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IN REPLY PLEASE REFER TO:

Statement of
Executive Director Hakim Ouansafi
Hawaii Public Housing Authority
Before the

HOUSE COMMITTEE ON FINANCE

January 13, 2020 at 9:00 A.M.
Room 308, Hawaii State Capitol

In consideration of
**INFORMATIONAL BRIEFING RELATING TO
THE STATE DEPARTMENT OF HUMAN SERVICES BUDGET**

Honorable Chair Luke and Members of the House Committee on Finance, thank you for the opportunity to provide you with comments regarding the Department of Human Services – Hawaii Public Housing Authority budget programs HMS 220, 222 and 229.

Overview

A. Mission Statement

The Hawaii Public Housing Authority (HPHA) is committed to providing adequate and affordable housing, economic opportunity and a suitable living environment, for low-income families and individuals, free from discrimination.

B. Current State-Wide Conditions Affecting HPHA

- Homelessness

The HPHA is the sole statewide Public Housing Agency in the State of Hawaii, established by the Territory of Hawaii in 1935 to provide safe, decent, and sanitary housing for low-income

residents. While there is a complex hierarchy of needs that exist for people who are homeless, the HPHA plays an integral part in combatting the homeless crisis and preventing homelessness through selecting 50% of our public housing participants and 100% of our Section 8 programs mainly through the HPHA's homeless preference.

Homelessness and housing affordability continued to lead the collective civic dialogue in Hawaii as people with modest and low incomes look to the HPHA for assistance. The HPHA used all available resources to prevent homelessness and keep families housed through the State Rent Supplement Program that is currently housing 345 families, and additionally served the homeless through 50% of our available public housing units and 100% of our Section 8 Vouchers.

The HPHA took a clear lead in the state to end the homelessness of our veterans through the Veterans Affairs Supportive Housing (VASH) program that is currently housing 464 veterans. Additionally, the HPHA applied for and was successful in recently securing an award of \$850,040 (60 units) for HUD's Mainstream Voucher program. The Mainstream Voucher program assist families with non-elderly persons with disabilities that are not the head or co-head or spouse to lease affordable private housing of their choice. The timeline for implementation of this program is as follows:

1. From December through January, we can purge the Section 8 waitlist and add a checkbox on MyPortal for applicants to let us know that they have an adult disabled family member who is not the head or co-head or spouse.
2. We can pre-qualify eligibility screening from February through April.
3. We can perform interviews through May and June to fill the 80 voucher slots.
4. July 1, 2020 – Assign vouchers and let the families shop/hunt.

The HPHA also recently signed a Memorandum of Agreement with the Child Welfare Services Branch (CWSB) to administer the Foster Youth to Independence (FYI) initiative, where HUD will provide Tenant Protection Vouchers (TPVs) for youth eligible under the Family Unification Program (FUP), subject to availability. This FYI program assists people who are at least 18 years and not more than 24 years of age; has left foster care or will leave foster care within 90 days; and is homeless or is at risk of becoming homeless.

- Aging Housing Inventory

The HPHA is required to maintain safe, decent and sanitary housing for our tenants which requires not only renovations of vacant units, but continued repair and maintenance of occupied units. The age of our housing inventory makes this a challenging and costly task. This issue highlights the need for the appropriate skilled manpower, and funding for such projects.

In response to the need, the HPHA continues its partnership with the United Public Workers (UPW) and the Hawaii Government Employees Association (HGEA) to successfully execute the pilot project and reorganize its current operations to establish Multi Skilled Worker (MSW) teams

to assist not only in expediting the availability of vacant units, but to also assist in the repair and maintenance at the properties.

Under the MSW Program, skilled trade workers both provide training and receive training in areas outside the confines of their traditional position description. The program provides opportunities for staff to learn diverse types of trade through an on-going “on-the-job” training, and trains its staff to be multi-skilled, with applicable instruction in electrical, plumbing, welding, roofing and carpentry work. This provides the HPHA with increased efficiency and allows repair work to occur more expeditiously, thereby saving time and money by doing repairs in-house and immediately.

The HPHA continues to manage federal capital funds and state capital improvement project funds to conduct major capital repairs and improvements, address site and unit accessibility, and replace obsolete major systems. The HPHA, and our public housing residents, appreciate last year’s appropriation of a \$20 million lump sum to address the capital repair needs of the state’s public housing inventory. The HPHA is grateful for the Legislature’s and the Administration’s continued support of its request for capital funds.

