



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

HOUSE COMMITTEE ON HOUSING
HOUSE COMMITTEE ON HUMAN SERVICES & HOMELESSNESS

February 12, 2019 at 10:00 a.m.
State Capitol, Room 423

In consideration of
H.B. 477
RELATING TO HOUSING.

The HHFDC **supports** H.B. 477 **with a requested amendment.**

H.B. 477 is similar to Part III of H.B. 959, H.D. 1, previously heard by the joint committees on Housing and Economic Development & Business. Accordingly, we suggest that subsection (e) of this bill be amended to delete references to loan-to-value ratios, underwriting guidelines, and debt-coverage ratios. In refining the language of H.B. 959, H.D. 1, we determined that this language was suitable for permanent mortgage loans but not the interim and pre-development loans contemplated in the proposal. Therefore, we respectfully request that on page 5, lines 3 through 9 of the bill, subsection (e) should be amended to read as follows:

(e) The corporation may provide loans under this section as provided in rules adopted by the corporation pursuant to chapter 91.

Thank you for the opportunity to testify.



**TESTIMONY TO THE HOUSE COMMITTEES ON HOUSING, AND HUMAN SERVICES &
HOMELESSNESS
State Capitol, Conference Room 423
415 South Beretania Street
10:00 AM**

February 12, 2019

RE: HOUSE BILL NO. 477, RELATING TO HOUSING

Chairs Brower and San Buenaventura, Vice Chairs Matayoshi and Nakamura, and members of the committees:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii. Our members build the communities that people call home.

BIA-Hawao is in strong support of H.B. 477, which proposes to establish a homeownership housing revolving fund to provide funds for the development of affordable for-sale housing projects by nonprofit housing development organizations under a self-help housing program to facilitate greater homeownership opportunities for Hawaii residents.

Building our way out of our housing crisis requires increasing the supply of housing at all price points. The bill appropriately focuses government funding to nonprofit housing development organizations for the development of affordable homeownership housing projects under a self-help housing program. Involving nonprofit housing organizations will reach a certain segment of the housing market.

We are in strong support of H.B. 477, and appreciate the opportunity to express our views on this matter.

HB-477

Submitted on: 2/7/2019 9:45:01 AM

Testimony for HSG on 2/12/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
David Deges	Hawaii Island HIV/AIDS Foundation	Support	No

Comments:



200 North Vineyard Boulevard, B140
Honolulu, HI 96817
Ph: 808-587-7886
Toll Free: 1-866-400-1116
www.hawaiiancommunity.net

February 10, 2019

House Committees on Housing and Health & Human Services
Tuesday, February 12, 2019, 10am
Conference Room 423

HB477 - SUPPORT WITH AMENDMENTS

Aloha Committee Chairs, Vice-Chairs, 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 to **STRONGLY SUPPORT HB477 WITH AMENDMENTS**.

HB477 recognizes the need for us as a State to set in place a continuum in affordable housing units by creating a homeownership revolving fund that would provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households. With the State Department of Business, Economic Development, and Tourism projecting that we need 66,000 units of housing by 2025 to meet demand, we must consider all housing options to meet this goal.

Our organization recommends following amendments of the bill:

1. **Add language recognizing the need for preservation of existing affordable rental units and the role of the homeownership revolving fund and self-help nonprofits in transitioning them to affordable homeownership units.** Transitioning affordable rental units financed with Federal programs, such as Low-Income Housing Tax Credits, to affordable homeownership units once their affordability period ends is a strategy being implemented nationwide and promoted by Milken Institute and Kresge Foundation for preserving affordable housing for low-income households. The self-help homeownership revolving fund could be Hawaii's tool to implement this strategy for our families currently in affordable rentals scheduled to change to market rate. The fund would make it possible for organizations like Habitat for Humanity, Self-Help Housing Corporation, Hawaii Island Community Development Corporation, and Kapili Like to be major partners in preserving affordable units for our households that are most in-need and interested in aging in place.

2. **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 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.
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 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 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 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.

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

There is no silver bullet that will address this crisis. HB477 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 HB477 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

A handwritten signature in black ink, appearing to read "Jeff Gilbreath". The signature is fluid and cursive, with the first name "Jeff" and last name "Gilbreath" clearly distinguishable.

