

# SB 3040

Measure Title: RELATING TO HOUSING.

Report Title: Rental Housing Revolving Fund

Description: Amends the household income level and unit availability eligibility requirements for the provision of low-income housing and mixed-income rental project loans and grants made from the Rental Housing Revolving Fund.

Companion: [HB1693](#)

Package: None

Current Referral: HMS/HOU, WAM

Introducer(s): GREEN, ESPERO, Baker, Chun Oakland, English, Gabbard, Ruderman



**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
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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 HUMAN SERVICES  
SENATE COMMITTEE ON HOUSING**

February 9, 2016 at 1:20 p.m.  
State Capitol, Room 016

In consideration of  
**S.B. 3040**  
**RELATING TO HOUSING.**

HHFDC **respectfully opposes** S.B. 3040 because it would cut rental housing production.

S.B. 3040 increases, from 5 to 10 percent, the number of units required to be set aside for households with incomes at or below 30 percent of the area median income (AMI). This will significantly reduce the rental income that is needed to operate a project and negatively impact its long-term viability. Note that, unlike public housing, projects financed with the Rental Housing Revolving Fund (RHRF) do not receive operating subsidies to assist in the funding of operating and maintenance expenses. RHRF projects must generate sufficient revenues to support ongoing operations and maintenance.

The reduction in rental revenues will also increase the amount of RHRF needed to fill project financing gaps and, thereby, reduce the number of projects that the RHRF can assist. The financing stack for an affordable rental housing project typically includes mortgage financing, Low-Income Housing Tax Credit (LIHTC) equity, and a RHRF loan. The amount of mortgage debt that can be supported depends on the revenue that is generated by the project. Therefore, lower revenues will result in a larger financing gap which must be filled by the RHRF.

S.B. 3040 also lowers the household income limits for RHRF assisted projects. For the first priority projects, at least half of the units would be for households with incomes at or below 60 percent AMI (down from 80% AMI) with the remaining units for households with incomes at or below 80 percent AMI (down from 100 percent of AMI). And for second priority mixed-income projects, the household income limit is lowered from 140 to 100 percent AMI. While nearly all projects assisted in recent years also are awarded LIHTCs (which sets the maximum income at 60 percent of AMI), the current RHRF income limits give developers more leeway in financing rental projects and enable more efficient leveraging of the RHRF.

The RHRF has been instrumental in the statewide delivery of rental housing for lower-income households. To date, the RHRF has assisted 71 affordable rental projects totaling 5,673 units statewide. Given the substantial shortfall of affordable rental housing, we must leverage the State's limited resources and focus on increasing the rental housing supply.

Thank you for the opportunity to testify.

Aloha and I am grateful for the opportunity to testify today. My name is James Plichta I am a Social Work major at UH Manoa. I am also a Substance Abuse Counselor, I currently work at a social services agency. Many of those that are in treatment are also homeless. There are many approaches to Substance Abuse Treatment and to providing social services. No matter the approach, one of the strongest predictors and indicators for a favorable outcome is housing. It enhances and bolster treatment and assistance throughout the course of treatment or intervention and beyond. It reduces the potential of relapse and is essential to maintaining recovery, abstinence and transitioning back to a conventional lifestyle. I have noticed more and more homeless people over the last few years. I did not realize that HUD funds have been drastically cut. However some form of housing or permanent supportive housing is imperative for this population, that is already vulnerable, marginalized and at risk.

Although it is an unfortunate occurrence it does not mean that nothing can be done. This state has among the worst numbers in the nation and in fact Hawaii has the highest number of homeless per capita in the nation. I can longer ignore what I see happening and am compelled to testify in favor of HB 3040. The fact that states must assume responsibility for the homeless now that funds from HUD are longer available to help manage what has now become a crisis in Hawaii.

Although this bill HB 3040 will not solve the problem completely, it will do some positive things without creating any more of a burden on the taxpayers or the state fiscal budget. There needs to be some kind of action that will provide some relief and this bill is among one the best proposed this session. We are at an impasse and whatever legislation of this type that can be passed will provide relief in small increments which will add up over time and empower some to return to a conventional lifestyle and contribute once again to the community.

The state must do something this session as the problem will only grow. This bill will provide aid and relief and it will help prevent the numbers from rising. I strongly urge you to examine this bill further and hope that it will pass. Mahalo for your time.



## CATHOLIC CHARITIES HAWAII

### TESTIMONY in SUPPORT of SB 3040: RELATING TO HOUSING

TO: Senator Suzanne Chun Oakland, Chair, Human Services; Senator Breene Harimoto, Chair, Housing; and Members, Committees on Human Services and Housing.

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

Hearing: Tuesday, 2/9/16; 1:20 pm; CR 016

Chair Chun Oakland, Chair Harimoto, and Members, Committees on Human Services and Housing:

Thank you for the opportunity to testify in strong support of **SB 3040**, which would amend the household income levels and unit availability eligibility requirements for the Rental Housing Revolving Fund (RHRF). I am Betty Lou Larson representing Catholic Charities Hawaii. We are also a member of Partners in Care. We believe this is a very important bill.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. A priority for advocacy this year is affordable housing and homelessness. We worked to help set up the Rental Housing Trust Fund (now called the Rental Housing Revolving Fund) in the 1990's when 10% of the units were mandated to people with incomes at 30% AMI or below.

