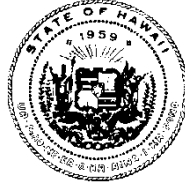


JOSH GREEN, M.D.
GOVERNOR

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

SENATE COMMITTEE ON HOUSING

January 30, 2025 at 1:10 p.m.
State Capitol, Room 225

In consideration of
S.B. 1229
RELATING TO THE DWELLING UNIT REVOLVING FUND.

Chair Chang, Vice Chair Hashimoto, and members of the Committee.

HHFDC **supports with amendments** SB 1229, which makes the Dwelling Unit Revolving Fund (DURF) Equity Pilot Program (DEP) permanent; allows partial or full repayment of DURF interim loans in the form of unit equity through the DEP; and gives preference to projects developed under governmental assistance programs pursuant to section 201H-36(a)(2).

Hawaii residents, including those in professions facing a shortage, such as teachers, healthcare workers, and law enforcement officers, are leaving the state due, in part, to the high cost of housing. Act 92, Session Laws of Hawaii 2023, established the DEP, which authorized the Hawaii Housing Finance and Development Corporation (HHFDC) to purchase equity in units in certain for-sale housing development projects, reducing the contribution made by eligible buyers, which makes homes more affordable.

Developers have shown strong interest in the DEP program. Projects participating in the program include Kuilei Place, the Flats at Sky Ala Moana, and the Park on Ke'eumoku. To date, approximately \$7.4 million of the \$10 million authorized under the pilot program has been committed.

A number of for-sale housing projects have been stalled due to high interest rates and using the DEP program in conjunction with loans from DURF has the potential to move these projects forward.

In order to secure the cooperation of banks issuing the mortgage, HHFDC would like to **amend** section (a) of page 1 as follows:

(a) The corporation may purchase equity in for-sale housing development projects [~~in the form of a second mortgage loan,~~] secured by a recorded instrument as determined by the corporation; provided that the equity shall be allocated to specific units within the housing development project and the contribution from each eligible buyer shall be reduced by the corporation's equity amount for that unit.

HHFDC also requests that section (e) on page 3 be **removed** as follows:

~~(e) With the prior approval of the corporation, the eligible developer may repay, in the form of equity in project units under the program, a part or all of the interim financing made under this subpart and secured by a mortgage on the for-sale housing development project.~~

Thank you for the opportunity to testify on this bill.

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
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COUNTY COUNCIL
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January 29, 2025

Director of Council Services
David M. Raatz, Jr., Esq.

Deputy Director of Council Services
Richelle K. Kawasaki, Esq.

LATE

TO: Honorable Nicole E. Lowen, Chair
House Committee on Energy & Environmental Protection

FROM: Yuki Lei Sugimura
Councilmember

DATE: January 29, 2025

SUBJECT: **SUPPORT FOR SB 1229, RELATING TO THE DWELLING UNIT
REVOLVING FUND**

Thank you for the opportunity to testify in SUPPORT of this measure. The purpose of this measure is to make the Dwelling Unit Revolving Fund Equity Pilot Program permanent.

I SUPPORT this measure as the program has proven to be a successful tool as we continue to work on providing more housing for our local residents. Particularly in Maui County, where the rebuild of Lahaina is a major priority, this program could provide the necessary framework to rebuild critical housing in West Maui. These projects, especially those of higher density, will go a long way to returning Lahaina residents home.

I respectfully request your support in moving this bill forward. Thank you for this opportunity to provide my testimony on this important matter.

For the foregoing reasons, I SUPPORT this measure..



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

LATE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for SB1229 – Relating to the Dwelling Unit Revolving Fund
Senate Committee on Housing
Thursday, January 30, 2025 at 1:10PM Conf. Rm. 225 and via Videoconference

Aloha Chair Chang, Vice Chair Hashimoto, and Members of the Committee:

Mahalo for the opportunity to testify in **strong support of SB1229**, which would make permanent the "Dwelling Unit Revolving Fund (DURF) Equity Program." This program helps local residents achieve homeownership through equity investment from HHFDC, with preference given to low and moderate-income households.