Jeff Gilbreath
Executive Director

H.B. No. 477

A BILL FOR AN ACT

RELATING TO HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that homeownership is positively correlated with economic and social stability in low and moderate-income households. However, in the last fifty years, the number of full time Hawaii residents who own homes has steadily declined. Currently, Hawaii has the third lowest homeownership rate of any state in the nation. The department of business, economic development, and tourism projects that Hawaii will need approximately ~~thirty-four~~ sixty-six thousand new housing units by 2025 to address the critical shortage of housing. Action is needed to increase the availability of owner-occupied housing to meet demand.

The legislature further finds that the self-help housing model is a cost-effective means of assisting low-income families who would otherwise not have a homeownership opportunity. Self-help housing organizations leverage federal funds from the United States Department of Housing and Urban Development and the United States Department of Agriculture - Rural Development

with low-income families' own contributions of labor to build their own communities. However, an additional non-federal matching funding source is needed.

The legislature further finds that homeownership is a national strategy for preserving affordable housing units financed through Federal the Low-Income Housing Tax Credit and Section 8 programs. Currently, there are 7,486 affordable housing units in Hawaii developed with Low-Income Housing Tax Credits and Section 8 program funding that are at or beyond their mandatory affordability period and therefore be at-risk of becoming market-rate units. Action is needed to preserve our limited affordable housing opportunities for low- and moderate-income households in Hawaii.

The legislature further finds that nonprofit community development financial institutions are intermediaries that provide financing and technical assistance to assist self-help housing organizations in the development of affordable homeownership units in underserved communities. As private-sector organizations, community development financial institutions establish and maintain revolving loan funds to attract capital from the U.S. Department of the Treasury and other public and private sources of capital in order to increase the collective impact of affordable housing development by self-help housing organizations. According to Opportunity Finance

Network, community development financial institutions leverage Federal funding for affordable housing and community development activities at a ratio of 8:1. Additional funding would help community development financial institutions attract private and public capital for affordable housing development.

The purpose of this Act is to establish a home ownership housing revolving fund to provide for the development of affordable for-sale housing projects to by nonprofit housing development organizations under a self-help housing program to facilitate greater homeownership opportunities for Hawaii residents.

SECTION 2. Chapter 201H, Hawaii Revised Statutes, is amended by adding a new section to part II to be appropriately designated and to read as follows:

§201H-_____ Homeownership housing revolving fund. (a) There is established a homeownership housing revolving fund to be administered by the corporation for the purpose of providing, in whole or in part, loans to nonprofit community development financial institutions and nonprofit housing development organizations to be used for the development of affordable for-sale housing projects in the following order of priority:

(1) Affordable for-sale housing projects or units in affordable for-sale housing projects that are allocated low-income housing credits pursuant to the

state housing credit ceiling under section 42(h) of
the Internal Revenue Code of 1986, as amended, or such
projects or units in such projects that are funded by
programs of the United States Department of Housing
and Urban Development, United States Department of
Agriculture Rural Development, and United States Department
of Treasury community development financial institutions
fund, wherein:

(A) At least fifty per cent of the available units
are reserved for persons and families with
incomes at or below eighty per cent of the median
family income and of which at least five per cent
of the available units are for persons and
families with incomes at or below fifty per cent
of the median family income; and

(B) The remaining units are reserved for persons and
families with incomes at or below one hundred
twenty per cent of the median family income; and

(2) Mixed-income affordable for-sale housing projects or
units in a mixed-income affordable for-sale housing
project wherein all of the available units are
reserved for persons and families with incomes at or
below one hundred forty per cent of the median family
income.

(b) Moneys in the fund shall be used to provide loans for the development, pre-development, construction, acquisition, mortgage financing or non-traditional financing for lands with title issues, preservation, and substantial rehabilitation of affordable for-sale housing units. Uses of moneys in the fund may include but are not limited to planning, design, land acquisition, including the costs of options, agreements of sale, and down payments, capacity building of nonprofit housing developers, as matching funds for nonprofit community development financial institutions assistance awards, or other housing development services or activities as provided in rules adopted by the corporation pursuant to chapter 91. The rules may provide that money from the fund shall be leveraged with other financial resources to the extent possible.

