

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

HOUSE COMMITTEE ON FINANCE

February 25, 2025 at 10:00 a.m.
State Capitol, Room 308

In consideration of
H.B. 1298 Proposed HD3
RELATING TO HOUSING.

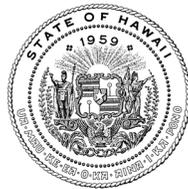
Chair Yamashita, Vice Chair Takenouchi, and members of the Committee.

HHFDC **supports** HB 1298 Proposed HD3, which requires the Hawaii Housing Finance and Development Corporation (HHFDC) to establish a Government Employee Housing Revolving Fund Program and Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program. It also appropriates funds from the Dwelling Unit Revolving Fund (DURF).

HHFDC shares the Legislature's concerns about the outmigration of state employees, and the lack of affordable rental and homeownership opportunities. The new program that initially prioritizes government employees but is open to all residents may help alleviate that.

HHFDC appreciates the DURF appropriation for the two full-time equivalent (2.0 FTE) positions needed to help administer the new program.

Thank you for the opportunity to testify on this bill.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1298, PROPOSED H.D. 3

February 25, 2025
10:00 a.m.
Room 308 and Videoconference

RELATING TO HOUSING

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

House Bill (H.B.) No. 1298, Proposed H.D. 3, establishes the Government Employee Housing Revolving Fund Program and Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program (GENNYLROP) to be administered by the Hawai'i Housing Finance and Development Corporation (HHFDC); establishes the Government Employee Housing Revolving Fund (GEHRF) for the purposes of administering both government housing programs; provides GENNYLROP construction contracts for residential condominium units within a transit-oriented development site exemption from Chapter 103D, HRS; appropriates an unspecified amount of revolving funds from the Dwelling Unit Revolving Fund (DURF) for both FY 26 and FY 27 for HHFDC to adopt rules, engage the community, and conduct site and pre-development planning for at least one government housing project in each county; and appropriates an unspecified amount of revolving funds from the DURF for both FY 26 and FY 27 for HHFDC to establish 2.00 positions to support both government housing programs.

As a matter of general policy, B&F does not support the creation of any revolving fund, which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 1298, Proposed H.D. 3, it is difficult to determine whether the proposed GEHRF would be self-sustaining.

Thank you for your consideration of our comments.



UNITED PUBLIC WORKERS

AFSCME Local 646, AFL-CIO

HOUSE OF REPRESENTATIVES THE THIRTY-THIRD LEGISLATURE REGULAR SESSION OF 2025

COMMITTEE ON FINANCE
Rep. Kyle T. Yamashita, Chair
Rep. Jenna Takenouchi, Vice Chair

Tuesday, February 25, 2025, 10:00 AM
Conference Room 308 & Videoconference

Re: Testimony on HB1298, HD3 (Proposed) – RELATING TO HOUSING

Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

The United Public Workers, AFSCME Local 646, AFL-CIO (“UPW”) is the exclusive bargaining representative for approximately 14,000 public employees, which includes blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health, and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties.

UPW **strongly supports** the proposed HD3 of HB1298, which requires the Hawaii Housing Finance and Development Corporation to establish a Government Employee Housing Revolving Fund Program and Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program. This measure also establishes the Government Employee Housing Revolving Fund and appropriates funds.

For many years, Hawaii has had the distinction of having the highest cost of living in the U.S., based in part on the average price of food, utility, and transportation costs. However, it is widely known that the high cost of housing is the most substantial cost for working families and has become a significant financial burden for hard-working residents who want to remain in Hawaii.

The Rent-to-Own program proposed in this measure can stabilize the cost of housing for our members, many of whom are lower income earners, and put them on a path to home ownership by ensuring that a portion of their rent is being allocated toward the purchase of a home.

Mahalo for this opportunity to testify in support of this measure.

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HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Thirty-Third Legislature, State of Hawaii
The House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

February 25, 2025

H.B. 1298, H.D. 3 (Proposed) — RELATING TO HOUSING.

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the concept of H.B. 1298, H.D. 3 (Proposed), which requires the Hawai'i Housing Finance and Development Corporation to establish a Government Employee Housing Revolving Fund Program and Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program. Establishes the Government Employee Housing Revolving Fund.

Our organization recognizes that our state and counties must explore new and alternative ways to recruit and retain a qualified workforce, especially at a time when government salary and benefits alone may not be enough to be considered an attractive career. Many of our members struggle with existing rent or mortgage, and we recognize the need for the development of more thoughtful affordable workforce housing. Reports indicate that our state's workforce has a 24% vacancy rate and 30% of our current workforce is eligible to retire in the next five years. We appreciate the intent of this measure as it aims to begin a conversation about government workforce housing, which can be a unique public sector benefit that the state and counties can use to recruit and retain the next generation of public employees.

Thank you for the opportunity to provide testimony in support of H.B. 1298, H.D. 3 (Proposed).

