

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

HOUSE COMMITTEE ON HOUSING

February 05, 2025 at 9:00 a.m.
State Capitol, Room 430

In consideration of
H.B. 741
RELATING TO HOUSING

Chair Evslin, Vice Chair Miyake, and members of the Committee.

HHFDC **supports** HB 741, which exempts certain projects funded by the Affordable Homeownership Revolving Fund (AHRF) from prevailing wages provisions.

AHRF was established in 2021 to offer loans to nonprofit Community Development Financial Institutions (CDFIs) and nonprofit housing development organizations that develop affordable homeownership housing projects. Of the \$5 million appropriated for the program, there is \$3,128,687 left.

Exempting certain projects funded by AHRF from prevailing wages would help reduce overall development costs, allowing nonprofit developers to maximize the impact of this limited funding and produce more affordable homeownership opportunities for Hawaii residents. Prevailing wage requirements, while beneficial in many contexts, can significantly increase labor costs, which in turn raises the total development cost of housing projects. By providing an exemption for certain AHRF-funded projects, more homes can be built at lower price points, creating homeownership opportunities for more residents.

Additionally, this exemption aligns with AHRF's goal of supporting nonprofit developers who are already working within tight financial constraints to deliver affordable homeownership opportunities. Lower construction costs will help these organizations

stretch their resources further, enabling them to serve more households and address Hawaii's critical shortage of affordable for-sale housing.

Thank you for the opportunity to testify on this bill.

February 3, 2025

House Committee on Housing

Committee Meeting 9:00 a.m. - Wednesday February 5, 2025

HB741 – SUPPORT with Comments

Aloha Committee Chair Evslin, Vice-Chair Miyake, and Members;

I am submitting testimony in my capacity as Executive Director of Hawaii Habitat for Humanity Association (HHFHA). We are a nonprofit Community Development Financial Institution (CDFI) and Affiliate Support Organization for five direct service Habitat for Humanity Affiliates throughout the state, serving all four counties.

Habitat for Humanity provides homeownership opportunities in partnership with individuals and/or families earning less than 80% of the Area Median Income (AMI), while keeping their housing costs at less than 30% of their income. Over the past five years, Habitat for Humanity has assisted more than 100 low-income households throughout the state to construct their own homes using a self-help housing concept.

We incorporate several cost control measures including coordinating volunteers to work alongside the homebuyers, accessing donated products through our parent organization, and, HHFHA, as a certified CDFI, seeking and offering low interest flexible housing development loans. Despite these cost cutting measures, Habitat for Humanity Affiliates must still seek grants and private donations to help subsidize the costs to the low-income homebuyers that we serve, due to the high cost of developable land and construction materials.

The Affordable Homeownership Revolving Fund (AHRF) is a tool that HHFHA would like to access and leverage with private funds, grants, and federal programs to finance the development of self-help housing projects. However, the use of AHRF would trigger compliance with the state’s prevailing wage requirements since the self-help project would be a “public work” as defined in section 104-1, HRS. The prevailing wage requirements increase the cost of each home by 15-20% when hiring contractors to perform certain portions of the build that are not feasible for homebuyers and volunteers to perform, such as electrical, plumbing, and other mechanical work. This added cost, means that Habitat affiliates must ask for additional donations or grants to absorb the added cost.

HHFHA supports fair wages for construction industry workers and works to provide housing for many of their families. We also support the intent of HB741 which would allow use of the funds designed to help build affordable for-sale homes which are desperately needed, though we would like to respectfully propose an amendment that reduces the threshold triggering prevailing wage from



\$3,000,000 of total project cost, to \$1,500,000 of funds borrowed from the AHRF by nonprofit CDFIs. We believe this new threshold aligns with the existing labor agreement thresholds that trigger prevailing wage in other situations. Delinking the total project cost and utilizing the amount of state funds as a threshold will provide the flexibility needed to access the funds to finance the creation of additional for-sale affordable homes in Hawaii.

Please see the proposed amendment to HB741 HD1 offered below.

Sincerely,

A handwritten signature in blue ink, appearing to read "Erik Mann".

Erik Mann, Executive Director
Hawaii Habitat for Humanity
emann@hawaiihabitat.org
808-780-1977



HB741, PROPOSED HD 1
RELATING TO HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Chapter 201H, Hawaii Revised Statutes, is amended by adding a new section to subpart K, part III, to be appropriately designated and to read as follows:

"§201H- _____ **Prevailing wages; exemption.** Notwithstanding any other law to the contrary, any **affordable housing** project **financed by a certified nonprofit community development financial institution** utilizing **no more than \$1,500,000 of moneys from the affordable homeownership revolving fund** [~~with total development costs not exceeding \$3,000,000~~] shall be exempt from chapter 104."

