

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

IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

January 30, 2020 at 9:45 a.m.
State Capitol, Room 423

In consideration of
H.B. 2226
RELATING TO AFFORDABLE HOUSING.

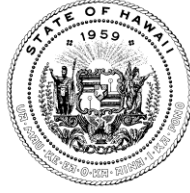
HHFDC **offers the following comments** on H.B. 2226. This bill would add a new chapter to the Hawaii Revised Statutes to, among other things, limit rent increases to a maximum of 30 percent a year, provided that the increase is not attributable to the landlord's negative cash flow in specific scenarios.

The bill as drafted would apply to rental units in projects receiving development or financing assistance from HHFDC, because they are privately-owned and operated. HHFDC's financing tools for affordable rentals come with affordability restrictions, and with program requirements that already allow HHFDC to review and approve rent increases for compliance with these restrictions. HHFDC is concerned that this measure would conflict with these existing measures.

Therefore, if it is the Committee's intent to move this bill forward, HHFDC requests an amendment to exempt dwelling units in rental projects it administers from the application of this law. We request that page 4, lines 14 -17 be amended to insert "administered", as follows:

- (4) A dwelling unit that is owned, operated, **administered**, or managed by a government unit, agency, or authority for purposes of providing housing to low-income, very low-income, or extremely low-income households; and

Thank you for the opportunity to testify.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Housing
Thursday, January 30, 2020
9:45 a.m.
State Capitol, Conference Room 423**

**On the following measure:
H.B. 2226, RELATING TO AFFORDABLE HOUSING**

WRITTEN TESTIMONY ONLY

Chair Brower and Members of the Committee:

My name is Catherine Awakuni Colón, and I am the Director of the Department of Commerce and Consumer Affairs (DCCA or Department). The Department respectfully opposes this bill to the extent that it establishes a rent stabilization advisory working group within the DCCA to advise on matters relating to rent stabilization for certain dwelling units.

The purposes of this bill are to: (1) limit monthly rent increases for certain dwelling units to 30% for the term of the rental agreement or every 12 months, whichever period is longer; (2) prohibit rent increases due to the landlord's negative cash flow resulting from refinancing or purchasing the rental dwelling unit; and (3) establish a rent stabilization advisory working group.

The Department recognizes the importance of stabilizing rent in Hawaii to avoid unreasonable rent increases and to provide a modicum of housing security to tenants;

however, a rent stabilization advisory working group would require oversight by a department or an agency well-versed in housing matters, such as housing finance and development issues. These matters are well outside the jurisdiction of the DCCA, which protects consumers through business registration and professional licensure, monitoring the financial solvency of local financial institutions and insurance companies, and investigating complaints of unfair business practices and license violations. Given the tailored mission of the DCCA, as well as the limitations placed on the use of our funds for licensure, it would be difficult to use existing staff expertise to oversee the working group to, among other things, advise the Legislature, Governor, and county agencies on matters relating to the stabilization of rental amounts for certain dwelling units.

Finally, the Department lacks the requisite knowledge about housing matters to “file for a civil action to enforce the provisions of this chapter,” pursuant to page 8, lines 1 to 2 of this bill.

Thank you for the opportunity to testify on this measure.

January 28, 2020

The Honorable Tom Brower, Chair

House Committee on Housing

State Capitol, Room 423

Honolulu, Hawaii 96813

RE: H.B. 2226, Relating to Affordable Housing

HEARING: Thursday, January 30, 2020, at 9:45 a.m.

Aloha Chair Brower, Vice Chair Matayoshi, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its over 10,000 members. HAR **opposes** House Bill 2226, which establishes a new rent stabilization law that limits monthly rent increases for certain dwelling units to 30% for the term of the rental agreement or every 12 months, whichever period is longer. Prohibits rent increases due to the landlord's negative cash flow resulting from refinancing or purchasing the rental dwelling unit. Establishes a rent stabilization advisory working group to advise on matters relating to the stabilization of certain dwelling unit rental amounts.

The role of rent plays two essential functions in the housing market. First, it compensates providers of existing housing units and developers of new units for the cost of providing housing to a consumer. Second, it provides economic incentives needed to attract new investment in rental housing and maintain existing housing stock. In the short-term as rents rise, it encourages new investment in rental housing through new construction, rehabilitation and conversion of buildings from nonresidential to residential use. Without the increased rents, it thereby would disincentive new investments in rental housing.

In an efficient market, prices find a level at which both tenants and landlords are willing to do business with each other. Rent stabilization removes that efficiency from the market. As tenants will want to stay in the units longer, it will decrease the supply of available rental housing stock thereby making prices go up in other non-rent stabilized housing that are exempt from this measure.

Furthermore, rent stabilization does not take into consideration the financial need of a tenant. It thereby would benefit well-to-do renters more than lower-income renters that this bill may be intended to help. To benefit lower-income consumers, rental assistance should be provided directly to the renter rather than tied to the rental unit. This allows residents to choose housing that better fits their needs.

Additionally, this measure prohibits a landlord from increasing rent if a landlord is experiencing a negative cash flow from refinancing or acquiring the unit. The rent can be used to help subsidize the mortgage payments, but landlords can additionally experience negative cash flows, such as from maintenance fees or assessments. Not every landlord owns their property out right and the ability to finance the purchase allows for more needed housing to be added to the rental market. By placing restrictions on increasing rent simply from having a negative cash flow could severely hurt these property owners.

We are in a severe housing shortage, with over 65,000 units needed in Hawai'i by 2025 according to the Department of Business, Economic Development and Tourism. We need to be encouraging investment in housing at all price points, and rent stabilization is counterproductive to Hawaii's unique housing challenges.

Mahalo for the opportunity to testify on this measure.

LATE

HB-2226

Submitted on: 1/29/2020 5:12:57 PM

Testimony for HSG on 1/30/2020 9:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Pamela Tumpap	Maui Chamber of Commerce	Oppose	No

Comments:

â€œâ€œâ€œâ€œâ€œâ€œâ€œWe understand that rents are increasing and it is a problem for residents. However, the bill, as it is currently written, would create some significant challenges and therefore, we cannot support it as written.