(c) The fund may include sums appropriated by the legislature, private contributions, repayment of loans, interest, other returns, and moneys from other sources.

(d) An amount from the fund, to be set by the corporation and authorized by the legislature, may be used for administrative expenses incurred by the corporation in administering the fund; provided that moneys in the fund shall not be used to finance day-to-day administrative expenses of the projects allotted moneys from the fund.

~~(e) The corporation may provide loans under~~

~~this section; provided that the corporation shall establish loan-to-value ratios, not to exceed one hundred per cent, to protect the fund from inordinate risk; provided further that the underwriting guidelines include a debt-coverage ratio of not less than one to one.~~

~~(f)~~ (e) The corporation may provide loans under this section as provided in rules adopted by the corporation pursuant to chapter 91.

(f) The corporation shall submit a report to the legislature no later than twenty days prior to the convening of each regular session describing the projects funded.

(g) For the purposes of this section, "self-help housing program" shall have the same meaning as in section 201H-151(a)."

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$25 million or so much thereof as may be necessary for fiscal year 2019-2020 to be deposited into the home ownership housing revolving fund established under section 201H- , Hawaii Revised Statutes.

SECTION 4. There is appropriated out of the home ownership housing revolving fund the sum of \$25 million or so much thereof as may be necessary for fiscal year 2019-2020 for loans to ~~be used~~ nonprofit community development financial institutions or nonprofit organizations operating a self-help housing

program for the development of affordable for-sale housing project.

The sum appropriated shall be expended by the Hawaii housing finance and development corporation for the purposes of this Act.

SECTION 5. New statutory material is underscored.

SECTION 6. This Act, upon its approval, shall take effect on July 1, 2019.



February 10, 2019

To: House Committee on Housing, and the
Committee on Human Services & Homelessness
Date: February 12, 2019
Time: 10:00 a.m.
Place: Conference Room 423
Subj: HB477 – Homeownership Housing Revolving Fund

SUPPORT WITH AMENDMENTS

Aloha Chairs Brower and San Buenaventura. My name is Rene Berthiaume and I am submitting this testimony in my capacity as the board Vice President of Hawaii Habitat for Humanity Association (HHFHA). HHFHA is a nonprofit community development financial institution and State Support Organization for our five Habitat for Humanity affiliates across the state.

Our organization recommends amendments that are consistent with our request for amendments to HB959, which we drafted in partnership with the Hawaii Housing Finance and Development Corporation and was part of the Governor's package and includes the creation of an affordable homeownership revolving fund.

Amendments include: 1. Add language recognizing the need for preservation of existing affordable rental units and the role of the homeownership revolving fund and self-help nonprofits in transitioning them to affordable homeownership units. Transitioning affordable rental units financed with Federal programs, such as Low-Income Housing Tax Credits, to affordable homeownership units once their affordability period ends is a strategy being implemented nationwide and promoted by Milken Institute and Kresge Foundation for preserving affordable housing for low-income households. The self-help homeownership revolving fund could be Hawaii's tool to implement this strategy for our families currently in affordable rentals scheduled to change to market rate. The fund would make it possible for organizations like Habitat for Humanity, Self-Help Housing Corporation, Hawaii Island Community Development Corporation, and Kapili Like to be major partners in preserving affordable units for our households that are most in-need and interested in aging in place.

2. 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 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.

3. Indicated in the committee report a suggested appropriation of \$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 alone 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 with integrating affordable homeownership within our overall affordable housing strategy that includes O'hana zone housing and affordable rentals.

Hawaii Habitat for Humanity and its five neighbor island affiliate 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 suggested amendments, so that we can increase our work across Hawaii and give our low-income families a chance at the benefits of homeownership.

