JOSH GREEN, M.D.
GOVERNOR

HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
SENATE COMMITTEE ON HOUSING

Tuesday, January 28, 2025
1:00 p.m. – Room 225, Hawaii State Capitol

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

Honorable Chair Chang and members of the Senate Committee on Housing, thank you for the opportunity to provide testimony on **Senate Bill (SB) 71**, which amends the preference criteria and eligibility requirements for applicant developers seeking assistance from the Rental Housing Revolving Fund (RHRF). 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 RHRF, sets forth the activities eligible for RHRF assistance, and creates various preferences and priorities for the award of assistance. The RHRF, which is administered by the Hawaii Housing Finance and Development Corporation, provides equity gap, low-interest loans to qualified owners and developers constructing or rehabilitating affordable rental housing units. **SB 71**, 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. The HPHA and its development partners have and will seek additional RHRF funding in the coming months and years to meet these ambitious goals. 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.

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 28, 2025 at 1:00 p.m.
State Capitol, Room 225

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

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

HHFDC has **comments** on SB 71, which amends the preference criteria and eligibility requirements for applicant developers seeking assistance from the Rental Housing Revolving Fund (RHRF).

HHFDC recognizes the shared goal of providing long-term affordable housing in the State.

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. Some of the criteria considered when awarding RHRF funds include project readiness, project cost and financing efficiency, affordability commitment, amenities, and target households served.

HHFDC does not oppose promoting multifamily units near stations of a locally preferred alternative of a mass transit project; state or county owned projects; projects that are required to be conveyed to the State or county at a definite time; or projects owned by an organization obliged to use all financial surplus generated by the project to construct, manage, or rehabilitate owner- or renter-occupied housing in the State.

However, we have the following concerns:

- Its prioritization of financing awards is without regard to the efficiency in the deployment of limited resources and project financial feasibility or readiness of projects.
- Affordability terms should be tied to the expected useful life of the building improvements currently being financed. It is unreasonable to require the use of real property to be limited to affordable housing purposes in perpetuity due to a financing transaction for improvements that are not perpetual in their longevity.
- 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.
- A five-year loan term is not feasible for LIHTC projects. HHFDC supports reducing the maximum loan term of RHRF loans to 40 years.

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

Additionally, HHFDC requests that language providing for establishing an application process for fund allocation remain in the bill.

(c) The corporation shall establish an application process for fund allocation.

Thank you for the opportunity to testify on this bill.

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

January 27, 2025

Senator Stanley Chang, Chair
Senator Troy Hashimoto, Vice Chair
Committee on Housing

RE: **SB 71 - Relating to the Rental Housing Revolving Fund**
Hearing date: Tuesday January 28, 2025 at 1:00PM

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

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **OPPOSITION** to **SB 71 Relating to the Rental Housing Revolving Fund**. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

SB 71 amends the preference criteria and eligibility requirements for applicant developers seeking assistance from the Rental Housing Revolving Fund (RHRF). While we appreciate the Legislature's commitment to addressing Hawaii's housing crisis, we have serious concerns that SB 71, as written, will hinder affordable housing production rather than support it.

Primarily, SB 71 precludes for-profit developers from eligibility for the RHRF by providing preference to government agencies and nonprofit organizations. For-profit developers, who have historically been critical partners in affordable housing development bringing expertise, efficiency, and access to private capital. Excluding these developers reduces the capacity to develop housing at the scale needed to address Hawaii's severe housing shortage. Collaborative efforts between government, nonprofits, and for-profits have historically been key to maximizing housing production and leveraging public funds.

NAIOP is concerned that SB 71 would increase public ownership requirements by mandating state or county ownership of projects or requiring eventual conveyance discourages participation from private developers and raises concerns about long-term operational efficiency. Public ownership often comes with higher administrative costs and operational inefficiencies, potentially reducing the number of units that can be maintained over time.

Furthermore, under subsection (b)(6) providing preference to applicant developers requesting loan terms no longer than 5 years. The shortened loan terms create undue financial pressure on developers, as affordable housing projects typically require longer loan amortization periods to remain financially viable. Such restrictions discourage participation from developers and lenders alike, further slowing housing production.

Moreover, SB 71 provides preference to projects with perpetual affordability. While affordability is a key goal, perpetual restrictions may disincentivize developers from pursuing projects due to the long-term financial risks and operational burdens associated with such agreements. The measure will discourage private and for-profit developers from participating in affordable housing projects, as it limits long-term financial flexibility and deters investment.

