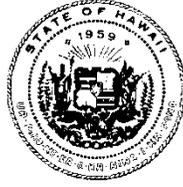


JOSH GREEN, M.D.
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
SENATE COMMITTEE ON HOUSING

Tuesday, January 28, 2025
1:00 p.m. – Room 225, Hawaii State Capitol

In consideration of
SB 70
RELATING TO HOUSING

Honorable Chair Chang and members of the Senate Committee on Housing, thank you for the opportunity to provide testimony on **Senate Bill (SB) 70**, which amends what kind of agencies and organizations are eligible to receive assistance from the Rental Housing Revolving Fund (RHRF). The Hawaii Public Housing Authority (HPHA) **supports** the passage of this measure and is grateful to the Legislature for its steadfast commitment to addressing Hawaii's affordable housing crisis.

The HPHA is dedicated to providing Hawaii's residents with safe, affordable housing and fostering equitable living environments free from discrimination. Through our public housing and rental assistance programs, we serve some of the most vulnerable members of our community, including families earning less than 30% of the area median income, individuals with disabilities, and the elderly.

Chapter 201H, Subpart III.J., Hawaii Revised Statutes, establishes the RHRF, sets forth the activities eligible for RHRF assistance, and creates various preferences and priorities for the award of assistance. The RHRF, which is administered by the Hawaii Housing Finance and Development Corporation, provides equity gap, low-interest loans to qualified owners and developers constructing or rehabilitating affordable rental housing units. **SB 70** would require

all RHRF funding to be awarded to either government agencies or organizations that are required to use the financial surplus of a project to develop additional housing in the state.

The Green Administration and the Legislature have provided crucial support to the HPHA in recent years, enabling us to launch multiple redevelopment projects aimed at improving housing conditions and revitalizing aging public housing communities across the State. The HPHA and its development partners have and will seek additional RHRF funding in the coming months and years to meet these ambitious goals. We would also note that as a State agency, any financial surplus received as a result of our redevelopment efforts will be dedicated towards furthering our core mission of increasing access to affordable housing for Hawaii's low-income families.

Thank you again for your thoughtful consideration of this measure and for your unwavering support of additional affordable housing development in Hawaii.

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

January 28, 2025 at 1:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 70
RELATING TO HOUSING.

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

HHFDC has comments on SB 70, which requires eligible applicants of the Rental Housing Revolving Fund (RHRF) to be either governmental agencies or organizations that are required to use all financial surplus to develop additional housing in the State.

HHFDC strives to maximize the effectiveness of its RHRF program through a competitive annual application process to ensure that the State's resources are efficiently used. This bill may hinder progress towards that goal by preventing HHFDC from partnering with developers who can develop housing most efficiently, and to introduce new programs to address our housing needs.

We note that Low-Income Housing Tax Credit (LIHTC) projects are typically developed by special purpose entities formed as partnerships to develop the specific project, so all surplus from the project does go back to the specific project, as detailed in the partnership agreement. Financial surplus would need to exclude fees to the partnership entities or else there will be no incentive to develop housing.

We suggest that developers be consulted to determine the bill's impact on their governance structure and mechanisms for enforcement of the requirement.

Thank you for the opportunity to testify on this bill.



January 27, 2025

Senator Stanley Chang, Chair
Senator Troy Hashimoto, Vice Chair
Committee on Housing

RE: **SB 70 - Relating to the Housing**
Hearing date: Tuesday January 28, 2025 at 1:00PM

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **OPPOSITION to SB 70 Relating to Housing**. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

SB 70 requires eligible applicants of the Rental Housing Revolving Fund (RHRF) to be either governmental agencies or organizations that are required to use all financial surplus to develop additional housing in the State. While we appreciate the Legislature's commitment to addressing Hawaii's housing crisis, we have serious concerns that SB 70, as written, will hinder affordable housing production rather than support it.

Primarily, SB 70 excludes of for-profit developers by restricting eligibility for the RHRF to only government agencies and nonprofit organizations. For-profit developers, who have historically been critical partners in affordable housing development, would be excluded.

Second, NAIOP Hawaii is concerned that SB 70 will reduce the housing supply. Nonprofits and government agencies alone may lack the capacity to meet the growing demand for affordable housing. Partnering with for-profit developers has been shown to be a successful mechanism for building housing units. Removing for-profit developers from eligibility reduces overall production potential, exacerbating Hawaii's housing shortage.

Third, NAIOP Hawaii is concerned that this measure will contradict with original purpose of RHRF. The RHRF was designed to provide "gap financing" to ensure affordable housing projects could move forward regardless of the developer type. Excluding for-profit developers undermines this purpose and limits the fund's effectiveness.

We urge the Committee to reconsider the exclusion of for-profit developers and maintain the broader eligibility criteria that have historically enabled RHRF to facilitate affordable housing production efficiently.