Every day, Catholic Charities Hawaii receives calls from seniors who often need a rent at \$500/month. Families call who are on the cusp of homelessness and need rapid rehousing. Rents in Honolulu have increased by 67% over the last 10 years. In the past, RHRF projects have been able to serve more very low income people. In fact, currently, about 39% of units are occupied by households with incomes under 30% AMI. However, this percentage is dropping. Beginning rents in new projects have increased dramatically (e.g. from \$550 or \$600 up to \$850 to \$950 now for a 1 bedroom in some projects). These rents screen out lower income people when projects require 2 to 3 times income to rent. To end homelessness, we must address the need for lower cost units by every means available to the State.

Since the RHRF is a major producer of units, we support the proposed amendments in HB 1693. They would refocus this fund to address the most critical needs for housing for the people of Hawaii. By raising the number of units for 30% AMI renters from 5% to 10%, a small number of additional units could be created more rapidly than other solutions. Changing this would level the playing field for all developers who use the RHRF. All must meet the same criteria. Although this will require more funding, this will provide units for those most at risk of homelessness. The other advantage of the RHRF is that this small number of units is spread across many projects across all islands. We need to act now.

Thank you very much for hearing and considering this important bill to help end homelessness.



Catholic  
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USA



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**Subject:** \*Submitted testimony for SB3040 on Feb 9, 2016 13:20PM\*  
**Date:** Friday, February 05, 2016 10:02:31 AM

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**SB3040**

Submitted on: 2/5/2016

Testimony for HMS/HOU on Feb 9, 2016 13:20PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Leilani Maxera	The CHOW Project	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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# HAWAII APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting SB 3040 Relating to Housing  
Senate Committee on Housing  
Scheduled for Hearing Tuesday, February 9, 2016, 1:20 PM, Room 016

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*Hawai'i Appleseed Center for Law and Economic Justice Hawai'i 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.*

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Dear Chair Harimoto, Vice Chair Galuteria and Members, Committee on Housing:

Thank you for the opportunity to testify in support of SB 3040, which would amend the household income levels and unit availability eligibility requirements for the Rental Housing Revolving Fund (RHRF).

The Rental Housing Revolving Fund is an important resource for building critically needed affordable housing. Currently the RHRF statute requires applicants for funding to commit to projects in which 5 percent of the units built are affordable to low-income renters at 30% of Area Median Income or below. SB 3040 would require the amount of units at that level of affordability to be doubled to 10 percent. In doing so, the bill seeks to refocus the RHRF to address the most critical needs for housing for the people of Hawai'i.

Passage of the bill will admittedly require more funding to be allotted for few units, but it is necessary to address a critical unmet need for rental housing that is affordable to the low-income residents of Hawai'i. As shown by the graphic below, the lower a household's income, the greater the shortage of affordable rentals. As a result, almost 80 percent of extremely low-income households paying more than half of their income toward housing, an immense strain on their budgets. The consequences of their inability to make ends meet include worse health and educational outcomes, as well as the most visible consequence, homelessness.



SB 3040 can help to build more rental units targeted toward the income levels that need them most. Thank you very much for considering this important bill to help end homelessness.





February 5, 2016

To: **Senate Committee on Human Services**  
Senator Suzanne Chun Oakland, Chair  
Senator Gil Riviere, Vice Chair

**Senate Committee on Housing**  
Senator Breene Hairmoto, Chair  
Senator Brickwood Galuteria, Vice Chair

Subject: **Hearing, Tuesday February 9, 2016, 1:20 PM, Room 016 – SB3040**

### **Comments**

Chair's Senator Chun Oakland, and Senator Hairmoto, and Vice Chair's Senator Riviere, and Senator Galuteria, and members of the Committees on Human Services, and Housing. I am here today on behalf of all seven of Habitat for Humanity affiliates in Hawaii, to offer these comments on SB3040, which if passed, purports to increase the availability of rental housing unites for lower income families and individuals.

Before I begin I would like to note for the committee's that in 2012, Builder Magazine, a publication for the residential construction industry, annually compiles data from U.S. builders and ranks them by the number of closings. Habitat built or rehabilitated 4,970 homes across the United States and *is the only non-publicly traded company in the top ten ranking*. The organization made an additional 2,795 house repairs to existing homes, which were not accounted for in the survey. Thus, we feel well qualified in offering comments with respect to unit construction cost, return on investment, and overall impact.

HB1693, the House companion measure was heard February 2, 2016. Testimony in supporting the measure was offered by, Catholic Charities, Hawaii Appleseed, and Partners in Care. HHFDC, BIA-Hawaii, and The Chamber of Commerce Hawaii, opposed the measure.

Although we did not provide testimony on HB1693, we (Hawaii Habitat for Humanity Association) fully concurs that more affordable rental housing is sorely needed. At the same time we understand the positions of the opponents of HB1693, that its passing would in effect cut affordable rental housing construction in the long term.

*Since we are still very early in the legislative process, we strongly recommend the committees today vote to pass this SB3040, in order to give all interested parties an opportunity to meet and explore other financing solutions/options that could be implemented to jump start affordable rental construction, while at the same ensuring that there would be adequate revenues to cover long term mortgage requirements, while still remaining in compliance with AMI unit ratios as mandated by existing federal regulations.*

Respectfully,

A handwritten signature in black ink, appearing to read 'G. Massengale', with a stylized flourish at the end.

George S. Massengale  
Community Outreach Manager