SECTION 2. Section 104-2, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) This chapter shall apply to every contract in excess of \$2,000 for construction of a public work project to which a governmental contracting agency is a party; provided that this chapter shall not apply to experimental and demonstration housing developed pursuant to section 46-15 [~~or~~]; housing developed pursuant to chapter 201H if the cost of the project is less than \$500,000 and the eligible bidder or eligible developer is a private nonprofit corporation[~~-~~]; or [~~projects~~] **affordable housing financed by a certified nonprofit community development financial institution that utilizes no more than \$1,500,000 of**

moneys from the affordable homeownership revolving fund with
total development costs not exceeding \$3,000,000, pursuant to
section 201H-_____.

For the purposes of this subsection:

"Contract" includes but is not limited to any agreement, purchase order, or voucher in excess of \$2,000 for construction of a public work project.

"Governmental contracting agency" includes:

- (1) Any person or entity that causes either directly or indirectly the building or development of a public work; and
- (2) Any public-private partnership.

"Party" includes eligible bidders for and eligible developers of any public work and any housing under chapter 201H; provided that this subsection shall not apply to any housing developed under section 46-15 or chapter 201H if the entire cost of the project is less than \$500,000 and the eligible bidder or eligible developer is a private nonprofit corporation."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

INTRODUCED BY: _____



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February 4, 2025

LATE

HB741 – Relating to Housing – Support with Comments

Aloha Committee Members,

I am writing on behalf of Hawai'i Community Lending (HCL), a nonprofit US Treasury certified community development financial institution (CDFI) that provides loans to fund Hawai'i home builders, homebuyers and homeowners, to submit testimony in support with comments of HB741 – Relating to Housing.

The Affordable Homeownership Revolving Fund (AHRF) was established to increase investments in CDFIs and nonprofit developers to fund affordable homeownership projects throughout the state. Nonprofit CDFIs use public funds to attract private capital with the goal of increasing affordable housing and economic development in our communities. At a time when we are facing such an immense housing crisis and outmigration of our local people has increased to the highest rate in our history, this bill is necessary to build more affordable housing opportunities for our local people.

Unfortunately, the use of AHRF, in its current form, triggers compliance with the state's prevailing wage requirements since projects would be a "public work" as defined in section 104-1, HRS. HCL makes interim construction loans to assist native Hawaiians build single-family homes on Hawaiian Home Lands. In applying for the AHRF, our organization determined the current prevailing wage requirement would result in (1) increased construction costs up to \$150,000 per home, even when 1 home is being built by a small general contractor, and (2) appraisals below the construction contract amount by as much as \$190,000. These two issues are significant in that (1) they would increase the cost of homes for our low-income local families, making affordable homeownership further out of reach and (2) making it impossible for families to secure the construction and permanent mortgage financing necessary to build and move into the home unless they put down at least \$190,000 in cash.

HCL is a strong supporter of fair wages for the construction industry and in fact, several of the homeowners we have financed with construction loans are in the industry but are unable to afford the cost increases due to the current rules governing AHRF. **We propose to amend the current legislation to reduce the threshold triggering prevailing wage from \$3 million of total project cost to \$1.5 million of funds borrowed from the AHRF by nonprofit CDFIs. We believe this new threshold aligns with the existing labor agreement thresholds that trigger prevailing wage in other situations, while also allowing for the AHRF to work as intended – to deliver affordable homeownership to our local people.**

Please pass HB741 with the proposed amendment to ensure affordable homeownership is within reach of our local people and AHRF funds are accessible to produce more affordable housing. Mahalo for your consideration. Please contact me directly at 808.587.7653 or jeff@hawaiicommunitylending.com should you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads 'Jeff Gilbreath'.

Jeff Gilbreath
Executive Director



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 430
Wednesday, February 5, 2025 AT 9:00 A.M.**

To The Honorable Representative Luke A. Evslin, Chair
The Honorable Representative Tyson K. Miyake, Vice Chair
Members of the Committee on Housing

SUPPORT HB741 RELATING TO HOUSING

The Maui Chamber of Commerce **SUPPORTS HB741**, which exempts certain projects funded by the Affordable Homeownership Revolving Fund from prevailing wages provisions.

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.

The Chamber supports any legislation that enables affordable housing to be built as quickly as possible while keeping costs reasonable.

We are concerned that the \$3 million threshold might be too low for larger affordable rental projects. We respectfully suggest raising this threshold to a more realistic amount, one that would allow the construction of, for example, no more than 50 affordable rental units.

This bill is an essential tool in addressing our housing challenges, and we believe it should be fast-tracked.

For these reasons, we **SUPPORT HB741** 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.