The DURF Equity program addresses the demand for local homeownership and helps financially support Hawai'i residents. SB1229:

1. Allows HHFDC to invest in shared equity in for-sale developments, with preference to 201H projects that target households earning 80-140% of Area Median Income (AMI)
2. By purchasing a portion of equity, reduces the amount paid by buyers
3. Forgives the equity loan after 30 years if repayment criteria are not triggered, enabling full homeownership with reduced financial burden
4. Prevents speculation and preserves affordability by including a "runs with the land" provision that requires equity repayment plus appreciation share upon resale, refinancing, or title transfer before the 30-year term,
5. Allows developers to repay loans through unit equity, reducing their upfront costs and incentivizing more affordable housing development

According to UHERO, Housing costs was cited as the primary driver of outmigration from Hawaii, with only 20% of Hawaii households being able to afford a home mortgage¹. By purchasing a share of equity in for-sale developments, this program helps lower the amount paid by buyers and addresses the demand for for-sale units by Hawai'i residents.

As of December 2024, Hawaii's median home price was \$555,000 for a typical condominium.² At current mortgage rates of 6.54%³ a conventional 30-year fixed loan with 20% down (\$111,000) would require a monthly payment of \$2818, this assumes most residents have \$111,000 for a downpayment and excluding additional HOA and insurance fees.

Especially under current market conditions, housing costs of this magnitude would make local residents cost burdened. For households making between 80k-120k, which corresponds to 80-140% Area Median Income, this housing expense would make up over 42% or 28% of their

¹ <https://uhero.hawaii.edu/wp-content/uploads/2024/05/HawaiiHousingFactbook2024.pdf>

² <https://www.locationshawaii.com/learn/market-reports/hawaii-statewide-real-estate-report/>

³ <https://www.zillow.com/mortgage-rates/hi/> | accessed: Wednesday, January 29, 2025



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for SB1229 – Relating to the Dwelling Unit Revolving Fund
Senate Committee on Housing
Thursday, January 30, 2025 at 1:10PM Conf. Rm. 225 and via Videoconference

income, respectively. As Hawaii faces some of the highest housing costs in the nation, this program is essential for putting homeownership within reach of local residents.

Under this program, units are more affordable for local homebuyers. We urge the committee to support SB1229 as it makes permanent a vital opportunity to expand affordable housing access for local residents.

Mahalo for the opportunity to testify on this measure.

Sincerely,

Arjuna Heim
Director of Housing Policy



HAWAI'I COMMUNITY FOUNDATION

LATE

TO: Senate Committee on Housing
Senator Stanley Chang, Chair
Senator Troy N. Hashimoto, Vice Chair; and
Members of the Committee

FROM: Matt Elliott, Senior Director, Policy & Public Affairs

RE: Testimony in Support for SB 1229, Relating to the Dwelling Unit Revolving Fund

Date: Thursday, January 30, 2025 at 1:10pm

Place: Hearing Room 225

The Hawai'i Community Foundation (HCF) supports SB 1229, which makes the Dwelling Unit Revolving Fund (DURF) Equity Program permanent. Housing is a priority area within HCF's CHANGE Framework under the "C" sector for Community-Centered Economy. The HCF House Maui Initiative seeks to create a sustainable housing market for local families.

Per UHERO, "median housing costs in Hawaii are more than 2.7 times the national level"¹ and median rents are the highest in the country.² ALICE families are more vulnerable because of the current housing market. The unmet demand for attainable housing is at a critical level, which has contributed to a record outmigration of local residents. This reality is punctuated by the fact that more Hawaiians now live outside Hawai'i than within Hawai'i.

It is evident that current perspectives and efforts need to be expanded, and new creative solutions must be adopted. Hyper prioritization of major off-site infrastructure improvements that can effectuate housing, broad-based collaboration and regulatory reform are more critical now than ever. At the same time, the push to build new homes must be accompanied by systems and programs that allow families to afford the homes.

