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DEAN MINAKAMI
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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 LABOR

February 11, 2025 at 9:00 a.m.
State Capitol, Room 309

In consideration of
H.B. 1298 HD1
RELATING TO HOUSING.

Chair Sayama, Vice Chair Lee, and members of the Committee.

HHFDC **supports** HB 1298 HD1, 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 establishes the Government Employee Housing Revolving Fund and appropriates funds. HHFDC supports the measure so long as it does not adversely impact priorities identified in the Executive Budget Request for FY 2026.

HHFDC shares the Legislature's concerns about the outmigration of state employees, and the lack of affordable rental and homeownership opportunities.

HHFDC supports the \$450,000 appropriation out of the Dwelling Unit Revolving Fund 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.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:

H.B. NO. 1298, H.D. 1, RELATING TO HOUSING.

BEFORE THE:

HOUSE COMMITTEE ON LABOR

DATE: Tuesday, February 11, 2025 **TIME:** 9:00 a.m.

LOCATION: State Capitol, Room 309

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Chase Suzumoto, Deputy Attorney General or
Linda L.W. Chow, Deputy Attorney General

Chair Sayama and Members of the Committee:

The Department of the Attorney General offers the following comments.

This bill establishes the Government Employee Housing Revolving Fund (GEHRF) program and an affordable ninety-nine-year leasehold rent-to-own program.

As part of the GEHRF program, the bill authorizes the Hawaii Housing Finance and Development Corporation (HHFDC) to use the GEHRF to provide 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.

There are two issues with this bill. First, this bill amends section 201H-211, Hawaii Revised Statutes (HRS), to exempt the GEHRF revolving fund from legislative appropriation and allotment. See Page 19, lines 3 to 20. Article VII, section 5, of the Hawai'i Constitution, however, provides that "[n]o public money shall be expended except pursuant to appropriations made by law" and prohibits such exemptions. We recommend amending the bill to remove section 3, in its entirety, on page 19, lines 3 to 20.

Second, the bill does not appear to contain legally sufficient standards for awarding grants of public money as required by article VII, section 4, of the Hawai'i Constitution – "[n]o grant of public money . . . shall be made except pursuant to

standards provided by law." Therefore, we recommend amending the bill to insert appropriate standards. Examples of existing statutes that provide standards for agencies to issue grants are part II of chapter 9 and sections 10-17, 210D-11, and 383-128, HRS.

We have attached examples of standards to this testimony for the Committee's consideration. These and any other standards could be inserted into the bill on page 8, line 11, as a new subsection (g) of the proposed new section entitled "[g]overnment employee housing revolving fund," that begins on page 4, line 20. We are available to work with the Committee on any potential amendments to the bill.

Additionally, we recommend amending page 16, line 19, of the bill by replacing the word "authority" with "corporation" to reflect HHFDC as the entity acquiring county lands under that section.

Thank you for the opportunity to testify on this bill.

DRAFT GRANT STANDARDS

(g) Applications for grants shall be made to the corporation and contain the information as required by rules adopted under this subpart. At a minimum, the applicant shall:

- (1) Be an eligible applicant for funds under this subpart;
- (2) Agree to use state funds exclusively for the purposes of the government employee housing revolving fund program;
- (3) Indicate capability to properly use the grant for the purpose of the government employee housing revolving fund program;
- (4) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, disability, or any other characteristic protected under applicable federal or state law;
- (5) Agree not to use state funds for entertainment or perquisites;
- (6) Comply with other requirements the corporation may prescribe;
- (7) Comply with all applicable federal, state, and county statutes, rules, and ordinances;
- (8) Agree to indemnify and save harmless the State of Hawaii and its officers, agents, and employees from and against any and all claims arising out of or resulting from activities carried out or projects undertaken with grant funds and procure sufficient insurance to provide this indemnification if requested by the corporation; and
- (9) Agree to make available to the corporation all records the applicant may have relating to the grant, to allow state agencies to monitor the applicant's compliance with this subpart.



UNITED PUBLIC WORKERS

AFSCME Local 646, AFL-CIO

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

COMMITTEE ON LABOR

Rep. Jackson D. Sayama, Chair
Rep. Mike Lee, Vice Chair

Tuesday, February 11, 2025, 9:00 AM
Conference Room 309 & Videoconference

Re: Testimony on HB1298, HD1 – RELATING TO HOUSING

Chair Sayama, Vice Chair Lee, 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** HB1298, HD1, 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.

We would like to note that the previous committee amended the bill to authorize, rather than mandate, the corporation to credit a portion of the rent received toward the purchase of a unit. The biggest obstacle to homeownership for our members is access to capital for a down payment. Should the corporation elect not to credit a portion of the rent, which we believe is central to the program's success, an eligible participant may not be able to accumulate the capital required to purchase a unit within the prescribed 10-year period.

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 Labor

Testimony by
Hawaii Government Employees Association

February 11, 2025

H.B. 1298, H.D. 1 — RELATING TO HOUSING.

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the concept of H.B. 1298, H.D. 1, 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. 1.

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 1

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. The establishment and intended use of the revolving fund as described subverts the appropriation process.

Digested: 2/10/2025



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON LABOR
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 309
Tuesday, February 11, 2025 9:00 A.M.**

To The Honorable Jackson D. Sayama, Chair
The Honorable Mike Lee, Vice Chair
Members of the Committee on Labor

SUPPORT HB1298 HD1 RELATING TO HOUSING

The Maui Chamber of Commerce **SUPPORTS HB1298 HD1**, 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 HD1** 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.

HB-1298-HD-1

Submitted on: 2/10/2025 12:26:55 AM

Testimony for LAB on 2/11/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jared Tsuchiyama-Sando	Individual	Support	Written Testimony Only

Comments: While I support the intent of this bill to provide employee housing along the rail line in TOD areas I do hope that the TOD development site definition does not apply to Ward and Ala Moana station. While the stations are 'planned' they are unfunded and have no timeframe of completion. Putting public investment in TOD should be in West Honolulu where rail Segment 1 has already opened and where the bulk of riders will come from when Middle Street and Airport stations open. Investing in dense housing in areas that are already getting private investment comes at the expense of other TOD areas that do have planned and funded stations which does not promote public transit use. While the truncated rail line route in the recovery plan is not ideal it is a reality that TOD bills and the state agencies need to take into account when making these investments lest they build dense housing and amenities that cause more congestion and leave the land at operational western stations unused or underdeveloped.