Senator Stanley Chang, Chair
Senator Troy Hashimoto, Vice Chair
Committee on Housing
January 27, 2025
Page 2

NAIOP appreciates the Legislature's commitment to creating affordable housing for Hawaii residents and we look forward to working together. Thank you for the opportunity to provide testimony.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Reyn Tanaka', with a long horizontal stroke extending to the right.

Reyn Tanaka, President
NAIOP Hawaii



CATHOLIC CHARITIES HAWAII

TESTIMONY IN OPPOSITION TO SB 70: RELATING TO HOUSING

TO: Senate Committee on Housing
FROM: Tina Andrade, President and CEO, Catholic Charities Hawai'i
Hearing: **Tuesday, 1/28/25; 1:00 pm; CR 225 and Videoconference**

Chair Chang, Vice Chair Hashimoto, and Members, Committee on Housing:

Thank you for the opportunity to provide **Testimony Opposing SB 70**, which requires applicants of the Rental Housing Revolving Fund (RHRF) to be either governmental agencies, or organizations that are required to use all financial surplus to develop additional housing in the State. I am Tina Andrade with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 75 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai'i. We have a long history of working in affordable housing and homelessness.

Catholic Charities Hawaii **respectfully opposes this bill for the following reasons.** This bill would ONLY allow the Rental Housing Revolving Fund (RHRF) to be used by 2 entities: government agencies or organizations that commit to use all financial surplus to develop additional housing in the State. These requirements would destroy the network of partnerships created by the current RHRF rules that focus on creating stable, long-term affordable housing for both lower income persons and workforce housing in Tier II projects.

Catholic Charities Hawai'i supports housing that would be kept affordable in perpetuity. The 2024 Legislature added a priority in the current rules for projects with a perpetual affordability commitment. Section 1, (1), of this bill does not actually mandate affordability in perpetuity, but only that organizations must "use all financial surplus to develop additional housing..." The current language addresses perpetuity in a transparent and straightforward way (e.g. restrictive covenants on the land could ensure this). This new proposal appears very complex to manage. To be effective, a new bureaucracy would need to be developed to monitor, audit, follow projects for 60-100 years, etc.. This administrative burden and cost for HHFDC would take away from its main purpose, to create affordable housing.

Government Agencies: We support the development of state and county projects since these would be permanently affordable. **We also feel that the residents of Hawaii should have affordable housing choices in other areas.** The current priority, which is to serve the geographic needs of the population, is essential for elders who must be near transportation, shopping, etc to maintain independent living. Our workforce needs to find affordable housing based on their jobs, family situations, etc. Housing priorities need to reflect a wider scope of locations than may be offered by state or county projects.



More public funding IS needed for State projects. However, the State should not “put all its eggs into one basket” and promote development ONLY through state/county projects.

We urge the Legislature to directly fund state/county projects or utilize other mechanisms to make State agencies’ roles in developing housing more transparent to the community.

The overarching need in Hawaii is affordable housing to assist our local population to remain in our communities. The need is so great that it should not be an Either/Or situation. All hands on desk are needed—both state agencies and the many non-profit and for-profit organizations who are now involved are needed.

We respectfully urge you to **defer** this bill.

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

SB-70

Submitted on: 1/27/2025 12:01:49 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Galen Fox	Individual	Support	Written Testimony Only

Comments:

Chair Chang, VC Hashimoto, members:

In support of SB70. Vienna relies on competitive, limited-profit corporations to build out the city's high-quality apartment complexes. Vienna houses 60% of its population in subsidized units, including middle-class families and young professionals. A 650 sq ft unit in the city rents for \$850. Tenants additionally enjoy high levels of protection against rent rises and evictions. And Vienna builds these units using construction union wage scales comparable to those in the U.S. Let's encourage developers who plow their profits back into future housing, using SB70. Mahalo.

Aloha, Galen Fox

SB-70

Submitted on: 1/26/2025 11:43:33 AM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Seth Kamemoto	Individual	Comments	Written Testimony Only

Comments:

While I appreciate the bill's intent of retaining RHRF "value" for (additional) housing in the State, I am concerned with the implementation details. First off, bad actors can still game this system, either by being so inefficient as to claim no "financial surplus" or by developing ultra-luxury private housing to enrich themselves. Bad actors could also just hold all surplus in an "endowment-like" fund that just keeps growing, and just feed off the fund management fees for eternity, without ever using the surplus. Adding a clause like: "providing that any such surplus held in excess of XXX years must be spent down at a rate of YYY% per year" might help...? Secondly, even well-meaning organizations might run into difficulties if they can only spend "to develop additional housing" if the surplus isn't large enough to support another housing project. Possibly adding an or clause like: "or surrender to XYZ Housing Fund" would provide an escape to recoup that surplus for more future housing opportunities.