- Accessibility

One of the most important priorities of the HPHA besides health and safety issues, has been to ensure that its public housing, community spaces and pathways are accessible to persons with disabilities. The HPHA continues its commitment to making the Agency’s properties compliant with the Americans with Disabilities Act (ADA) as well as the Department of Housing and Urban Development’s (HUD’s) Uniform Federal Accessibility Standards (UFAS).

To further ensure that HPHA is ADA compliant, the Agency has contracted with EMG to perform a Section 504 Needs Assessment to conduct physical assessments on HPHA’s properties and investigate whether 5% of its total housing units are sufficient to serve as UFAS-mobility accessible units and whether an additional 2% of the total housing units are sufficient to serve as UFAS-audio visual Accessible Units. The physical assessments include parking lots, common areas, AMP offices, and accessible units.

The HPHA Needs Assessment and DRAFT Title II Transition Plan with repairs can be found at:
<http://www.hpha.hawaii.gov/housingplans/index.htm>

Funding permitting, and where possible, the HPHA strives to ensure that the property be above the minimum requirements for achieving accessibility when modernizing a site. Where site conditions allow, more than the ADA minimum required accessible units and parking stalls are provided, including improvements to units to make them accessible to the visually and hearing impaired as well as adding additional units that are easily convertible to become accessible units, allowing residents to age in place.

Based upon a review and analysis of the available census data, current and historical HPHA resident occupancy, HPHA designated accessible units, the HPHA resident waitlist, and to conform with the law and regulations, it was recommended that HPHA increase its UFAS-mobility accessible units from 5% to six and eight tenths percent (6.8%). An increase is also recommended for the UFAS- audio visual accessible units, from 2% to four and one tenth percent (4.1%). The majority of the increases will be on the island of O’ahu. The current inventory of dwelling units is at five and two tenths percent (5.2%), and two and four tenths percent (2.4%). HPHA currently has projects under construction or design that will take their inventory closer to the 6.8% and 4.1% need.

The Hawai’i Public Housing Authority has adopted a multi-phase strategy using the ranking criteria of facility usage levels to determine the phases for barrier removal. The long-term goal is to make all accessible dwelling units, and related routes and common areas compliant. In order to meet the programmatic requirement for accessibility of programs, facilities and services to the disabled by local agencies, the Hawai’i Public Housing Authority will make accommodations for the disabled when requested.

The planned phases for barrier removal are:

- Phase One – Easily removable barriers to be done by HPHA staff
- Phase Two – Exterior Routes and Parking Spaces
- Phase Three – Interior Routes
- Phase Four – Currently Identified Accessible Dwelling Units, Common Areas
- Phase Five – Additional Accessible Units to meet the requirements of the Needs Assessment.

The planning level cost estimates for each phase are summarized below:

| BARRIER REMOVAL PHASE SUMMARY | | |
|--------------------------------------|-----------------------|-----------------|
| Phases | Estimated Cost | Barriers |
| Phase 1 | \$470,825 | 516 |
| Phase 2 | \$8,065,989 | 1,248 |
| Phase 3 | \$3,153,166 | 311 |
| Phase 4 | \$11,850,348 | 997 |
| Phase 5 | \$15,765,850 | 324 |
| Totals | \$39,306,178 | 3,402 |

- Long Waiting lists

For many of the most disadvantaged populations in our State, the HPHA is the last hope before homelessness. This prompted the HPHA into looking to increase our housing inventory.

HPHA continues to embrace innovative approaches to redeveloping its aging and obsolete property inventory through higher density Mixed-Finance redevelopment and other programs such as Rental Assistance Demonstration (RAD) conversion. The United States Department of Housing and Urban Development, who provides the majority of HPHA's annual operating funding, encourages this approach. These programs are typically executed through public private partnerships, better positioning HPHA properties to access the private capital and financing necessary to revitalize them into vibrant communities for future generations.

To execute its plans, legislative funding permitting, the HPHA intends to enter into a series of public-private partnerships to redevelop its low-income public housing portfolio and has identified several properties within its portfolio, most of which are also located nearby planned stations of the Honolulu Light Rail System, that could immediately benefit from this initiative.

