2 - Relating to the Rental Housing Revolving Fund**
Hearing date: Friday March 14, 2025 at 9:00AM

Aloha Chair Evslin, Vice Chair Miyake, and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in opposition to SB 71 SD2 Relating to the Rental Housing Revolving Fund (RHRF). NAIOP Hawaii represents over 200 industry professionals, including developers, owners, investors, asset managers, lenders, and other stakeholders committed to responsible real estate development in Hawaiʻi. While we appreciate the Legislature's continued efforts to address the state's housing crisis, we have strong concerns regarding the restructuring of the RHRF and the potential negative impact these changes will have on affordable housing production.

For decades, the Rental Housing Revolving Fund (RHRF) has been an essential tool for facilitating the development of affordable housing in Hawaiʻi. The existing structure of the RHRF is effective in leveraging public funds to attract private investment and efficiently finance rental housing projects. Altering the name and framework of the fund does not address the core issues driving the housing crisis and instead creates unnecessary confusion and uncertainty for developers, lenders, and policymakers who rely on the fund to support long-term housing development. The focus should remain on improving the efficiency of the fund, increasing funding availability, and ensuring predictable access for developers rather than restructuring the program in ways that could disrupt its effectiveness.

Beyond the name and structural changes, we have serious concerns about individual provisions within SB 71 SD2 that introduce new restrictions and conditions that will hinder, rather than accelerate, affordable housing production.

One of the most concerning elements of this bill is the exclusion of for-profit developers from eligibility for RHRF funding. For-profit developers have played a crucial role in increasing the supply of affordable housing by bringing expertise in project delivery, access to private capital, and the ability to scale developments efficiently. Restricting RHRF funding to only government agencies and nonprofit organizations will significantly slow down housing production by eliminating key industry partners that have historically been instrumental in delivering affordable units. The most successful housing models involve public-private partnerships that leverage state resources alongside private-sector efficiency. Rather than limiting participation, the state should focus on expanding eligibility to all entities capable of delivering affordable housing while maintaining strong accountability measures to ensure long-term affordability.

Additionally, the bill imposes new public ownership requirements that mandate state or county ownership of funded projects or require eventual conveyance to a government entity. This approach introduces significant inefficiencies, as public ownership models tend to be burdened by bureaucratic delays, higher administrative costs, and long-term maintenance challenges. Private developers often have more streamlined operating structures that ensure affordability is maintained while keeping housing developments financially viable. Mandating government ownership is not the solution to affordability - ensuring a competitive, well-funded, and efficiently managed housing program is. A more flexible ownership structure should be maintained to encourage greater participation from all capable housing providers.

SB 71 SD2 also reduces financial feasibility by limiting loan terms to just five years, which is not practical for affordable housing development. Affordable housing projects require long-term financing, with loan amortization periods typically ranging from 15 to 30 years, to ensure reasonable debt service payments and financial stability. A five-year loan term creates unrealistic repayment requirements, making projects far riskier and less attractive to lenders and investors. To maintain the effectiveness of the RHRF, loan terms should align with industry standards to provide the long-term financial certainty that affordable housing projects need.

Another problematic provision is the preference given to projects with perpetual affordability requirements. While long-term affordability commitments are important, requiring perpetual affordability can discourage investment and make projects financially unsustainable in the long run. Affordable housing developments depend on multiple layers of financing, including private loans, tax credits, and subsidies, and they need the flexibility to refinance, recapitalize, and reinvest in necessary property improvements over time. Rather than mandating perpetual affordability, a more balanced approach would be to incentivize long-term affordability commitments of 60 to 99 years while allowing flexibility for refinancing and reinvestment.

Rather than restructuring the RHRF and introducing restrictive provisions that slow down housing production, NAIOP Hawaii urges the Legislature to focus on solutions that will expand access to RHRF funding, increase efficiency in fund disbursement, and ensure that all capable housing developers - including for-profit, non-profit, and public entities - can participate in delivering affordable housing. By maintaining the existing, well-established framework of the RHRF and refining policies to remove unnecessary barriers, streamline financing, and encourage collaboration, we can make meaningful progress toward addressing Hawai‘i’s affordable housing crisis.

For these reasons, NAIOP Hawaii opposes SB 71 SD2 in its current form and encourages the Committee to reconsider changes that weaken the effectiveness of the RHRF. We stand ready to collaborate on policies that will truly accelerate affordable housing production and create a sustainable path forward for Hawai‘i’s residents.

Mahalo for your consideration,

Reyn Tanaka, President
NAIOP Hawaii

SB-71-SD-2
Submitted on: 3/11/2025 9:16:57 PM
Testimony for HSG on 3/14/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Seth Kamemoto	Individual	Oppose	Written Testimony Only

Comments:

Unless the legislature plans to fund this renamed "State Housing Revolving Fund" at much higher levels, expanding the applicability to higher AMI (and for-sale) projects essentially means that the lower-income rental projects (at <50% AMI) will be forsaken, as it obviously costs "less" in subsidy to provide a 100% AMI rental than a 30% AMI rental, all other things equal.