Respectfully submitted,

Randy Perreira
Executive Director

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS; Government Employee Housing; Hawai'i Housing Finance and Development Corporation; Affordable Rental Housing; Leasehold; Rent-to-own

BILL NUMBER: HB 1298 HD 3

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: Requires the Hawai'i Housing Finance and Development Corporation to establish a Government Employee Housing Revolving Fund Program and Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program. Establishes the Government Employee Housing Revolving Fund. Appropriates funds.

SYNOPSIS: Adds a new part to chapter 201H, HRS, to create a Government Employee Housing Revolving Fund, ("Fund") within the purview of the Hawaii Housing Finance and Development Corporation, ("Corporation"), The Fund shall be used to:

- 1) Provide interim and permanent loans or grants for the development, pre-development, construction, acquisition, preservation and substantial rehabilitation of rental housing units and units developed under the Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program, and
- 2) Planning, design, land acquisition, costs of options, agreements of sale, downpayments, equity financing or other housing development services or activities.

The Fund will provide loans or grants for Government Employee Ninety-Nine Year Leasehold Rent-to-Own projects, rental housing projects, and rental units in mixed-use projects for tenants in the following priority:

- 1) Newly hired permanent full-time state employees;
- 2) Other permanent full-time state employees;
- 3) Permanent full-time county employees;
- 4) Permanent part-time state and county employees;
- 5) Temporary state and county employees;
- 6) Retired state and county employees;
- 7) The general public

Sixty percent of available units shall be for persons and families with incomes at or below 140% of the median family income. Should a state or county employee leave employment, the tenant may continue to occupy the unit for up to twelve months.

The measure provides criteria for eligible applicants, projects, and criteria priority for the application process.

Adds a new part to chapter section 201H, HRS, creating a Government Employee Ninety-Nine Year Leasehold Rent-to-Own program to provide low-cost leasehold residential condominium

units for rent and subsequent sale to government employees on state owned lands within a transit-oriented development site. Dwelling units for sale may be rented to program participants. The Corporation may credit a portion of the rent received toward the purchase of the unit.

The Corporation shall adopt rules for the sale of the leasehold interest of residential condominium units under its control within transit-oriented development sites; provided that each lease shall be for a ninety-nine year term.

Requirements for an eligible buyer or owner of a residential condominium unit within a transit-oriented development site include:

- 1) Person is a qualified resident of the State, as defined in section 201H-32,
- 2) Unit shall be only for owner-occupied residential use; and
- 3) Occupants shall not own any other real property.

The median price of residential condominium units shall be priced at the minimum levels necessary to ensure the development is revenue-neutral for the State.

The owner of a residential condominium may sell the owner's unit provided the Corporation has a right of first refusal to purchase the unit for a certain period of time and for a buyback price to be determined by the Corporation.

Amends section 201H-211 to include exemptions from appropriation or allotment for expenditures from the proposed revolving Fund.

Section 5 of the bill appropriates \$_____ from the dwelling unit revolving fund for fiscal year 2025-2026 and the same sum for fiscal year 2026-2027 for purposes of this Act.

Section 6 of the bill appropriates \$_____ from the dwelling unit revolving fund for fiscal year 2025-2026 and the same sum for fiscal year 2026-2027 to establish two full-time equivalent positions within the Corporation for purposes of this Act.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This measure creates a program and revolving fund to be administered by the Hawaii Housing Finance and Development Corporation targeted at recruiting and retaining state and county employees by providing rental and home ownership incentives in transit-oriented sites.

The Legislature has established criteria for establishment of revolving fund in HRS section 37-52.4. These criteria are that the revolving fund:

- (1) Serves a need, as demonstrated by: (A) The purpose of the program to be supported by the fund; (B) The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and (C) An explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- (2) Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue, as opposed to

serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;

(3) Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and

(4) Demonstrates the capacity to be financially self-sustaining.

We are concerned that the new revolving Fund will not meet these criteria because, although the fund is to be fed by loan repayments, the Fund is also to be used to make grants, which presumably would not need to be repaid. Thus, the establishment and intended use of the revolving fund as described appears to subvert the appropriation process.

Digested: 2/24/2025



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
Tuesday, February 25, 2025 AT 10:00 A.M.**

To The Honorable Representative Kyle T. Yamashita, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

SUPPORT HB1298 HD2 RELATING TO HOUSING

The Maui Chamber of Commerce **SUPPORTS HB1298 HD2**, which requires the Hawai'i Housing Finance and Development Corporation to establish a Government Employee Housing Revolving Fund Program and Government Employee Ninety-Nine Year Leasehold Rent-to-Own Program; and establishes the Government Employee Housing Revolving Fund.

Housing is a top priority for the Maui Chamber of Commerce and remains critical as the crisis deepens following the wildfires, directly impacting businesses and our economic revitalization. Prior to the wildfires, the need for over 10,000 housing units by 2025 was already a pressing issue, but that number has increased due to the loss of 3% of our housing stock in Lahaina. This loss is a key factor driving the ongoing rise in housing prices.

This bill is another essential tool in addressing our housing challenges, and we believe it should be fast-tracked.

For these reasons, we **SUPPORT HB1298 HD2** and respectfully request its passage.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.