Undertaking redevelopment of these state assets would not only allow the HPHA to rehabilitate functionally obsolete public housing units, but would substantially reduce expensive repair and maintenance costs required to maintain these units, while also significantly expanding the inventory of critically needed affordable housing units on Oahu by over 9,000 units over the next 10 years, consistent with achieving the State of Hawai'i's legislative goal of providing 22,500 affordable rental housing units pursuant to Act 127, SLH 2016.

Mayor Wright Homes:

Location: 521 North Kukui Street, Honolulu, HI
Tax Map Key ("TMK") (1) 1-7-029:003.

Background and Summary:

The HPHA has been actively pursuing the potential redevelopment of the Mayor Wright Homes public housing project. The overall redevelopment program would include applying to the U.S. Department of Housing and Urban Development ("HUD") to raze the existing structures and redevelop the site as a mixed-income, mixed-use housing development.

The proposed Project would deliver a total of approximately 2,448 residential rental units; including one-for-one replacement of the existing 364 public housing units currently located on the site with similarly deeply subsidized units. The majority of the additional units would be affordable units. In addition, up to 80,000 square feet of commercial space has also been proposed for the Project, which may include a mix of retail, office space, and community services to support the new residential units and complement the surrounding neighborhood.

The Mayor Wright Homes redevelopment has the potential not only to improve housing conditions for its current residents, but will fundamentally transform an existing, six-decade old, state-owned land asset, into a new, mixed-income, mixed-use, transit-oriented development enhancing the existing vibrant Kalihi, Liliha, Kapālama, and Iwilei communities.

The Project will facilitate the delivery of urgently needed affordable rental housing units to help address the existing affordable rental housing crisis across the State of Hawai'i. Accordingly, the project is a top priority for the Agency.

To undertake the Project, the HPHA entered into a public/private partnership with Hunt Development (MWH Partners, LLC) its affiliates and consultants to execute the Project, and as such, the HPHA entered into a Master Development Agreement on December 29, 2017.

Pre-Development Timeline:

| | |
|-------------------------------------------------------|----------------------|
| RFQ for Developer Issued: | July 11, 2014 |
| Hunt Team Selected: | November 20, 2014 |
| Pre-development Agreement Completed: | March 24, 2016 |
| Hunt Retained Consultant (PBR) for EIS/Planning: | March 2016 |
| Master Planning & Community Engagement Conducted: | May thru August 2016 |
| EIS Preparation Notice Submitted to OEQC: | September 23, 2016 |
| Draft State EIS Submitted to OEQC: | August 9, 2017 |
| Draft State EIS Public Notice Period Ended: | October 24, 2017 |
| Master Development Agreement Executed: | December 29, 2017 |
| Final State EIS Approved by HPHA BOD | February 15, 2018 |
| Final State EIS Submitted to Governor for Acceptance: | February 21, 2018 |
| Final State EIS Accepted/Approved: | April 24, 2018 |
| NEPA Environmental Review | Currently Underway |
| Ground Breaking | To Be Determined |

Environmental Review Status

A State Environmental Impact Statement, as required pursuant to HRS 343, was completed and accepted by the Governor on April 24, 2018. However, because proposed funding sources for the Mayor Wright Homes redevelopment include federal funding or grants, the proposed project is considered a federal action or “undertaking” and is also required to comply with Federal Environmental Policy under both the National Environmental Protection Act (NEPA) and the National Historic Preservation Act (NHPA). As required under HRS 343, both the State and Federal environmental reviews should have been conducted in a parallel effort. Unfortunately, our development partner did not initiate the Federal environmental review until the State environmental review was nearly completed, resulting in a significant delay in the project schedule.

To address the NEPA environmental review requirements, HPHA and its consultants, and Hunt have been working toward completion of an Environmental Assessment Determinations and Compliance Findings (EA) for HUD-assisted Projects as required pursuant to 24 CFR Part 58 in order to fulfill NEPA requirements. A significant component of the EA is meeting compliance with National Historic Preservation Act. A Memorandum of Agreement (MOA) between the Governor of the State of Hawaii, as Responsible Entity/Agency Official, the HPHA, the State Historic Preservation Department (SHPD), and Hunt regarding Section 106 Historic

preservation, compliance and proposed mitigation relating to the redevelopment of Mayor Wright Homes has been completed and was executed by the Governor on November 13, 2019.

