EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

April 1, 2016

TO: The Honorable Senator Jill N. Tokuda, Chair
Senate Committee on Ways and Means

FROM: Scott Morishige, MSW, Governor's Coordinator on Homelessness

SUBJECT: **HB 2638 HD1 – RELATING TO PUBLIC HOUSING**

Hearing: Friday, April 01, 2016, 1:30 p.m.
Conference Room 211, State Capitol

POSITION: The Governor's Coordinator on Homelessness offers written comments, and defers to the Hawaii Public Housing Authority (HPHA) in regard to specific details related to implementation, including cost implications generated by this proposal.

PURPOSE: The purpose of the bill is to authorize the HPHA to impose maximum rental periods of five years for state low-income housing projects which receive state funds for repair and maintenance or capital improvement, provided that the maximum rental periods do not apply to tenants who are disabled or 65 years of age or older. The bill will also require rates for the five-year rentals to be fixed for the entire term of lease, and establish a trust account for the HPHA to provide matching funds for tenants who choose to participate in those five-year rentals. In addition, the bill authorizes general obligation bonds and appropriates an unspecified amount of funds for repair and maintenance, as well as establishment of the savings accounts.

A major barrier to addressing the issue of homelessness in Hawaii is the lack of affordable housing inventory, particularly for households whose incomes are below 30% of the Area Median Income (AMI). This measure appears to address the lack of affordable inventory by attempting to create greater efficiencies within the state's low-income housing projects, which may lead to increases in availability of inventory for the very low-income. Accordingly, this measure appears to align with Goal 2, Objective 4 of the Hawaii Interagency Council on Homelessness Strategic Plan to End Homelessness, which is to “create and preserve affordable housing for people at 50% and below of area median income.”

The Coordinator notes that the original measure contained language relating to the establishment of a matched savings account, now “trust accounts,” which was similar to the matched savings component of the Family Self-Sufficiency (FSS) program for federal public housing participants. The FSS is a voluntary program for federal public housing tenants in which HPHA establishes an interest-bearing escrow account for each participating family that consents to receive FSS case management services. As the family’s income grows, funds are deposited into the escrow account for the family, who is eligible to receive the funds at the completion of the program. In October 2015, one FSS family received a check for $30,500 in savings, which had been accrued over a period of five years.

The Coordinator defers to HPHA in regards to implementation and specific programmatic details.

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

DAVID Y. IGE
GOVERNOR

HAKIM OUANSAFI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
Honolulu, Hawaii 96817

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON WAYS AND MEANS

April 1, 2016 1:30 P.M.
Room 211, Hawaii State Capitol

In consideration of

House Bill 2638, HD 1
RELATING TO PUBLIC HOUSING

Honorable Chair Tokuda and Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide **comments** regarding House Bill (HB) 2638, House Draft (HD) 1 relating to public housing.

The purposes of this measure are to: authorize the Hawaii Public Housing Authority (HPHA) to impose maximum rental periods of five years for state low-income housing projects which receive state funds for repair and maintenance or capital improvement, provided that the maximum rental periods do not apply to tenants who are disabled or 65 years of age or older; require rates for the five-year rentals to be fixed for the entire term of lease; establish a trust account for the HPHA to provide matching funds for tenants who choose to participate in those five-year rentals; authorize GO bonds; and appropriate funds.

The HPHA agrees that multigenerational public housing is an issue that should be addressed and is one of the main reasons for long waiting lists. The HPHA appreciates the intent of this measure to assist us in achieving the goal of graduating tenants out of public housing, incentivizing tenants to remain in State public housing for a limited tenancy, and to practice financial savings and planning. However, in its current form, this measure will result in some unintended consequences, and poses the following important questions and serious concerns:

1. Is the intent of this measure to serve only families on the “five year program” waiting list or to also utilize the current State public housing waiting list?

2. As written, the measure would only allow the HPHA to renovate a vacant unit if an eligible family agrees to be in the new program. If there are no families on the waiting list for the new program, is the intent of the measure to hold the unit vacant indefinitely until there is interest?

   As an alternative, the HPHA suggests establishing an admissions preference for qualified applicants as an incentive to participate in the program, rather than only admitting families on a five-year limited basis.

3. Does "as a condition of renovation" mean that the HPHA cannot renovate a unit until the applicant is deemed qualified? If so, it is likely that there will be a delay between the applicant's approval and when the applicant can move in for the renovation.