HCF supports the DURF Equity Program because the intent aligns with the HCF House Maui Initiative and creates additional pathways to homeownership. The program is designed to lower home costs for new buyers, by providing them with an interest-free loan for a portion of the overall cost. They can pay off this loan at their own pace. If the homeowner decides not to stay in the home, then the proportion of the earned equity tied to the loan goes back to the state. Participants are members of the workforce that Hawai'i desperately needs, like teachers, police officers, and nurses. Also, the program includes limits so that the loans cannot go to landlords.

HCF agrees that the time is right for the conversion of the pilot to a permanent program so that there is greater opportunity to provide loans to individuals living on all islands across Hawai'i.

¹ [UHERO 2023 Hawaii Housing Factbook](#) at page 1.

² [UHERO 2024 Hawaii Housing Factbook](#) at page 6.

There is universal agreement that locals need more places to call home. Homes must be affordable so residents will be free from the pressure of leaving the island. SB 1229 can help make housing affordable and give families a chance to control their economic futures.



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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Committee: Senate Committee on Housing
Bill Number: SB 1229, Relating to the Dwelling Unit Revolving Fund
Hearing Date and Time: January 30, 2025, 01:10pm (Room 225)
Re: Testimony of Holomua Collaborative – Support

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee:

Mahalo for the opportunity to submit testimony **in support** of SB 1229, Relating to the Dwelling Unit Revolving Fund. This bill would make the Dwelling Unit Revolving Fund Equity Pilot Program permanent. It would also allow for partial or full repayment of Dwelling Unit Revolving Fund interim loans in the form of unit equity through the Dwelling Unit Revolving Fund Equity Program and give preference to projects developed under governmental assistance programs pursuant to section 201H-36(a)(2).

Hawai'i remains in a housing crisis. Skyrocketing home prices leave many local families struggling to secure safe, attainable places to live. The median home price in Hawai'i now exceeds \$800,000—an impossible amount for most residents. As a result, many local families are being forced to leave in search of affordable living options elsewhere. Between July 2022 and July 2023 alone, an average of twelve people left Hawai'i *every day*.¹ More Native Hawaiians now live outside Hawai'i than within it. This is a loss of our culture, traditions, and the essence of what makes Hawai'i home.

In October 2024, a survey² 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.

This program has the potential to help by reducing housing costs for new buyers in the form of interest-free loans to cover a portion of the home's total cost. Homeowners can repay this loan at their own pace, and if they choose to sell, the state recoups a share of the earned equity—ensuring continued investment in affordable housing.

¹ U.S. Census Bureau, Population Division Estimates, released on March 14, 2024; and calculations by the Hawai'i State Department of Business, Economic Development & Tourism, Hawai'i State Data Center.

https://files.hawaii.gov/dbedt/census/popestimate/2023/county-pop/2023_daily_est_counties.pdf

² <https://holomuacollective.org/survey/>

This program is designed to support the essential workers we all rely on in Hawai'i: teachers, first responders, nurses, and others who keep our communities strong. To maintain its focus on helping local families, strict limits prevent these loans from being used by landlords.

Under the existing pilot, specific housing units have already been designated to be included in the program. As described in a recent news article, the program is designed to put housing within reach of middle-income local residents. An example that was provided shows how “a two-bedroom, one-bath condo priced at \$627,000 could instead be sold at \$524,000 to select professionals because the revolving fund buys \$103,000 in equity in that unit. That reduced price puts the condo within financial reach of many more people... The equity is paid back to the revolving fund when the professional sells the unit.”³

To increase the program's reach to residents of every county and put more local working families in attainable housing, this is a good time to make this pilot program permanent. SB 1229 is a strong move in the right direction to keep local families in Hawai'i, while giving them greater control over their economic futures.

We appreciate the opportunity to testify and respectfully recommend your passage of this measure.

Sincerely,



Joshua Wisch
President & Executive Director

³ “A State Program Is Helping Critical Workers Buy Homes,” October 4, 2024 in Hawai'i Business Magazine (<https://www.hawaiibusiness.com/hawaii-homeownership-durf-equity-pilot-program-affordable-housing-workforce/>)