/s/ Rene Berthiaume

Vice President, Board of Directors



*Building houses,
building hope*

Deacon Michael Ross
Board President

Dr. AnnMarie Muramoto
Vice President

Anthony Cann
Secretary

Hobbs Lowson
Treasurer

Edwina Fujimoto

Father Richard Tardiff

Gail Noeau

Julie Ziemelis

Leiola Augustine

Melanie Lucas

Napua Kekauoha-Chartrand

Ron Lloyd

Steve Machesky

Patrick F. Hurney
Executive Director

Habitat for Humanity
Hawaii'i Island, Inc.
PO Box 4619
Kailua-Kona, HI 96745

Phone (808) 331-8010
Fax (808) 331-8020
info@habitat-hawaiiisland.org
www.habitathawaiiisland.org



Community Partner

February 2, 2019

House Committee on Housings
Tuesday, February 12, 2019
Conference Room 423

HB477 – Relating to Housing

Aloha Committee Chair, Vice-Chair, and Committee Members:

I am submitting testimony on behalf of Habitat for Humanity Hawaii Island (HFHHI), one of a few affordable housing organizations on the Big Island, to **SUPPORT HB477**

Our self-help housing nonprofits have been responsible for a significant number of single- and multi-family homeownership units that are affordable for low-income households earning at or below 80% the HUD area median income.

These self-help housing nonprofits including Habitat for Humanity, Self-Help Housing Corporation of Hawaii, Hawaii Island Community Development Corporation make up the most robust portion of our nonprofit affordable housing industry in Hawaii.

Mahalo for your time, leadership and consideration. Please contact me directly at 808.937.7443 or pat@habitat-hawaiiisland.org should you have any questions or need additional information.

Sincerely

A handwritten signature in black ink, appearing to read "Patrick F. Hurney".

Patrick F. Hurney
Executive Director



Board Members

President

Jason Okuhama
Managing Partner,
Commercial & Business Lending

Secretary

Marcus Kawatachi
Deputy Director,
Hawai'i Civil Rights Commission

Trina Orimoto
Clinical & Research
Psychologist

Kaipo Kukahiko
Executive Director,
KEY Project

Miwa Tamanaha
Deputy Director,
Kua'āina Ulu 'Auamo

HACBED Staff

Brent N. Kakesako
Executive Director

Keoki Noji
Chief Operating Officer

Athena T. Esene
Bookkeeper & Office Manager

Foley Pfalzgraf
Program Specialist

Chelsie Onaga
AmeriCorps VISTA

Date: February 10, 2019

To: Representative Tom Brower, Chair, Representative Scot Z. Matayoshi, Vice-Chair, and members of the Committee on Housing
Representative Joy A. San Buenaventura, Chair, Representative Nadine K. Nakamura, Vice Chair, and members of the Committee on Human Services and Homelessness

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Support for HB477 with amendments

Aloha Chairs Brower and San Buenaventura, Vice-Chairs Matayoshi and Nakamura, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) supports HB477, which establishes a Homeownership Housing Revolving Fund within Hawai'i Housing Finance and Development Corporation (HHFDC) to provide loans to nonprofit housing development organizations for the development of affordable homeownership housing projects under a self-help program, with amendments.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map.

The 2015 State Housing Demand Study made it clear that 75% of the housing needed by 2026 must be for households earning \$75,000 annually or less. This includes our families, friends, co-workers, and employees. There is an immediate need for an annual commitment of resources in the development of housing options that are truly affordable for families who call this place home and the passage of HB477 with the following amendments would set a significant, annual baseline:

- *Need to Preserve Existing Affordable Rental Units* – existing affordable rental units meet a huge need in the community and the proposed Revolving Fund provides an opportunity to transition these rental units to affordable homeownership units once their affordability period ends with the support of self-help nonprofits.
- *Importance of Community Development Financial Institutions (CDFIs)* – CDFIs play a critical role in financing affordable homeownership units by leveraging public and private capital and should also have access to the proposed Revolving Fund to increase the options for flexible mortgage financing, down payment assistant loans, and non-traditional financing.

February 10, 2019

Page 2 of 2 – Testimony in Support of HB477 with amendments

Language around requirements for Federal CFI financial assistance should be removed from HB477 to ensure the broadest range of participation to address our housing crisis.

