

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

SENATE COMMITTEE ON WAYS AND MEANS

March 28, 2025 at 10:02 a.m.
State Capitol, Room 211

In consideration of
H.B. 432 HD1 SD1
RELATING TO THE RENTAL HOUSING REVOLVING FUND.

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee.

HHFDC **supports** HB 432 HD1 SD1, which establishes the mixed-income subaccount within the Rental Housing Revolving Fund (RHRF) to prioritize the development of workforce rental and for-sale housing projects for qualified persons as defined in section 201H-32, Hawaii Revised Statutes. It also requires the Hawaii Housing Finance and Development Corporation (HHFDC) to adopt administrative rules. Funds are appropriated.

HHFDC supports the provisions to allow flexibility for transferring funds between RHRF and the Subaccount without legislative approval, and to make funds available for funding other than loans, such as credit enhancement. The Subaccount will provide a dedicated funding source for rental and for-sale housing projects for members of the workforce, government employees, and other populations HHFDC deems to be in the public's best interest. It will also enable HHFDC to establish new programs to support rental housing development and preservation.

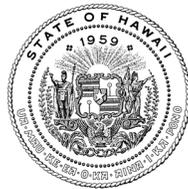
HHFDC appreciates the SD1, which allows flexibility in the order of priority for the Subaccount. We have a couple of comments:

Subsection (e)(1)(C): Requiring LIHTC projects to be used for affordable housing in perpetuity could have long-term unintended consequences. We suggest that this be restricted to the life of the project.

Subsection (f)(3): Prioritizing projects that require the least amount of funding per unit will give preference to smaller units and higher AMI units, at the expense of lower AMI households that are most housing insecure. We suggest that the language be amended to prioritize projects that most efficiently use funds, as this would allow us to consider the duration of the loan, size of units, and amount of funding requested per unit.

HHFDC has no objection to providing funding out of RHRF for the Mayor Wright Homes redevelopment utilizing Tier I funding in Section 7 of the bill.

Thank you for the opportunity to testify on this bill.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

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

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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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 SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 432, H.D. 1, S.D. 1

**March 28, 2025
10:02 a.m.
Room 211 and Videoconference**

RELATING TO THE RENTAL HOUSING REVOLVING FUND

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

House Bill (H.B.) No. 432, H.D. 1, S.D. 1: 1) establishes a mixed-income subaccount (MIS) within the Rental Housing Revolving Fund (RHRF) to provide financing for rental or for-sale housing projects for qualified residents as defined in Section 201H-32, HRS; 2) authorizes the Hawai'i Housing Finance and Development Corporation to transfer funds from the RHRF to the MIS without legislative approval; 3) appropriates an unspecified amount of general funds for FY 26 and FY 27 to be deposited into the MIS; 4) appropriates an unspecified amount of revolving funds out of the MIS for FY 26 and FY 27; and 5) appropriates an unspecified amount of revolving funds out of the RHRF in FY 26 and FY 27 for Mayor Wright Homes redevelopment.

As a matter of general policy, B&F does not support the creation of any revolving fund or revolving fund subaccount, 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. 432, H.D. 1, S.D. 1, it is difficult to determine whether the proposed MIS would be self-sustaining.

Thank you for your consideration of our comments.



Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Senate Committee on Housing

From: Chevelle Davis, MPH - Director of Early Childhood & Health Policy
Hawai'i Children's Action Network Speaks!

Subject: Measure H.B. No. 432, H.D. 1, S.D. 1 – Relating to Housing

Hearing: Friday, March 28, 2025, at 10:02 AM, Conference Room 211

POSITION: STRONG SUPPORT

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

Mahalo for the opportunity to submit testimony in **STRONG SUPPORT** of **H.B. No. 432, H.D. 1, S.D. 1**, which would establish a mixed-income subaccount within the Rental Housing Revolving Fund (RHRF) to support rental housing development for workforce individuals earning between 60% and 140% of the Area Median Income (AMI).

At Hawai'i Children's Action Network (HCAN) Speaks!, we advocate for policies ensuring all children and families have the resources they need to thrive. One of the greatest barriers to family well-being is the lack of affordable housing, which disproportionately impacts working parents and their keiki.

