

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
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
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IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS

February 20, 2019 at 10:00 a.m.
State Capitol, Room 211

In consideration of
S.B. 878, S.D. 1
RELATING TO HOUSING.

The HHFDC **supports** S.B. 878, S.D. 1, a bill to help provide interim financing for the acquisition and rehabilitation, or development of affordable for-sale housing by qualified nonprofit housing trusts and is willing to administer the new loan program.

Thank you for the opportunity to provide written comments on this bill.

SB-878-SD-1

Submitted on: 2/19/2019 8:43:54 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:



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February 19, 2019

Senate Committee on Ways and Means
Tuesday, February 20, 2019, 10:05 am
Conference Room 211

SB878, SD 1 - SUPPORT WITH AMENDMENTS

Aloha Committee Chair, Vice-Chair, and Members:

I am submitting testimony in my capacity as Executive Director of Hawaiian Community Assets (HCA), a nonprofit community development corporation, HUD-approved housing counseling agency, and community development financial institution (CDFIs) to **SUPPORT HB878, SD1 WITH AMENDMENTS.**

SB878 was originally drafted with Part III, which was to create a homeownership revolving fund able to provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households. Part III was a strategy to harness the capacity and ability of both self-help housing developers and CDFIs to play a critical role in providing housing units for households earning \$75,000 annually or less – and more specifically for the households at 60-80% area median income that are not reached with our existing rental housing revolving fund.

SB878, SD1 struck Part III from the bill and did away with the creation of a homeownership revolving fund. This was despite the strong support from nonprofits, community members, and housing advocates for Part III to not only stay in place within the legislation, but to strengthen it with requested amendments.

Our organization **STRONGLY RECOMMENDS** the committee amend SB878, SD1 by reverting the bill back to its original version. In addition, we request the following amendments to allow for CDFIs to access homeownership revolving funds as a critical source of capital that can attract other public and private funds for affordable housing finance.

These requested amendments include the following:

1. **Add language to allow CDFIs access to the homeownership revolving fund for relending and leveraging of public and private capital.** Locally, we have community-based and credit union CDFIs that are uniquely positioned to offer flexible mortgage financing, down payment assistance loans, and non-traditional financing for lands with title issues. Together, our CDFIs could leverage State investments in a significant manner. The

Carsey Institute cites that CDFIs are leveraging Federal investments at a rate of up to 8:1¹. By allowing CDFIs access to the fund, these nonprofit intermediaries could finance emergency and permanent homeownership housing for households residing on Hawaii Island in areas ravaged by lava eruptions, on Kuleana Lands in Kauai or in Maui where floods and fires have recently taken place, or in the valleys of Waiahole and Kahana where land leases do not allow for mortgage financing through the mainstream marketplace.

2. **Add language requiring eligible CDFIs to match homeownership revolving funds with secured public and private capital any type of capital.** To ensure the State leverage's its investment to the greatest extent possible, we recommend to require CDFIs to match homeownership revolving funds with other secured public and private sources of capital. As stated previously, Federal funds make up only 1/8 of a typical CDFIs total loan capital and would unnecessarily limit access to homeownership revolving funds that could be put to work in self-help housing developments.
3. **Appropriate \$25 million to establish the fund and for expenditure by the Hawaii Housing Finance and Development Corporation.** Based on CDFIs' standard leverage ratio alone (8:1), a \$25 million investment in the fund by the State could result in \$200 million of total housing financing activity to bring an estimated 1,500 affordable homeownership units on-line by the end of 2020. This strategy would open opportunities for current renters to move into homeownership, making their rental units available for lower-income households and our houseless residents so there is adequate stock available to them. Further, this amount of investment would assist in integrating affordable homeownership within our overall affordable housing strategy that includes ohana zone housing, affordable rentals, and ALOHA homes.

