

How Fast Can Government Agencies Turn The Legislature's \$1 Billion Into New Housing?

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Struggling To Get By

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Lawmakers just appropriated approximately \$1 billion to help build homes for residents. Now it's up to the executive branch to make things happen.

By Stewart Yerton / About 10 hours ago

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During this year's legislative session Hawaii lawmakers made a dramatic pledge to create more housing in the islands, appropriating roughly \$1 billion for a range of projects designed to help a spectrum of residents, from the homeless to welfare recipients to middle-income households earning nearly \$100,000 annually.

Now, the question is how quickly can other parties step in and convert the Legislature's historic appropriation into housing for residents.

House Speaker Scott Saiki, who was lead sponsor of a bill steering \$600 million for Native Hawaiian homes, said lawmakers worked with agencies during the session to prepare them for the influx of cash.

But, he said, other parties, including the private sector, will have to step up in many cases. Plus, Saiki said, another challenge will come with a new gubernatorial administration transitioning into power in January.

Assuming Gov. David Ige signs the housing bills into law, the next governor will have \$1 billion for housing burning a hole in his or her pocket.

"Because we had a significant amount of revenue, it was the right thing for the Legislature to make the investment," said Rep. Sylvia Luke, who chairs the House Finance Committee. "But now it really is in the hands of the executive branch to make these things happen."

The two biggest recipients, the Department of Hawaiian Home Lands and Hawaii Housing Finance and Development Corp., are well positioned to make things happen quickly. But, as DHHL spokesman Cedric Duarte said, "the devil is in the details."

For DHHL, the overarching goal is to fulfill a vision to place Native Hawaiians on homelands set aside under the U.S. Hawaiian Homes Commission Act of 1920. A century later, that dream remains deferred for approximately 28,700 Native Hawaiian applicants on

a waitlist for residential, agricultural and pastoral leases.

Lawmakers have given DHHL broad latitude to use the \$600 million to whittle down the waitlist, letting the agency use the money to purchase available land or units, for instance. DHHL can also use the money to provide mortgage or rental subsidies and “other services as necessary to address the waiting list.”

“Our goal is to roll out as quickly as possible,” said Duarte.

At the same time, he said, the department has work to do not only preparing for construction projects but also planning to administer new functions, like providing rental assistance. That means putting together policies and procedures and material to explain the programs to the public.

Although the bill gives DHHL until December to draft a strategic plan to submit to the Legislature, Duarte said the department hopes to have a plan long before that – ready to release as soon as Ige signs the bill into law.

“We want to make sure we have everything in order when we roll out to the community,” he said.

The next biggest recipient is the Hawaii Housing Finance and Development Corp., which received \$300 million.

Rep. Nadine Nakamura, who chairs the House Housing Committee, noted that \$150 million is meant to help develop affordable rentals aimed at people earning up to 100% of the state’s median family income, which was just over \$96,000 in 2019, according to 2020 U.S. Census data.

It’s a segment of the population that’s often underserved, said Nakamura.

“We have a chunk of funds now to help build those kinds of units,” she said.

HHFDC doesn’t develop anything, but instead provides money to developers who build affordable housing. Typically, the developers using HHFDC money also rely on federal tax credits for low-income housing development. Developers can sell the credits to raise equity to help secure bank loans, analogous to cash used as a down payment to get a home mortgage.

Luke said she’s optimistic the funds will get into the hands of home builders who can use it.

“I remain optimistic only because I hear there’s been a lot more demand than what we’ve provided funding for” in past years, she said.

In addition, Nakamura said, this session lawmakers provided funding for two additional full-time housing finance specialists and just under \$1.6 million for new computer software.

While the public money helps developers accumulate the capital needed for projects to pencil out, developers of affordable housing often face the same challenges that other developers face, including opposition from neighbors and slow-moving county permitting processes.

This means that tax money is hardly a recipe for instant housing, said Kevin Carney, vice president of the nonprofit affordable housing developer EAH Housing. Much depends on factors outside of HHFDC's control, like how fast projects can get building permits and other approvals needed to build, he said.

"No matter what, it's going to take years," Carney said in an interview. "Overall, you're looking at six to seven years to do one of these projects, and it could be longer depending on a lot of things."

HHFDC spokesman Gordon Pang referred requests for comment to HHFDC's executive director, Denise Iseri-Matsubara, who was not available.

While the DHHL and HHFDC projects will get the biggest share of the \$1 billion, others will also benefit. For example, the Legislature appropriated \$15 million to extend until 2026 a 2018 "pilot program" supporting housing for homeless people, including projects like tiny home villages.

Lawmakers set aside \$5 million to provide loans to nonprofit community development financial institutions and nonprofit housing development organizations to build affordable homeownership housing projects.

And lawmakers have agreed to fund payment of \$500 per month for a housing allowance to assist welfare recipients, drawing on about \$57 million of federal money that goes unused each year.