Mahalo for this opportunity to testify,

Brent N. Kakesako
Executive Director

February 11, 2019

To: Chairs, Vice Chairs, and Committee Members of the House Committees on Housing/Human Services and Homelessness

Re: Hearing on HB 477 Relating to Housing

Hawai'i State Capitol
Conference Room 423
10:00 a.m.

LATE

TESTIMONY IN SUPPORT OF HB 477 WITH AMENDMENTS

HB 477: Establishes a Homeownership Housing Revolving Fund within HHFDC to provide loans to nonprofit housing development organizations for the development of affordable homeownership housing projects under a self-help housing program.

The Council for Native Hawaiian Advancement (CNHA), a Native Hawaiian serving organization, testifies in support of the HB 477 with Amendments. The Council for Native Hawaiian Advancement (CNHA) is a member-based 501(c)3 non-profit organization with a mission to enhance the cultural, economic, political, and community development of Native Hawaiians. CNHA is a national network of Native Hawaiian organizations and a strong voice on public policy. CNHA operates a loan fund, delivers capacity building services, fosters leadership development and has convened the Annual Native Hawaiian Convention for 17 consecutive years. CNHA has an 18-year record of providing support to native Hawaiians to homestead beneficiaries. It also is a Community Development Financing Institution which serves the Native Hawaiian community.

HB477 recognizes the need for Hawaii to create different strategies to build more affordable housing. CNHA believes that creating a homeownership revolving fund that would provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low and moderate-income households is one such approach that is much needed.

We recommend the following amendments:

1. Add language recognizing the need for preservation of existing affordable rental units and the role of the homeownership revolving fund and self-help nonprofits in transitioning them to affordable homeownership units. Transitioning now-existing affordable rental units financed by Federal programs (such as Low-Income Housing Tax Credits) to affordable homeownership units once their affordability period ends is a strategy that is needed to keep those people now living in affordable housing from being evicted and becoming houseless. These funds would make it possible for organizations like Habitat for Humanity, Self-Help Housing Corporation, Hawaii Island Community Development Corporation, and Kapili Like to be major partners in preserving affordable units for our households that are most in-need and interested in aging in place.

2. 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 build affordable housing across the United States by combining public and private capital to make loans to underserved populations. Understanding the critical role local CDFIs can play in financing affordable homeownership opportunities is critical to address the lack of affordable housing.

3. Add language authorizing CDFIs to access the homeownership revolving fund so they may relend these funds in areas where residents cannot now obtain loans to build, repair, or remodel their homes. 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 8:1. Were CDFIs able to access to the funds, they could finance emergency and permanent housing for households residing on Hawaii Island in areas ravaged by lava eruptions, on Kuleana Lands in Kauai, on Maui where floods and fires have recently occurred, or in the valleys of Waiahole and Kahana where land leases prevent access to traditional mortgage financing.

4. Expand the number of CDFI's able to participate in this program by striking language requiring CDFI's to have Federal CDFI financial assistance awards and recognize that many of them have access to other sources of funding. 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 with any capital they may be able to garner from foundations, banks, or other public entities. As stated previously, Federal funds make up only 1/8 of a typical CDFIs total loan capital and, as now written, HB 477 would unnecessarily limit access to homeownership revolving funds by local, non-profit CDFI's.

5. A \$25 million authorization to the Hawaii Housing Finance and Development Corporation for the Homeownership Revolving Fund will yield \$200 million in capital that could be used to build 1500 affordable homes. Based on CDFIs' standard leverage ratio alone (8:1), a \$25 million investment by the State could result in \$200 million of total housing financing activity to build 1,500 affordable homes by 2020.

CNHA realizes that complex problems- - - such as our lack of sufficient financing to build more affordable housing that people can own- - -require unique solutions that take advantage of all aspects of our available public and private financing mechanisms. HB 477, as amended, will make substantially more capital available to CDFI's, which, in turn, will make more financing available to the Native Hawaiian families CNHA serves.

Respectfully,

A handwritten signature in blue ink, appearing to read 'J. Kuhio Lewis', with a stylized flourish at the end.