With the highest homeless rate per capita and some of the highest housing cost burdens of any state in the nation, we must expand our focus on producing all types of housing for our residents. There is no silver bullet that will address this crisis. SB878, SD1 with recommended amendments would help us set in place a continuum in affordable housing by investing in affordable homeownership opportunities for our low- and moderate-income households as part of a comprehensive strategy. Please take action to create the homeownership revolving fund. **PASS SB878, SD1 WITH AMENDMENTS.**

Mahalo for your time, leadership and consideration. Please contact me directly at 808.587.7653 or jeff@hawaiiancommunity.net should you have any questions or need additional information.

Sincerely



Jeff Gilbreath
Executive Director

¹ CDFI Industry Analysis: Summary Report. Carsey Institute, Spring 2012.
<https://www.cdfifund.gov/Documents/Carsey%20Report%20PR%20042512.pdf>

SB-878-SD-1

Submitted on: 2/19/2019 9:34:02 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Support	No

Comments:

SB878, SD 1 - SUPPORT WITH AMENDMENTS

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the committee,

SB878 was originally drafted with Part III, which was to create a homeownership revolving fund able to provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households. Part III was a strategy to harness the capacity and ability of both self-help housing developers and CDFIs to play a critical role in providing housing units for households earning \$75,000 annually or less – and more specifically for the households at 60-80% area median income that are not reached with our existing rental housing revolving fund.

SB878, SD1 struck Part III from the bill and did away with the creation of a homeownership revolving fund. This was despite the strong support from nonprofits, community members, and housing advocates for Part III to not only stay in place within the legislation, but to strengthen it with requested amendments.

I highly recommend the committee amend SB878, SD1 by reverting the bill back to its original version.

Randy Ching (Honolulu)

SB-878-SD-1

Submitted on: 2/19/2019 9:39:36 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Annie AuHoon	Individual	Support	No

Comments:

February 19, 2019

Senate Committee on Ways and Means
10:05 am Conference Room 211
SUPPORT WITH AMENDMENTS

Tuesday, February 20, 2019,
SB878, SD 1 -

Aloha Committee Chair, Vice-Chair, and Members:

I am submitting testimony to SUPPORT HB878, SD1 WITH AMENDMENTS. SB878 was originally drafted with Part III, which was to create a homeownership revolving fund able to provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households. Part III was a strategy to harness the capacity and ability of both self-help housing developers and CDFIs to play a critical role in providing housing units for households earning \$75,000 annually or less – and more specifically for the households at 60-80% area median income that are not reached with our existing rental housing revolving fund. SB878, SD1 struck Part III from the bill and did away with the creation of a homeownership revolving fund. This was despite the strong support from nonprofits, community members, and housing advocates for Part III to not only stay in place within the legislation, but to strengthen it with requested amendments.

I STRONGLY RECOMMEND the committee amend SB878, SD1 by reverting the bill back to its original version. In addition, I request the following amendments to allow for CDFIs to access homeownership revolving funds as a critical source of capital that can attract other public and private funds for affordable housing finance. These requested amendments include the following: 1. Add language to allow CDFIs access to the homeownership revolving fund for relending and leveraging of public and private capital. Locally, we have communitybased and credit union CDFIs that are uniquely positioned to offer flexible mortgage financing, down payment assistance loans, and non-traditional financing for lands with title issues. Together, our CDFIs could leverage State investments in a significant manner. The Carsey Institute cites that CDFIs are leveraging Federal investments at a rate of up to 8:11 . By allowing CDFIs access to the fund, these nonprofit intermediaries could finance emergency and permanent homeownership housing for households residing on Hawaii Island in areas ravaged by lava eruptions, on