4. The exemption of individuals who "are sixty-five years of age or older" is inconsistent with the Hawaii Administrative Rules definition of "elder" or "elderly" as "a person who … has attained the age of sixty-two year", as well as the definition of "elder or elderly household" which means "a household in which at least one member is sixty-two years of age, the spouse or partner has attained the age of majority, and the remaining members have attained the age of fifty-five years at the time of application to the project…" *See* HAR section 15-186-2.

5. For the exemption from the maximum rental period of "individuals who are disabled or are sixty-five years of age or older," should the individual be a head of household or just a household member?

6. If an applicant turns 65 within the five year period, will the applicant be entitled to all or a portion of the funds, or will the applicant not be allowed to participate in the program altogether?

7. If a tenant is nonelderly upon application and admission to this program but becomes elderly during the five year tenancy, can they upon termination qualify for State Elderly Housing without having to pay back the trust fund monies?

8. Can a participant of this program that "graduates" from the program participate thereafter in Federal Public Housing or the Section 8 program?

9. HRS section 356D-44, *Administration of state-low income public housing projects and programs*, is very specific, and does not provide for broad HPHA powers. Rather, subsection (a) provides that HPHA "shall construct, develop, and administer property or housing for purpose of state-low income public housing projects and programs." HRS section 356D-41 defines "Administer" or "administration" as "the management, operation, maintenance, and regulation of any state low-income housing project. It also includes any and all undertakings necessary therefor." When read together, HRS sections 356D-4 and HRS 356D-44 do not clearly authorize HPHA to establish/maintain tenant "trust accounts." Also, what does "trust account" mean? This term should be defined.

10. As written, there are significant differences and areas of conflict between the proposed changes to the State Public Housing Program and the Federal FSS program. The measure's requirement that participants participate in the FSS Program should be deleted as only Federal Public Housing and Section 8 tenants are eligible for the program.

11. There is currently no HPHA statute establishing a "FSS-style/fund matching" program for State public housing. There is only the Federal FSS program under 42 U.S.C. 1437u and 24 CFR Part 984, which is very different than what this bill proposes. See https://www.gpo.gov/fdsys/pkg/CFR-2013-title24-vol4/pdf/CFR-2013-title24-vol4-part984.pdf The Federal FSS does NOT provide for fund matching as this bill proposes. 24 CFR 984.305(a) also requires PHAs to deposit FSS tenants' funds into a single depository account in one or more of the HUD-approved investments. This bill is concerning as it turns HPHA into a financial institution/bank for tenants, where HPHA holds the funds, unlike the federal FSS program. HPHA is not set up to be a bank. Therefore, this measure should include a section providing the establishment of a "Family Self-Sufficiency Program for State Public Housing" that details the requirements of the program, how to participate in the program, termination, funding matching, etc.

12. Currently, the HPHA's contract with the City and County of Honolulu to run the FSS program has an annual budget of $284,150, which covers a total of approximately 100 participants.

13. The proposed bill also states that "no tenant subject to this section who is evicted from the tenant's unit for cause by the authority shall be eligible to receive any matching funds pursuant to subsection (d)". Is the tenant's trust account affected upon eviction? If so, how? Are there additional penalties for a tenant who is evicted, but has benefitted from the minimum rent during their tenancy?

14. We suggest, if possible, that the trust account funds be restricted towards purposes of providing housing.

15. Proposed HRS section 356D-43(c) may conflict with existing HRS section 356D-43(a). HRS section 356D-43(c) states that the HPHA shall fix the rate for the entire rental period "at the minimum amount of rent set by the authority for state-aided family public housing project units with the same number of bedrooms" whereas HRS section 356D-43(a) states that the HPHA shall fix rates that "will produce revenues that will be sufficient to pay all expenses of management, operation, and maintenance, including the cost of insurance, a proportionate share of the administrative expenses of the authority to be fixed by it, and the costs of repairs, equipment, and improvements, to the end that the state low-income housing projects shall be and always remain self-supporting." The proposed "fixed minimum rate" for the entire period may not be self-supporting for the State Public Housing Program.

The HPHA suggests that this section be amended from “shall fix the rates” to “may fix the rates” to avoid consequently having the elderly and disabled (who are not participating in the five-year program) left to pay higher rents to cover the loss of rent revenue. Alternatively, the HPHA requests the Legislature fund a permanent operating subsidy for the State public housing programs.