Hawai'i's housing crisis is driving families out of the state. Our current housing finance system leaves a critical gap for working families who earn too much to qualify for low-income housing yet cannot afford market-rate homes. These include teachers, firefighters, healthcare workers, and other essential workers—people who are the backbone of our communities. Families struggle to stay in Hawai'i without access to truly affordable workforce housing, and children face instability that impacts their education, health, and overall well-being.

Hawai'i's high housing costs are directly linked to declining populations and workforce shortages across key sectors. Housing unaffordability is the leading reason for out-migration, and this trend poses a significant threat to the future of our state's economy and public services. Schools are facing growing teacher vacancies, hospitals are struggling to retain healthcare workers, and local businesses are having difficulty finding employees. When families are forced to leave, our entire community suffers.

H.B. No. 432, H.D. 1, S.D. 1 is a meaningful step toward addressing Hawai'i's workforce housing gap. By establishing a dedicated subaccount within the RHRF, this bill ensures that middle-income rental projects receive the necessary funding—offering real solutions for families who want to stay, work, and raise their keiki in Hawai'i.

We urge the committee to **pass H.B. No. 432, H.D. 1, S.D. 1** to support Hawai'i's working families' well-being and our state's future.

Mahalo for the opportunity to provide testimony on this critical measure.



**Church
of the
Crossroads**
United Church of Christ



TESTIMONY IN SUPPORT OF HB432 HD1 SD1

Senate Committee on Ways and Means
March 28, 2025 at 10:02 am.

The Church of the Crossroads, founded a century ago as Hawaii's first intentionally multiracial church, is with humility committed to do justice and love mercy.

Chair Dela Cruz, Vice Chair Moriwaki, Members:

In **support** of HB432 SD1. The Rental Housing Revolving Fund (RHRF) has \$1,038,249,619 that could be used for housing, but it tends to sit there. In FY 23, the RHRF built only 2,156 units.

HB432 SD1 will help the RHRF produce new housing with more efficiency. Currently, the RHRF spends \$200,000 a unit with loan repayment collecting only 0.15% interest over 40 long years, Later, project owners are free to sell the units on the open market and evict their renters unless taxpayers buy the units back, which means paying for them twice.

HB432 SD1 will stretch housing dollars by keeping the homes' affordability permanent, by taking full advantage of federal housing credits and nonprofit organization support to lower costs, and by restricting occupancy to Hawaii residents who live in their units and don't own a majority of any other property. No investors, no flippers.

Stretching dollars also means HB432 SD1 prioritizes units in multifamily structures, favors projects projected to be repaid in the shortest amount of time, and wants projects requiring the least amount of funding per unit. Both rental and for-sale projects should at minimum be revenue-neutral.

Build for residents, keep the housing affordable, spread out the Fund's \$1 billion as far as possible.

Mahalo for your attention to the Church's support for HB432 SD1.

Aloha, Galen Fox for
Church of the Crossroads



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Comments on HB432 SD1 – Relating to Rental Housing Revolving Fund
Senate Committee on Ways and Means
Friday, March 28, 2025 at 10:02AM | Conf. Rm. 211 and via Videoconference

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Mahalo for the opportunity to provide **COMMENTS on HB432 SD1**, which proposes to restructure the State's housing financing priorities. While the latest SD1 draft highlights important areas of concern with the current Rental Housing Revolving Fund (RHRF), Hawaii Appleseed requests the committee to amend the bill to **return it to its HD2 version**.

The Rental Housing Revolving Fund has long been a crucial tool in financing affordable housing for low- and moderate-income families. However, **HB432 SD1** would prioritize funding for projects that predominantly serve higher-income households, such as those in the 120-140% AMI range, without addressing the growing need for affordable housing in the 30-120% AMI segments. This bill would reduce the focus on the critical rental housing gap for families earning between 30-120% and would make it more difficult to build affordable housing for them, further burdening the state's most vulnerable residents.