Kuleana Lands in Kauai or in Maui where floods and fires have recently taken place, or in the valleys of Waiahole and Kahana where land leases do not allow for mortgage financing through the mainstream marketplace. 2. Add language requiring eligible CDFIs to match homeownership revolving funds with secured public and private capital any type of capital. To ensure the State leverage's its investment to the greatest extent possible, we recommend to require CDFIs to match homeownership revolving funds with other secured public and private sources of capital As stated previously, Federal funds make up only 1/8 of a typical CDFIs total loan capital and would unnecessarily limit access to homeownership revolving funds that could be put to work in self-help housing developments. 3. Appropriate \$25 million to establish the fund and for expenditure by the Hawaii Housing Finance and Development Corporation. Based on CDFIs' standard leverage ratio alone (8:1), a \$25 million investment in the fund by the State could result in \$200 million of total housing financing activity to bring an estimated 1,500 affordable homeownership units on-line by the end of 2020. This strategy would open opportunities for current renters to move into homeownership, making their rental units available for lowerincome households and our houseless residents so there is adequate stock available to them. Further, this amount of investment would assist in integrating affordable homeownership within our overall affordable housing strategy that includes ohana zone housing, affordable rentals, and ALOHA homes. Please see the enclosed bill with recommended amendments for more information. With the highest homeless rate per capita and some of the highest housing cost burdens of any state in the nation, we must expand our focus on producing all types of housing for our residents. There is no silver bullet that will address this crisis. SB878, SD1 with recommended amendments would help us set in place a continuum in affordable housing by investing in affordable homeownership opportunities for our low- and moderate-income households as part of a comprehensive strategy.

Please take action to create the homeownership revolving fund. PASS SB878, SD1 WITH AMENDMENTS. Mahalo for your time, leadership and consideration.

Sincerely

Annie Au Hoon

DAVID Y. IGE
GOVERNOR



LATE

RODERICK K. BECKER
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

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

**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 (OFAM)

WRITTEN ONLY
TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 878, S.D. 1

**February 20, 2019
10:05 a.m.
Room 211**

RELATING TO HOUSING

Senate Bill (S.B.) No. 878, S.D. 1: establishes the Qualified Nonprofit Housing Trust Program within the Hawaii Housing Finance and Development Corporation (HHFDC) to provide loans (loan cap is unspecified) to qualified nonprofit housing trusts for the development, pre-development, construction, acquisition, preservation and substantial rehabilitation of affordable housing units; establishes the Qualified Nonprofit Housing Trust Revolving Fund (QNHTRF) within the HHFDC to be used for necessary expenses (except day-to-day administrative expenses) incurred by HHFDC in administering the QNHTRF; appropriates an unspecified amount of general funds for FY 20 to be deposited into the QNHTRF; and appropriates an unspecified amount of revolving funds from the QNHTRF for FY 20.

As a matter of general policy, the department does not support the creation of revolving funds which do 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. In regards to S.B. No. 878, S.D. 1, it is difficult to determine whether the new revolving fund would be self-sustaining.

Thank you for your consideration of our comments.

LATE



Hawaii
Habitat
for Humanity®
Association

February 19, 2019

Senate Committee on Ways and Means
Wednesday, February 20, 2019
Conference Room 211

SB878, SD1 - SUPPORT WITH AMENDMENTS

Aloha Committee Chair, Vice-Chair, and Members:

I am submitting testimony in my capacity as Executive Director of Hawaii Habitat for Humanity Association (HHFHA), a nonprofit community development financial institution (CDFI) and State Support Organization for the direct service Habitat for Humanity organizations across the state to **STRONGLY SUPPORT SB878, SD1 – WITH AMENDMENTS.**

SB878 was original drafted to create a homeownership revolving fund to provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households. SB878 provided a strategy to harness the capacity and ability of both self-help housing developers and CDFIs to play a critical role in providing housing units for households earning \$75,000 annually or less – and more specifically for the households at 60-80% area median income that are not reached with our existing rental housing revolving fund.

We believe the intent for this bill was to make available funding for nonprofit organizations who are building or supporting for-sale home builders in partnership with low income families, offering permanent homes for the current and future family members.

SB878, SD1 struck from the original bill and did away with the creation of a homeownership revolving fund. This was done despite the overwhelming support of the legislation.