The impetus of this proposed change suffers from two fallacies:

1. The idea that all units in the "demand" section of the 2019 Housing Study are equal in societal benefit. If that were true, then sure, spending less to fulfill any single unit would be the most efficient and best use of our tax dollars. But it's just not true. The family that is "demanding" a 100% AMI unit has more mobility and other options, compared to the family in need of a 30% AMI unit. So even if "demand" for both were equal, providing even a single unit at 30% AMI might provide more societal benefit than 3 at 100%AMI, because that single unit might keep a family from becoming homeless, while very few families at the 100%AMI level are in imminent risk of homelessness, whether those units are built or not.
2. The idea that the "demand" from the 2019 Housing Study is even a need at all. It's not. It's simply a measure of *unmet demand*. To be clear: the survey asked if residents "planned" to move, and from that number, it subtracted out those who had the current means to rent/buy at market prices. The so-called "demand" was what was left over. A family that plans to buy and has a 140%AMI income might not have enough down payment, or good enough credit to currently buy at market. They would be counted in this demand. But it's not like they're really even in need of a physical home. They may just need to save up more or repair their credit; that alone would allow them to buy at market and take them out of the "demand" count. And again, with a 140%AMI income, this family has a good amount of mobility; they could find something decent to rent if needed. Unlike a 30%AMI family, where there just isn't enough housing available at that price point.

Instead of focusing on specific numbers of units at each price point, where the metric itself doesn't even capture true need, I'd implore the legislature to prioritize rentals at the lower end of the affordability spectrum, at <50% AMI levels. These are our local families that are in true need of an affordable housing safety net. I daresay that not a single family "demanding" a for-sale 140%AMI home is at risk of falling through the cracks and becoming homeless. The same can’t be said for a 30%AMI family. So even if these units cost more in subsidy to build and maintain, the societal benefit provided will always be worth it.

Thank you for your consideration,
Seth Kamemoto

SB-71-SD-2
Submitted on: 3/12/2025 4:34:51 PM
Testimony for HSG on 3/14/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Ellen Godbey Carson	Individual	Support	Written Testimony Only

Comments:

I support SB71, SD2. It will help the RHRF produce new housing with greater efficiently. It stretches the dollars in the RHRF for the best benefit to Hawaii residents who need homes, by spending on rehabilitation and preservation as well as new construction, and restricting occupancy to Hawaii residents who will live in their units and don't own other property.

Thank you for helping us create more solutions to Hawaii's housing problems.

Ellen Carson

Honolulu, Hawaii

SB-71-SD-2
Submitted on: 3/13/2025 7:58:49 AM
Testimony for HSG on 3/14/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Elizabeth Nelson	Individual	Support	Written Testimony Only

Comments:

SB 71 helps the average local residents stay here by restricting occupancy to Hawaii residents who live in their units and do not own any other property.

Build for residents, keep the housing affordable, stretch Rovolving Fund's $! billion as far as possible.

Thank you, Elizabeth Nelson

Kaneohe

HOUSE COMMITTEE ON HOUSING
Hearing on March 14, 2025 at 9:00 am

SUPPORTING SB 71 SD 2

My name is John Kawamoto, and I support SB 71 SD 2 because it will enable the State to develop more affordable housing.

Among Hawaii's many unmet needs, the most pressing is affordable housing. Decent housing is one of the cornerstones of family health and well-being, but too many of Hawaii's families are faced with a lack of decent housing that is affordable to them.

Aloha United Way estimates that one-third of Hawaii's families include at least one family member who is employed, but does not earn enough to cover all the family's necessities of daily living. Due to financial reasons, these families are forced to cut back on food, medicine, or other necessities. Housing is the biggest expense in a typical family's budget, so any reduction in housing costs would improve the family's overall finances.

The State has been engaged in developing affordable housing for decades. The Rental Housing Revolving Fund, for example, was initially established as the Rental Housing Trust Fund in 1992 by Act 308. Its name was changed in 2015, but its purpose remained the same. In 1992 the Legislature stated the following:

> *. . . many persons are forced to occupy overcrowded, unsafe, or unsanitary dwelling accommodations, or become homeless. The legislature also finds that a majority of Hawaii's housing problems stem from an inadequate supply of affordable housing . . .*

Now, more than 30 years later, Hawaii finds itself in an affordable housing crisis. In recent years the Legislature has appropriated hundreds of millions of dollars annually to the Rental Housing Revolving Fund, expecting to substantially increase the development of affordable housing. Regrettably, that has not happened. More than $1 billion has accumulated in the fund due to underutilization.

The Hawaii Housing Finance and Development Corporation (HFDC) is responsible for managing the Rental Housing Revolving Fund. This agency has submitted testimony on this bill in previous hearings. Tragically, HFDC has not expressed any interest or any intention in expending the accumulated funds any faster.

This bill makes programmatic changes that are intended to facilitate the use of that money to develop affordable housing for Hawaii's families. Specifically, the bill changes the name of the fund to the State Housing Revolving Fund, broadens its use, updates its objectives, and revises administrative processes. This bill is designed to make it possible for many of Hawaii's families to improve their living conditions and live fuller lives.

For the foregoing reasons, I urge the committee to pass the bill.