With the NHPA MOA completed, the EA for the NEPA environmental review for the Project is now being finalized by Hunt and its consultants. The Responsible Entity (RE) for HUD assisted projects in Hawaii is the State of Hawaii itself. Once the EA is complete, it will be submitted to the Governor, as the certifying officer for the RE. If the RE determines a Finding of No Significant Impact (FONSI) is appropriate, the RE shall publish a Notice of Intent of Request of Release of Funds. If the RE determines the project will have a significant impact, Hunt and its consultants will be required to complete a NEPA Environmental Impact Statement in accordance with 24 CFR Part 58. Once Environment Clearance has been obtained, the project is expected to be completed in multiple phases over a ten-year construction period.

Budget & Proforma

Under the Master Development Agreement with Hunt, executed in December 2017, the agreed budget for the Mayor Wright Homes redevelopment over the ten-year projected construction period was \$1.3 Billion. Unfortunately, in October of 2018, Hunt provided the HPHA with an unexpected revised proforma for the project indicating a total cost over the 5 phases of development of approximately \$1.7B, an explosive \$400M increase in the \$1.3B budget agreed to under the MDA executed just 10 months earlier, of which included millions more in increased developer fees. As the estimated total cost per unit under this revised proposed budget equated to approximately \$680,000, which the agency found unacceptable and did not approve this budget modification request.

As understanding and confirming budget changes is fundamental to the fiduciary responsibility HPHA possesses as a State Agency utilizing taxpayer dollars in its developments, the HPHA rejected the proposed increase without any additional data and analysis from Hunt to support the proposed increases to the budget, and base line pricing for the original master plan presented in the State EIS in order to compare the revised designs and revised costs Hunt was proposing with the original design and budget. As the proposed budget increase is based on Hunt's General Contractor affiliate's internal estimates and input from local sub-contractors the HPHA requested this analysis. Hunt, however, has indicated that it cannot provide this analysis data. The Agency met with senior Hunt Management multiple times from November 2018 through March of 2019 in an effort to resolve this issue but has been unsuccessful in securing a defensible Project budget from Hunt.

Project Master Planning and Design

A master plan for the redevelopment of Mayor Wright Homes, developed by Hunt's selected architect Torti Gallas and Partners, evolved with extensive input from residents, community leaders and stakeholders, elected officials, government agencies, school officials, and service providers who participated in a series of community meetings held over several months beginning in early 2016. The Master Plan and design builds on research gathered on the site's historical, physical, social, and geographic context and technical information provided by consultants performing various site analyses.

Preliminary schematic designs prepared by Hunt’s consultants and submitted to the Agency last fall for review appear to depart significantly from the intent and spirit of the Torti Gallas Master Plan and design. These plans, designs and astounding 400M cost increase were rejected by HPHA’s Board of Directors. HPHA has asked Hunt to address a number of specific issues and concerns with the revised plans including:

1. Updating the overall site massing plan
2. Analysis of residential tower locations to understand how they will interact with the exterior environment including shadowing; sun and daylight access on the residential units; wind flow and wind pressure/load on and around the towers.
3. A review of the “wrapped” mid-rise residential units on the lower floors of the original Torti Plan. Hunt’s proposed redesign creates a large vertical/horizontal massing above the street front retail along Liliha that is not pedestrian friendly and departs from “Eyes on the Street” design achieved vis-à-vis the original Torti Gallas masterplan.

Additionally, it has also been determined that the financial feasibility of the proposed retail component for phase one of the project, located at the corner of South King and Liliha, is not presently economically viable. On 11/28/18 Hunt proposed a design option to the HPHA that considers proceeding without the retail component in phase 1, leaving this high value parcel as open space for residents until a solution for replacing or redesigning around this critical development component is found. This proposal is not acceptable to the Agency, as this critical corner of the project was intended to serve as an “anchor” for the overall development. An open space is not the highest and best use of this parcel and a redesign options for this important corner should be developed and evaluated in order to incorporate the final approved use for this corner into the overall phase I design.