While some of the revisions we recommended in our testimony were include in the revision, we believe the original SB878 with revisions is a much stronger legislation for supporting homeownership. Hawaii Habitat **strongly recommends** the committee amend SB878, SD1 by reverting the bill back to its original version with the following requested amendments:

1. **Add language recognizing the role community development financial institutions (CDFIs) play in financing affordable homeownership units by leveraging public and private capital.** CDFIs are nonprofit intermediaries that are helping

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communities build affordable housing across the United States by pooling together public and private capital for deployment to underserved populations through loans. Understanding the critical role our local CDFIs can play in financing affordable homeownership opportunities is critical to help address our housing affordability crisis.

2. **Add language to allow CDFIs access to the homeownership revolving fund for relending and leveraging of public and private capital.** Locally, we have community-based and credit union CDFIs that are uniquely positioned to offer flexible mortgage financing, down payment assistance loans, and non-traditional financing for lands with title issues. Together, our CDFIs could leverage State investments in a significant manner. The Carsey Institute cites that CDFIs are leveraging Federal investments at a rate of up to 8:1¹. By allowing CDFIs access to the fund, these nonprofit intermediaries could finance emergency and permanent homeownership housing for households residing on Hawaii Island in areas ravaged by lava eruptions, on Kuleana Lands in Kauai or in Maui where floods and fires have recently taken place, or in the valleys of Waiahole and Kahana on Oahu where land leases do not allow for mortgage financing through the mainstream marketplace.
3. **Add language to allow CDFIs access to the homeownership revolving fund for relending and leveraging of public and private capital.** Locally, we have community-based and credit union CDFIs that are uniquely positioned to offer flexible mortgage financing, down payment assistance loans, and non-traditional financing for lands with title issues. Together, our CDFIs could leverage State investments in a significant manner. The Carsey Institute cites that CDFIs are leveraging Federal investments at a rate of up to 8:1¹. By allowing CDFIs access to the fund, these nonprofit intermediaries could finance emergency and permanent homeownership housing for households residing on Hawaii Island in areas ravaged by lava eruptions, on Kuleana Lands in Kauai or in Maui where floods and fires have recently taken place, or in the valleys of Waiahole and Kahana on Oahu where land leases do not allow for mortgage financing through the mainstream marketplace.
4. **Strike language requiring eligible CDFIs to have Federal CDFI financial assistance awards in order to access funds and allow them to match homeownership revolving funds with any type of capital.** To ensure the greatest participation of local nonprofit CDFIs in accessing the fund for financing the development of affordable homeownership, it is critical to allow these nonprofit entities to match homeownership revolving funds not just with Federal CDFI financial awards, but any capital they secure from foundations, banks, and other public entities in Hawaii. As stated previously, Federal funds make up only 1/8 of a typical CDFIs total

loan capital, are highly competitive and would unnecessarily limit access to homeownership revolving funds that could be put to work in self-help housing developments.

5. **Appropriate \$25 million to establish the fund and for expenditure by the Hawaii Housing Finance and Development Corporation.** Based on CDFIs' standard leverage ratio alone (8:1), a \$25 million investment in the fund by the State could result in \$200 million of total housing financing activity to bring an estimated 1,500 affordable homeownership units on-line by the end of 2020. This strategy would open opportunities for current renters to move into homeownership, making their rental units available for lower-income households and our houseless residents so there is adequate stock available to them. Further, this amount of investment would assist in integrating affordable homeownership within our overall affordable housing strategy that includes ohana zone housing and affordable rentals.

Please take action to create the homeownership revolving fund. **PASS SB878, SD1 WITH AMENDMENTS.**

Habitat for Humanity and all of the Habitat organizations in Hawaii, know that homeownership is important. People who own their homes have better health, find it is a pathway out of poverty, provides safety, leads to stable neighborhoods and thriving families and leverages educational investment.

Please pass this bill with the amendments, so that we can increase our work across Hawaii and give our low income families a chance at the benefits of homeownership. **PASS SB878, SD1 WITH AMENDMENTS.**

Mahalo for your time, leadership and consideration. Please contact me directly at 808.847.76786 or jean@hawaiihabitat.org should you have any questions or need additional information.

Sincerely,



Jean Lilley
Executive Director