Accordingly, rather than excluding key stakeholders and imposing restrictive criteria, NAIOP Hawaii encourages the Legislature to:

1. Retain broader eligibility for the Rental Housing Revolving Fund to include for-profit developers.
2. Focus on incentivizing partnerships that balance private, nonprofit, and public sector contributions.
3. Provide flexibility in loan terms and affordability requirements to ensure financial feasibility and encourage participation.

By fostering collaboration and maintaining a balanced approach, Hawaii can achieve its affordable housing goals more effectively. We urge the Committee to reconsider SB 71. NAIOP appreciates the Legislature's commitment to creating affordable housing for Hawaii residents and we look forward to working together. Thank you for the opportunity to provide testimony.

Mahalo for your consideration,

Reyn Tanaka, President
NAIOP Hawaii

CATHOLIC CHARITIES HAWAIʻI

LATE

OPPOSE SB 71: RELATING TO THE RENTAL HOUSING REVOLVING FUND

TO: Senate Committee on Housing
FROM: Tina Andrade, President and CEO, Catholic Charities Hawaiʻi
Hearing: Tuesday, 1/28/25; 1:00 pm; CR 225 and Videoconference

Chair Chang, Vice Chair Hashimoto, and Members, Committee on Housing:

Thank you for the opportunity to provide **Testimony opposing SB 71,** which amends the preference criteria and eligibility requirements for applicant developers seeking funding from the Rental Housing Revolving Fund. I am Tina Andrade with Catholic Charities Hawai`i.

Catholic Charities Hawai`i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai`i for over 75 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai`i. We have a long history of working in affordable housing and homelessness.

Catholic Charities Hawaii **respectfully opposes this bill.** We have deep concerns about significant parts of this bill. The current language is more flexible and yet covers many of the proposed changes.

TOD/Government Projects: We support development of state or county-owned projects since these would be permanently affordable. **We also feel that the residents of Hawaii should have affordable housing choices in other areas.** This includes areas outside of TOD zones or state/county projects. The current priority, to serve the geographic needs of the population, is essential for elders who must be near transportation, shopping, etc to maintain independent living. Our workforce needs to find affordable housing based on their jobs, family situations, etc. The current RHRF language would include TOD areas and State/in the current priority listing (deleted in this bill). Housing priorities need to reflect a wider scope of locations than may be offered by state or county projects or TOD areas.

Loan Term of 5 Years: We are extremely concerned about the impact of providing a preference to projects that request loan terms no longer than five years. LIHTC awards are highly competitive and developers focus on utilizing every priority. This provision, along with other changes in this bill, would make if almost impossible for much needed lower income targeted projects to compete for funding.. **After buildings are built, the only way to repay loans faster is from the rents. Long term maintenance might be deferred.** This could result in health/safety issues and loss of quality of life for tenants as projects age. Tenants in "affordable" buildings are struggling. A top legislative priority is to help our residents afford to live here. Stable rents are critical for this. Without increasing affordable housing projects for low and well and medium income households, **homelessness and outmigration will increase**.

Obligation to use Financial Surplus for Housing: We greatly appreciate that the legislature added a priority in 2024 for projects with a perpetual affordability commitment. Hawai`i will be spending hundreds of millions of dollars in the near future to create affordable rentals. **This priority recognizes that Hawai`i must ensure that the projects selected will continue to be permanently affordable to our local population.** We suggest that the HHFDC needs to test and evaluate this current priority before adding other new priorities (as proposed in this bill).

Another concern is the cost to implement and continue a new bureaucracy for the proposed change. This would be needed to monitor, audit, follow projects for 60-100 years, etc.. Would this administrative burden on HHFDC take away from its main purpose, to create affordable housing?

Deletion of other Priorities, particularly the set aside for 5% of units targeting people at/below 30% of the AMI. Developers can only afford to build rentals for persons below 30% AMI by mixing them with units that charge higher rents. This 5% of units is critical for our elders facing homeless, lower income families in our workforce, etc. In fact, in order to even find a unit, in 2020, **well over half of the actual tenants (2,153 out of a total of 3,226 tenants) 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 units.**

We respectfully urge you to defer this bill. Please focus on providing stable, appropriate housing for the tenants who will live there.

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

SB-71
Submitted on: 1/26/2025 12:06:51 PM
Testimony for HOU on 1/28/2025 1:00:00 PM

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

Comments:

I fully support the clarifications of preference to state/city owned projects and perpetual affordability. However, I am concerned that the actual "affordability" preferences have been stricken. A private project could propose perpetual affordability at the 100000000% AMI level and a requirement to convey to the State in the year 999999 with no codified consequence here. This could open up RHRF to be applied to private market-priced (or even luxury) housing development projects.