16. Any references to the “department of human services” should be replaced with the “authority”.

17. In addition to the establishment of positions to manage the funds of the trust accounts, positions will be necessary for maintenance and repair of units. The establishment of time limits will increase unit turnover in State public housing and thus increase the number of maintenance staff needed at each property.

18. Based on the HPHA’s analysis of the current tenant population in State public housing, approximately 38% of the tenants would be paying the minimum rent and would not be eligible for any matching funds at the end of five years. An additional 10% of the current public housing population would earn less than $10,000 after five years in savings and matching funds and would have their stay in public housing terminated. With $10,000 or less, a family renting in the private rental market would be able to sustain their housing for no more than six months.

    On the flip side, there is a smaller percentage of families who are paying more than the minimum rent who may be eligible for up to $100,000 at the end of the five year time limit period. Currently, this family would not be prevented from applying for and receiving federal housing assistance (e.g., Section 8 housing choice voucher). Potentially, the State could be paying $100,000 only to have this family turn around and continue to receive housing subsidy under another program.

Based on the above concerns and those of the HPHA Resident Advisory Board (RAB) and many nonprofits, we suggest a voluntary Family Self Sufficiency (FSS) program similar to the HUD FSS program combined with the matching component suggested in the Bill as well as placing a limitation on the use of the escrow funds to housing related items such as purchasing or renting a unit.

The HPHA welcomes the opportunity to work with the Committee to address these questions and significant concerns to further develop the proposed program to achieve the best outcome to benefit the most vulnerable of our population.

The HPHA appreciates the opportunity to provide the Senate Committee on Ways and Means with the HPHA’s comments regarding HB 2638, HD 1. And, we thank you very much for your dedicated support in addressing the affordable housing crisis in Hawaii.

CATHOLIC CHARITIES HAWAIʻI

COMMENTS re: HB 2638, HD1: RELATING TO PUBLIC HOUSING

TO: Senator Jill N. Tokuda, Chair, Senator Donovan Dela Cruz, Vice Chair; and Members, Committee on Ways and Means

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaiʻi

Hearing: Friday, April 1, 2016; 1:30 PM; Conference Room 211

Chair Tokuda, Vice Chair Dela Cruz, and Members, Committee on Ways and Means:

Thank you for the opportunity to provide comments on HB 2638, HD1 which would establish a five year occupancy limit for families in State public housing units. I am Betty Lou Larson, with Catholic Charities Hawaiʻi. We are also a member of Partners in Care.

Catholic Charities Hawai`i (CCH) supports the intent of this bill to assist residents in State public housing units to move out to other community housing. The average income of families in State public housing is only around $12,000 per year. We are very concerned that this 5 year limit not create a revolving door into homelessness. Does current Family Self Sufficiency data show that tenants with $12,000/year income can successfully save enough to move into, and retain, market rentals after 5 years?

We support the creation of a Family Self-Sufficiency (FSS) program with **voluntary participation by families.** We urge you to fund a program for tenants living in both state and federally funded units, which assists tenants with increasing their monthly income. It would give tenants the opportunity to move out of public housing into the rental market because their monthly income is greater. This program should entail components of job training, higher education opportunities, financial literacy, debt reduction, and independent living techniques. <u>As HPHA implements their redevelopment plans, this FSS program could be a critical component to create flow out of state public housing, and into new affordable units created by HPHA. However, creation of thousands of these units will take much longer than the next 5 years.</u>

<u>We urge you to consider the following amendments to this bill</u>:

1. **Delete the five (5) year tenancy limitation for families in State housing units.**

2. **Provide funding for the services component of a Family Self-Sufficiency program**. Funding for matching funds for the tenant trust accounts is provided for in the bill. There does not seem to be funding to actually establish the service component outlined above.

3. **If you retain the 5 year limit, amend page 5, Line 12, to change the age waiver to 62 years old vs 65 years.** The age criteria to enter HPHA senior housing is 62 years of age. This amendment would clarify that if someone enters a unit at age 62, they would not be required to vacate the unit 5 years later (at age 67) due to the 5 year occupancy limitation.

Thank you for creating effective programs to help families move out of State public housing.