J. Kuhio Lewis
Chief Executive Officer

Partners in Housing



Co Chairs:

Greg Thielen
BIA Hawaii

Jean Lilley
Hawaii Habitat for Humanity

Participating Organizations:

AIA Hawaii State Council

AIA Honolulu

AIA Maui

BIA-Hawaii

Chamber of Commerce of
Hawaii

EAH Housing

FACE

Hawaii Appleseed Center for
Law & Economic Justice

Hawaiian Community Assets

Hawaii Community
Development Board

Hawaii Habitat for Humanity

Self-Help Housing Corporation
of Hawaii

TESTIMONY TO THE HOUSE COMMITTEES ON HOUSING, AND HUMAN SERVICES & HOMELESSNESS

State Capitol, Conference Room 423
415 South Beretania Street
10:00 AM

February 12, 2019

RE: HOUSE BILL NO. 477, RELATING TO HOUSING


Chairs Brower and San Buenaventura, Vice Chairs Matayoshi and Nakamura, and members of the committees:

Partners in Housing (PIH) was created by the Building Industry Association leaders and leaders from various non-profit developers and affordable housing advocates. We are committed to working with our community leaders to help solve the housing shortage in our beloved state and to be a solution to providing housing, specifically to people in Hawaii that are struggling with housing costs.

This new alliance has a basic tenet: Everyone in Hawaii should be able to afford stable, permanent rental or for-sale housing at all price points and income levels. Hawaii's current housing crisis requires that everyone involved in housing needs to work together toward addressing the housing need across the state. Our Partners in Housing coalition supports broad policies regarding housing and support services. We will advocate for planning, funding and building of infrastructure focusing on transit-oriented development areas and for more government support of affordable housing via funding, improved permitting and creative use of government lands.

PIH is in strong support of H.B. 477 which proposes to establish a homeownership housing revolving fund to provide funds for the development of affordable for-sale housing projects by nonprofit housing development organizations under a self-help housing program to facilitate greater homeownership opportunities for Hawaii residents.

Building our way out of our housing crisis requires increasing the supply of housing at all price points. The bill appropriately focuses government funding to nonprofit housing development organizations for the development of affordable



homeownership housing projects under a self-help housing program. Involving nonprofit housing organizations will reach a certain segment of the housing market.

We are in strong support of H.B. 477, and appreciate the opportunity to express our views on this matter.





February 6, 2019

House Committees on Housing and Human Services and Homelessness
Tuesday, February 12, 2019
Conference Room 423

HB477- SUPPORT WITH AMENDMENTS

Aloha Committee Chairs, Vice-Chairs, 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 and State Support Organization for the direct service Habitat for Humanity organizations across the state to **STRONGLY SUPPORT HB959 WITH AMENDMENTS.**

HB477 recognizes the need for expanding the housing needs of our communities across the state to include development of permanent homeownership units through self-help housing nonprofits for Hawaii's low- and moderate-income households.

Hawaii Habitat in in strong support with the following amendments:

1. **Add language recognizing the need for preservation of existing affordable rental units and the role of the homeownership revolving fund and self-help nonprofits in transitioning them to affordable homeownership units.** Transitioning affordable rental units financed with Federal programs, such as Low-Income Housing Tax Credits, to affordable homeownership units once their affordability period ends is a strategy being implemented nationwide and promoted by Milken Institute and Kresge Foundation for preserving affordable housing for low-income households. The self-help homeownership revolving fund could be Hawaii's tool to implement this strategy for our families currently in affordable rentals scheduled to change to market rate. The fund would make it possible for organizations like Habitat for Humanity, Self-Help Housing Corporation, Hawaii Island Community Development Corporation, and Kapili Like to be major partners in preserving affordable units for our households that are most in-need and interested in aging in place.

2. **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 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.
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 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. HB477 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 HB477 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 HB477 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

A BILL FOR AN ACT

RELATING TO HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that homeownership is the primary factor in escaping poverty and that in the last fifty years, the number of full time residents in Hawaii who own homes in the State has steadily declined. Currently, Hawaii has one of the lowest homeowner rates of any state in the nation.

The legislature further finds that Hawaii is experiencing the worst housing crisis in the State's history, and that action is necessary to increase the availability of all types of housing including full time resident homeownership housing. The department of business, economic development, and tourism projects that Hawaii will need 66,000 new housing units by 2025 to address the critical shortage of housing.

