

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

February 04, 2025 at 1:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 612
RELATING TO RENT TO BUILD EQUITY.

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

HHFDC has comments on SB 612, which requires housing projects benefitting from 201H-36, HRS, or 201H-38, HRS, to enter into rent-to-build equity agreements with tenants.

Affordable rental housing financing relies upon a combination of government assistance programs because the revenue stream from affordable rents only supports the debt service on about 20% of the total development cost. HHFDC's financing and development tools are critical incentives to develop or acquire and rehabilitate existing housing for use as affordable rentals. Developers enter into regulatory agreements which impose affordability and other restrictions. During the term of the agreement (on average, 60 years), developers charge affordable rents which enable tenants to not only live in safe, quality and affordable homes, but to save for their futures.

Affordable rental properties are often sold during their affordable compliance period, particularly when major rehabilitation is needed. Requiring that 20% of the sales price be paid to tenants would disincentivize owners from repositioning their properties and lead to problems with deferred maintenance and properties falling into disrepair. Developers may also find the 20% requirement unfeasible and not build affordable rental housing, exacerbating our housing shortage.

If the Legislature's intent is to disincentivize developers from selling their properties at market rates after the initial affordable rental period expires, HHFDC suggests the following if the seller agrees to extend the affordability period: reduce the conveyance tax the seller pays when they sell the property; reduce the capital gains tax; require the project to provide a minimum of one years notice to tenants and buyers before selling the property; and/ or provide a minimum of six months of tenant assistance.

Thank you for the opportunity to testify on this bill.

SB-612

Submitted on: 1/31/2025 5:19:07 PM

Testimony for HOU on 2/4/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sidney Lynch	Individual	Support	Written Testimony Only

Comments:

Please pass this bill. Allowing renters to build equity in housing that was built with special considerations mentioned in this that may be sold from under them at market price at a later date may allow them to move to house ownership.

LATE

SB-612

Submitted on: 2/3/2025 9:31:52 PM

Testimony for HOU on 2/4/2025 1:00:00 PM

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

Comments:

I strongly support SB612. Hawaii depends too much on outside developers who use cheap materials that do not last, probably due to the lowest bidder requirements of contracts. Please listen to the majority of our population who are afraid to speak up in fear of retaliation of losing their homes. I have been speaking up for decades and see the retaliation of community leaders, through the inability to find employment although highly qualified, but share all my lived experiences to help others with that are disadvantaged.

Presently I live at Franciscan Vistas Ewa (FVE) and managed by Indigo Properties, where Gentry was in charge of building many of the homes in the area, but used cheap material that do not last to keep costs down. Many of the villages have water problems but after 10 years Gentry is saying they no longer are involved. One community lost 100,000s of gallons of water and the residents had to pay for it. We have water issues here at FVE and Senator Fevella is familiar with the development of the surrounding area, which has no infrastructure for 140+ units by Hoseko but DHHL has acquired the lands recently.

Repairs by Indigo was delayed for over a decade due to the neglect of the previous Community Director Kathy McAlister and fell on the present director to correct. McAlister discriminated against the locals, and had no moral values and did not know anything of local, state or federal laws. She wasn't able to fill FVE as a low income senior residence, but instead it was promoted online as Real Estate Investment to people on the East Coast and Europe, who sold their businesses and condos to live in our islands, something they could not otherwise even think of doing. But McAlister's supervisor who hired her from Washington, Le Don still controls management and pushes the discrimination and illegal rules putting the present younger manager in a difficult position with the residents and her job.

Indigo refused to fix a water pump outside my unit for years because of the costs. Honolulu Fire Department has come several times at 1:30am and 3am because of the fire alarm being set off in both our building #6 and now building #3. Residents were not trained on fire escape procedures and was told not to use the elevators, but shelter in place on the 2nd floor and HFD would pick them up with the ladder. Not listening to fire alarms no matter when it is, can cause disastrous results. I contacted Fire Safety Officer Otsuka to come and speak to the residents as to what to do in case of a fire. McAlister had no copy of Fire Emergencies, but found one from one of the original tenants to show to Officer Otsuka to prove that we did have fire rules in place. But many residents did not have clear fire escapes, and were even told we couldn't use our back door or lanai by McAlister.

Anyway, this water pump has been making moaning noise all day and night for over a week and maintenance has been aware of because water fills our the mechanical room, which HFD has to break into. With no Resident Manager on property, only Emergency Maintenance from Aiea to shut off the blasting fire alarm in the early morning hours. This pump apparently removes water from underground spillage and keeps me up all night, making me irritable, especially when Indigo is trying to evict me due to nonpayments of City and County Section 8. Recently I found 6" centipedes in my unit although I keep all the doors closed. I was advised by FVE maintenance that if they are coming through the water pipes they have no control.

Even the homes built for Hawaiian HomeLands were not inspected by their own inspectors but depended on the honesty of developers, but many homes were falling apart. Please get Developers out of the picture, who only want to profit in our islands and listen to the community, whose native population has to move to more affordable states.

LATE

SB-612

Submitted on: 2/3/2025 11:06:59 PM

Testimony for HOU on 2/4/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Karen Luke	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, VC, and Members of the Committee,

I support the intent of SB612 and look forward to seeing more requirements to protect the working poor going from paycheck to paycheck. From what I've read, not many people are able to complete the contract of a fixed lease to own, so I look forward to learning more at the hearing on how the outcome can be improved.

Mahalo,

Karen Luke

Ewa Beach Resident