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Phone (808)373-0356 • bettylou.larson@CatholicCharitiesHawaii.org

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Opposing HB 2683, HD1 Relating to Public Housing
Senate Committee on Ways and Means
Scheduled for Hearing Friday, April 1, 2016, 1:30 PM, Conference Room 221

Hawai'i Appleseed Center for Law and Economic Justice Hawaii Appleseed is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.

Dear Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee on Ways and Means,

Thank you for the opportunity to testify in opposition to HB 2683, which would establish a five-year occupancy limit for families in state public housing units. The bill's intention is to incentivize self-sufficiency by placing a time-limit on housing assistance for residents of State public housing. The goal of promoting self-sufficiency is an important one. However, there is no evidence that placing a time limit on housing assistance for this particular population will accomplish that goal. Additionally, there is significant risk that the bill will create a revolving door of homelessness that wastes precious housing resources on evictions rather than providing a true opportunity for self-sufficiency for families in State public housing.

The fundamental problem facing families in Hawai'i who are struggling to afford housing is this: housing costs are high and wages are low. The hourly wage needed to afford a two-bedroom market rate rental is $31.61; the average hourly wage for renters is $14.49. While some people are able to span the considerable gap between wages and housing costs by working two full-time jobs or having two income-earners in the household; others, no matter how hard they try, are unable to do so because of family or life circumstances.

There are necessarily many people whose hourly wage is below the average. A person working full-time at a minimum wage job would *gross* only $17,680 per year. If required to pay rent set at the annual median for Hawai'i ($16,236), rent alone would consume over 90% of a minimum wage worker's pre-tax income. For families with children, the cost of childcare is more than what some people could earn by going to work (the average annual cost of childcare for two children is over $20,000). While it is reasonable to expect that people would be able to increase their income to some degree during their stay in State public housing, it is unrealistic to assume that the "very low-income" families served by the program (families with incomes below half of the Area Median Income) would be able to close such a wide gap between income and market rent costs.

We strongly support cost-effective programs that help low-income families increase income and/or reduce expenses—programs that provide a genuine opportunity for families to become self-sufficient. However, we are strongly opposed to setting an arbitrary five-year limit on housing assistance for families at the low end of the income scale, and applying it across the board without any consideration of individual circumstances except from rudimentary exceptions based on age and disability. Implementing such a limit is unlikely to have the desired effect on self-sufficiency—there is certainly no evidence that it would. Additionally, given the considerable gap between wages and housing costs, there is a significant risk that the time limit will force families into homelessness, which would result in the state incurring much greater costs than would have been incurred through continuing the housing subsidy—the emergency services that are necessary for homeless families are costly, not to mention the long-term effects on children who are subjected to homelessness. This bill is likely to do far more harm than good.

Thank you very much for this opportunity to testify.

From:	mailinglist@capitol.hawaii.gov
To:	WAM Testimony
Cc:	hlusk@chowproject.org
Subject:	*Submitted testimony for HB2638 on Apr 1, 2016 13:30PM*
Date:	Wednesday, March 30, 2016 1:07:03 PM

HB2638

Submitted on: 3/30/2016

Testimony for WAM on Apr 1, 2016 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Heather Lusk	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

From:	mailinglist@capitol.hawaii.gov
To:	WAM Testimony
Cc:	pheo.n.skye@gmail.com
Subject:	Submitted testimony for HB2638 on Apr 1, 2016 13:30PM
Date:	Wednesday, March 30, 2016 9:57:36 AM

HB2638
Submitted on: 3/30/2016
Testimony for WAM on Apr 1, 2016 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Skye Moore	Individual	Oppose	Yes

Comments: There is a problem with Aloha in this State, if you think five years is long enough to be poor or living on minimum wage in housing. There are Seniors, Persons with Disabilities, that will be made homeless with such a disturbing plan that lacks compassion for the working class. Shame on those without heart or Aloha for the working class that bring in your tourists by cleaning your hotels with Aloha, it's the working class Aloha that brings them back, cause they don't see the boss, but the workers & to not acknowledge that, is to not acknowledge the wrong to what you are imposing on your own citizens that have less than YOU!!!

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From:	mailinglist@capitol.hawaii.gov
To:	WAM Testimony
Cc:	tabraham08@gmail.com
Subject:	*Submitted testimony for HB2638 on Apr 1, 2016 13:30PM*
Date:	Tuesday, March 29, 2016 5:29:07 PM

HB2638
Submitted on: 3/29/2016
Testimony for WAM on Apr 1, 2016 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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