The legislature further finds that the self-help housing model is a cost-effective means of assisting low-income families who would otherwise not have a homeownership opportunity. Self-help housing organizations leverage federal funds from the U.S. Department of Housing and Urban Development and the U.S.

Department of Agriculture - Rural Development and low-income families' own contributions of labor to build their own communities. However, an additional non-federal matching funding source is needed.

The legislature further finds that homeownership is a national strategy for preserving affordable housing units financed through Federal the Low-Income Housing Tax Credit and Section 8 programs. Currently, there are 7,486 affordable housing units in Hawaii developed with Low-Income Housing Tax Credits and Section 8 program funding that are at or beyond their mandatory affordability period and therefore be at-risk of becoming market-rate units. Action is needed to preserve our limited affordable housing opportunities for low- and moderate-income households in Hawaii.

The legislature further finds that nonprofit community development financial institutions are intermediaries that provide financing and technical assistance to assist self-help housing organizations in the development of affordable homeownership units in underserved communities. As private-sector organizations, community development financial institutions establish and maintain revolving loan funds to attract capital from the U.S. Department of the Treasury and other public and private sources of capital in order to increase the collective impact of affordable housing development by self-

help housing organizations. According to Opportunity Finance Network, community development financial institutions leverage Federal funding for affordable housing and community development activities at a ratio of 8:1. Additional funding would help community development financial institutions attract private and public capital for affordable housing development.

The purpose of this subpart is to establish a self-help homeownership housing revolving fund to provide for the development of affordable for-sale housing projects by nonprofit housing development organizations under a self-help housing program to facilitate greater homeownership opportunities for Hawaii residents.

SECTION 2. Chapter 201H, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

§201H-___ Affordable homeownership revolving fund. (a) There is established an affordable homeownership revolving fund to be administered by the corporation for the purpose of providing, in whole or in part, loans to nonprofit community development financial institutions and nonprofit housing development organizations for the development of affordable homeownership housing projects under a self-help housing program. Loans shall be awarded in the following order of priority:

(1) Projects or units in projects that are funded by programs of the United States Department of Housing and Urban Development, United States Department of Agriculture - Rural Development, and United States Department of Treasury community development financial institutions fund, wherein:

(A) At least fifty per cent of the available units are reserved for persons and families with incomes at or below eighty per cent of the median family income and of which at least five per cent of the available units are for persons and families with incomes at or below fifty per cent of the median family income; and

(B) The remaining units are reserved for persons and families with incomes at or below one hundred twenty per cent of the median family income; and

(2) Mixed-income affordable for-sale housing projects or units in a mixed-income affordable for-sale housing project wherein all of the available units are reserved for persons and families with incomes at or below one hundred forty per cent of the median family income.

(b) Moneys in the fund shall be used to provide loans for the development, pre-development, construction, acquisition,

mortgage financing or non-traditional financing for lands with title issues, preservation, and substantial rehabilitation of affordable for-sale housing units. Uses of moneys in the fund may include but are not limited to planning, design, land acquisition, including the costs of options, agreements of sale, and down payments, capacity building of nonprofit housing developers, as matching funds for nonprofit community development financial institutions, or other housing development services or activities as provided in rules adopted by the corporation pursuant to chapter 91. The rules may provide that money from the fund shall be leveraged with other financial resources to the extent possible.

(c) The fund may include sums appropriated by the legislature, private contributions, repayment of loans, interest, other returns, and moneys from other sources.

(d) An amount from the fund, to be set by the corporation and authorized by the legislature, may be used for administrative expenses incurred by the corporation in administering the fund; provided that moneys in the fund shall not be used to finance day-to-day administrative expenses of the projects allotted moneys from the fund.

(e) The corporation may provide loans under this section as provided in rules adopted by the corporation pursuant to chapter 91.

(f) The corporation shall submit a report to the legislature no later than twenty days prior to the convening of each regular session describing the projects funded.

(g) For the purposes of this section, "self-help housing program" shall have the same meaning as in section 201H-151(a)."