The Agency is also waiting for a response from Hunt to comments received from U.S. Department of Housing and Urban Development (HUD) based on HUD’s review of Hunt’s proposed designs of the residential units located in both the mid-rise and tower buildings for compliance with the Americans with Disabilities Act (ADA) and Uniform Federal Accessibility Standards (UFAS). Based on HUD’s review, it appears that the ADA/UFAS units designed for the high-rise tower will require substantial redesign. The HPHA has forwarded a copy of HUD’s criteria for Design of Choice Neighborhood Projects to Hunt to be certain they understand HUD’s requirements regarding ADA/UFAS design.

HPHA’s School Street Administrative Offices

Location: N. School Street, Honolulu, HI
TMK No. (1) 1-6-009-003

Background and Summary:

The HPHA holds title to approximately 12.481 acres of land on N. School Street consisting of HPHA's administrative offices, maintenance facilities and parking lots, totaling approximately 6.6 acres, with the remaining land occupied by Puahala Homes, a State public housing project.

The HPHA proposes redeveloping the 6.6-acre portion of the land that currently houses HPHA's existing administrative offices by consolidating its existing 13-building, inefficient and outdated administrative campus into a single, efficiently designed, 30,000 square foot office building. The new office building would occupy a significantly smaller footprint on the existing site, allowing the balance of the remaining state land to be more effectively utilized to develop desperately needed affordable housing.

The proposed redevelopment is envisioned to be a new, mixed-use project containing 800, age-restricted, affordable housing units, public spaces and a small retail component serving the development. No public housing will be included within the proposed project as all residential units will be designed and built as affordable senior rental housing, which would be primarily targeted to senior households whose incomes are between 30% and 60% of Area Median Income. The property is ideally located for this use as it is nearby Downtown Honolulu's Primary Urban Center and in close proximity to existing concentrations of retail, commercial and medical facilities.

Pre-Development Timeline:

In May 2016, HPHA entered into a Predevelopment Agreement with Retirement Housing Foundation (RHF) to engage master planning, preliminary feasibility analysis and environment review. The cost of this review, approximately \$1 million to date, has been solely funded by RHF pursuant to terms negotiated by the HPHA under the Predevelopment Agreement. This includes research gathered on its historical, physical, social, and geographic context and technical information provided by their consultants performing various site analyses.

Community engagement has also been a key component with this project and the master plan evolved with extensive input from residents, community leaders and stakeholders, elected officials, government and service agencies and Neighborhood Board Meetings. Community meetings took place on the following dates:

Community Engagement Meetings

- October 12, 2016
- November 29, 2016
- November 30, 2016

Community Charrette Meetings

- January 26, 2017
- January 27, 2017
- January 30, 2017
- January 31, 2017

Environmental Impact Statement Preparation Notice Scoping Meeting

- September 12, 2017

Community Engagement Meetings

- October 18, 2017
- October 19, 2017

Subsequent to completion of Master Planning and Environmental Review, a Master Development Agreement with Retirement Housing Foundation was approved by the Board on October 31, 2019 and was executed by the HPHA and Retirement Housing Foundation on October 31, 2019.

Environmental Review Status

A Final Environmental Impact Statement (“FEIS”), as required pursuant to HRS 343, reflecting a proposed master plan to provide 800 units of low income senior residential housing, new administrative offices for HPHA and ancillary commercial space was completed in April 2018. Following HPHA Board approval of the FEIS at its April 19, 2018 meeting, the HPHA submitted the FEIS to the OEQC and the Governor on April 26, 2018. The FEIS was published in the May 8, 2018 edition of the OEQC’s Environmental Notice Per HAR 11-200-23 (c). The Governor accepted the FEIS on July 17, 2018. Because proposed funding sources for the first phase of the redevelopment will not include federal funding or grants, the proposed project is not considered a federal action or undertaking and is not required to comply with National Environmental Protection Act.