This shift in priority proposed by **HB432 SD1 is deeply concerning. HB432 SD1's focus on higher-income brackets would not only continue to neglect those most in need but would also perpetuate the disparity between the availability of housing for those at the lowest and moderate income levels.**

Hawaii's housing crisis is severe, particularly for families in the 0-40% and 80-120% AMI ranges. While **HB432 SD1** correctly identifies the issue of overbuilding in the 60% AMI segment, *it fails to address the much more pressing issue of critically underbuilding for the lowest-income households (0-40% AMI) and working families earning between 80-120% AMI.*

These groups are the very ones our legislature seeks to help and, in our current market environment, require some level of subsidy to construct housing that is truly affordable for them. Without such support, they are often left out of housing policies that prioritize higher income brackets or are caught in the squeeze of rapidly rising housing costs without adequate relief.

The current draft overlooks the real needs of working families who struggle with skyrocketing rents and housing costs in Hawaii. These families are the ones who would most benefit from RHRF and the RHRF Tier II programs which help to finance housing options that are within their financial reach.



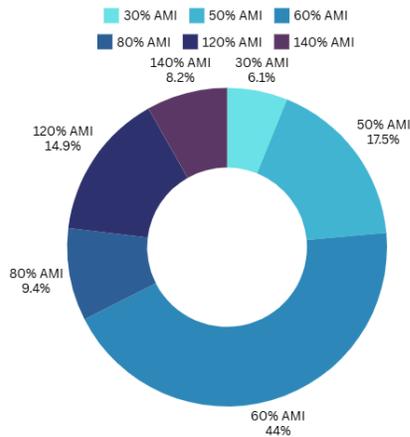
HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

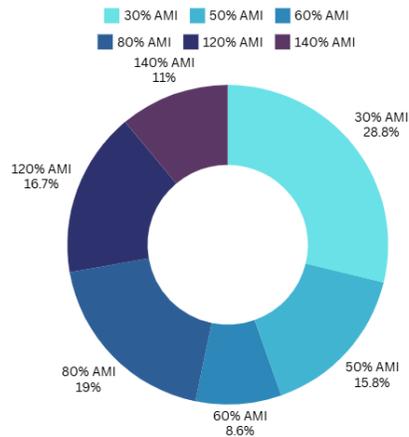
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Senate Committee on Ways and Means
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Current Housing Deficiencies:

2023-2026 Estimated in Pipeline



2020-2025 Estimated Demand



Source: www.hale.hawaii.gov, 2019 Hawaii Housing Planning Study

- **30-50% AMI:** These families are often living paycheck to paycheck, struggling to afford even the most basic housing. Overbuilding at the 60% AMI level does little to alleviate the urgent needs of this vulnerable population, whose limited income puts them at risk of homelessness but entirely eliminating priority for this group is intentionally destructive.
- **80-120% AMI:** Similarly, for working-class families—teachers, healthcare workers, and others in the 80-120% AMI range—there is also a severe shortage of housing that is affordable without becoming cost-burdened. This is a critical gap that HB432 SD1 fails to address, and by focusing primarily on the 60% AMI segment, the bill misses an opportunity to support these essential workers and families.

Rather than shifting resources away from the critical needs of low- and moderate-income residents, **we urge the committee to revert back to HB432 HD2** language that prioritizes funding for LIHTC and Tier II program projects. Only by providing targeted, appropriate subsidies for these groups can we hope to address the housing crisis in a meaningful way.

Mahalo for the opportunity to testify.



CATHOLIC CHARITIES HAWAI'I

COMMENTS on HB 432 HD1 SD1: RLATING TO THE RENTAL HOUSING REVOLVING FUND

TO: Senate Committee on Ways and Means
FROM: Tina Andrade, President and CEO, Catholic Charities Hawai'i
Hearing: **Friday, 3/28/25, 10:02 AM; Room 211 & Videoconference**

Chair Dela Cruz, Chair Moriwaki, and Members, Committee on Ways and Means:

Catholic Charities Hawai'i provides **Comments on HB 432 HD1 SD1**, which establishes the Mixed-Income Subaccount within the Rental Housing Revolving Fund (RHRF) to prioritize development of workforce rental and for-sale housing projects.