SECTION 6. There is appropriated out of the general revenues of the State of Hawaii the sum of \$25 million or so much thereof as may be necessary for fiscal year 2019-2020 to be deposited into the affordable homeownership revolving fund.

SECTION 7. There is appropriated out of the affordable homeownership revolving fund the sum of \$25 million or so much thereof as may be necessary for fiscal year 2019-2020 for loans to nonprofit community development financial institutions or nonprofit organizations operating a self-help housing program for the development of affordable for-sale housing project.

The sum appropriated shall be expended by the Hawaii housing finance and development corporation for the purposes of this Act.

SECTION 5. New statutory material is underscored.

SECTION 6. This Act, upon its approval, shall take effect on July 1, 2019.

HB-477

Submitted on: 2/11/2019 5:40:22 PM

Testimony for HSG on 2/12/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Gail Noeau	Habitat for Humanity Hawaii Island.	Support	No

Comments:

Please support this bill. It is important to Hawaii's families. Thank you & Aloha

LATE



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committees on Housing &
Human Services and Homelessness**

Tuesday, February 12, 2019 at 10:00 A.M.

Conference Room 325, State Capitol

LATE

RE: HOUSE BILL 477, RELATING TO THE HOUSING

Chairs Brower & San Buenaventura, Vice Chairs Matayoshi & Nakamura, and members of the committees:

The Chamber is in support of HB 477 which proposes to establish a homeownership housing revolving fund to provide funds for the development of affordable for-sale housing projects by nonprofit housing development organizations under a self-help housing program to facilitate greater homeownership opportunities for Hawaii residents.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Building our way out of our housing crisis requires increasing the supply of housing at all price points. The bill appropriately focuses government funding to nonprofit housing development organizations for the development of affordable homeownership housing projects under a self-help housing program. Involving nonprofit housing organizations will reach a certain segment of the housing market.

Thank you for the opportunity to testify.

HB-477

Submitted on: 2/11/2019 9:37:09 AM

Testimony for HSG on 2/12/2019 10:00:00 AM

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

Comments:

HB-477

Submitted on: 2/11/2019 9:43:48 AM

Testimony for HSG on 2/12/2019 10:00:00 AM

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

Comments:

February 10, 2019

House Committees on Housing and Health & Human Services

Tuesday, February 12, 2019, 10am Conference Room 423

HB477 - SUPPORT WITH AMENDMENTS

Aloha Committee Chairs, Vice-Chairs, and Members: I am submitting testimony to **STRONGLY SUPPORT HB477 WITH AMENDMENTS.**

HB477 recognizes the need for us as a State to set in place a continuum in affordable housing units by creating a homeownership revolving fund that would provide loans for the development of permanent homeownership units by self-help housing nonprofits for our local low- and moderate-income households. With the State Department of Business, Economic Development, and Tourism projecting that we need 66,000 units of housing by 2025 to meet demand, we must consider all housing options to meet this goal. I would like to make recommends following amendments of the bill: 1. Add language recognizing the need for preservation of existing affordable rental units and the role of the homeownership revolving fund and self-help nonprofits in transitioning them to affordable homeownership units. Transitioning affordable rental units financed with Federal programs, such as Low-Income Housing Tax Credits, to affordable homeownership units once their affordability period ends is a strategy being implemented nationwide and promoted by Milken Institute and Kresge Foundation for preserving affordable housing for low-income households. The self-help homeownership revolving fund could be Hawaii's tool to implement this strategy for our families currently in affordable rentals scheduled to change to market rate. The fund would make it possible for organizations like Habitat for Humanity, Self-Help Housing Corporation, Hawaii Island Community Development Corporation, and Kapili Like to be major partners in preserving affordable units for our households that are most in-need and interested in aging in place. 2. 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 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.

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 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 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 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.

1 CDFI Industry Analysis: Summary Report. Carsey Institute, Spring 2012.

<https://www.cdfifund.gov/Documents/Carsey%20Report%20PR%20042512.pdf> There is no silver bullet that will address this crisis. HB477 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 HB477 WITH AMENDMENTS.

Mahalo for your time, leadership and consideration

Annie Au Hoon,
Homeowner And Client of HCA!

A Future