Catholic Charities Hawai'i (CCH), a community-based organization, has provided social services in Hawai'i for over 77 years, assisting 40,000 people annually. Our services target the most vulnerable in Hawai'i, including elders, veterans, children, families, houseless individuals, and immigrants. We have a long history of addressing affordable housing and homelessness.

Catholic Charities Hawai'i supports the intent of this bill to support rental housing for our workforce who are struggling to remain in Hawai'i. We support the Tier II funding for the Rental Housing Revolving Fund which is currently creating these new rentals. The mixed-income subaccount is appropriate and needed for the continued production of these Tier II rental projects.

We also understand the Legislature's concern for our workforce who want to purchase a home but are locked out of the market. However, we urge that a different process be used for this new affordable for-sale housing initiative vs mixing it up with the RHRF. **We urge that this for-sale initiative be added to the Dwelling Unit Revolving Fund (DURF), or that a special fund be created for this purpose.**

The process for the State to promote for-sale housing should be transparent to the public and should not create confusion with the RHRF's development of affordable rental units. Utilizing DURF or another process would provide focus specifically on affordable for-sale housing production. Creative options could be explored specifically for the needs of residents who want to own a home in diverse areas of our State. Different approaches are needed for for-sale housing vs rental housing production.

We urge your support for the language in HB 432 HD1, which focuses the Mixed-Income Subaccount on rental housing for Hawai'i's workforce. We urge you to amend this bill to keep these two important initiatives separate. DURF could provide the structure to promote affordable for-sale housing. The RHRF should continue its strong support for affordable rental housing for our workforce.

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



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822
Phone (808) 527-4813 •





MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
Friday, March 28, 2025 AT 10:02 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Sharon Y. Moriwaki, Vice Chair
Members of the committee on Ways and Means

SUPPORT HB432 HD1 SD1 RELATING TO THE RENTAL HOUSING REVOLVING FUND

The Maui Chamber of Commerce **SUPPORTS HB432 HD1 SD1** which, among other things, establishes the Mixed-Income Subaccount within the Rental Housing Revolving Fund that targets workforce rental housing projects for persons and families with incomes at or below one hundred forty per cent of the area median income.

Housing remains a top priority for the Maui Chamber of Commerce, especially as the crisis worsens in the aftermath of the wildfires, directly impacting businesses and our economic recovery. Even before the wildfires, Maui faced a pressing need for over **10,000 housing units by 2025**. That need has only grown due to the loss of **3% of Lahaina's housing stock**, a key factor driving the continued rise in housing prices.

By funding **mixed-income rental developments**, this bill will expand access to stable, reasonably priced housing, enabling residents to build financial security and, eventually, transition to homeownership. This approach will contribute to a healthier real estate market and a stronger local economy.

This bill is another valuable tool in addressing our housing crisis.

For these reasons, we **STRONGLY SUPPORT HB432 HD1 SD1**.

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-432-SD-1

Submitted on: 3/27/2025 8:24:55 AM

Testimony for WAM on 3/28/2025 10:02:00 AM

Submitted By	Organization	Testifier Position	Testify
Ellen Godbey Carson	Individual	Support	Written Testimony Only

Comments:

I **support** HB432 SD1. This bill will help the Rental Housing Revolving Fund (RHRF) produce new housing with more efficiency. Currently, the RHRF reportedly spends \$200,000 a unit with loan repayment collecting only 0.15% interest over 40 years, Later, project owners are free to sell the units on the open market and evict their renters unless taxpayers buy the units back, which means paying for these houses twice.

This bill will stretch housing dollars by keeping the homes' affordability permanent, by taking full advantage of federal housing credits and nonprofit organization support to lower costs, and by restricting occupancy to *Hawaiiresidents who live in their units and don't own a majority of any other property*. No investors, no flippers. That's a good thing.

Stretching dollars also means HB432 SD1 prioritizes units in multifamily structures, favors projects projected to be repaid in the shortest amount of time, and wants projects requiring the least amount of funding per unit. Both rental and for-sale projects should at minimum be revenue-neutral.

Let's build for our residents, keep the housing affordable, spread out the RHRF Fund's as far as possible.

Thank you for consideration of my testimony.

Ellen Godbey Carson

Honolulu, Hawaii