Land and Title Matters

The 12.481 acres of land at N. School Street was originally set aside pursuant to Executive Order (“EO”) No. 1274 in November 15, 1948, for Lanakila Emergency Homes (Puahala Homes) under the control and management of the Hawaii Housing Authority (predecessor to the HPHA). The HPHA coordinated with the DLNR to request cancellation of Executive Order 1274 and transfer the deed to the School Street property to HPHA in order to streamline the proposed redevelopment effort. HPHA’s request was approved by DLNR’s Board of Directors on November 9, 2018. On November 15, 2018, the Governor issued Executive Order 4570 cancelling Executive Order No. 1274. The Governor’s power to withdraw lands is subject to legislative disapproval by two-thirds vote of either the Senate or the House of Representatives or by the Majority vote of both. As the transfer was not disapproved by the legislature, the DLNR and the Attorney General’s office then coordinated documentation and transfer of the

deed for the School Street Land. The deed for the School Street property was executed by the HPHA's Executive Director and the Division of Land and Natural Resources (DLNR) with an Effective Date of November 30, 2018.

Current Status

A sewer connection permit for phase 1 of the School Street redevelopment including 250 residential units and the HPHA's Administrative Office was approved by the City of Honolulu Department of Planning and Permitting on November 7, 2019, with an expiration date of November 6, 2021.

Design Development and 201H permitting processing are currently underway with an initial set of design development documents expected to be received from the Project's architectural consultants mid-January 2020. Public and community engagement is being organized to share-out and review these designs with the public.

Governor Ige has included \$2.5M in his supplemental budget and hopes the Legislature can include this predevelopment funding for this much needed affordable elderly rental project during the 2020 Legislative Session.

Rental Assistance Demonstration (RAD)

On October 25, 2018, HPHA was awarded a Commitment to Enter into a Housing Assistance Payment (CHAP) under HUD's Rental Assistance Demonstration (RAD) program to convert 364 units of assistance at Mayor Wright Homes from Public Housing to Section 8 project-based assistance. The CHAP award was conditioned on HPHA's meeting pre-determined RAD milestones. The Financing Plan (FP) due date was originally April 23, 2019. HPHA received an extension of the FP due date until July 31, 2019.

However, due to the lack of meaningful progress with the Mayor Wright Homes redevelopment, HUD issued a letter Dated September 16, 2019 indicating its intent to revoke the CHAP for Mayor Wright Homes within 30 days, which has now lapsed. The HPHA may re-apply to the RAD program to receive a new RAD CHAP if space is available, or to be placed on the RAD waiting list. The HPHA that there is available capacity within the RAD program for HPHA to reapply for a CHAP once the project program for Mayor Wright Homes has been sufficiently refined.

Current Status

Beyond completion of the Section 106 MOA completed for the NHPA, there has been little change in the status of the project. The HPHA has communicated its disappointment with the lack of progress on this important redevelopment project, but particularly since the high-level meetings held with senior Hunt Management in early November 2018 and February and March 2019 have failed to materialize any meaningful response from Hunt to address the specific concerns HPHA has communicated to Hunt regarding the design direction of the project and the nearly \$400 million budget increase that Hunt has proposed.

The HPHA has continued to emphasize to Hunt that readiness will be a key factor in determining the order of how the HPHA's three projects will move forward in securing the necessary legislative approvals and GAP funding required. The Master Development Agreement with Hunt states that the "Developer shall expeditiously and diligently seek to obtain all necessary and appropriate land use entitlements and approvals", and the HPHA informed Hunt that the HPHA will be making presentations to legislators on the status of its redevelopment efforts generally, and Mayor Wright Homes development specifically, in its update meetings with legislators during the 2020 legislative session.

- Shortage of units for Families Assisted by the Housing Choice Voucher (HCV) and the Veteran Affairs Supportive Housing (VASH) programs.

The HCV (Section 8) program is the federal government's major program for assisting very low-income families, the elderly, and persons with disabilities to afford decent, safe, and sanitary housing in the private market. The HCV program currently provides rental assistance to about 2.2 million families nationwide. Based on data from HUD, of the families currently receiving HCV assistance, 76 percent are extremely low-income, with incomes at or below 30 percent of the area median income, 36 percent have a disabled head of household, and 24 percent are elderly.

The HCV program is administered by approximately 2,300 Public Housing Agencies (PHAs) nationwide. A family who is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice provided the rental unit passes a Housing Quality Standards (HQS) inspection performed by the PHA. The PHA pays the housing subsidy directly to the owner of the unit on behalf of the participating family. The family is responsible for paying the difference between the gross rent of the unit and the amount subsidized by the program. In Hawaii, the HPHA's Section 8 Branch has been designated "high performer" status, and currently administers over 2,479 vouchers and brings in approximately \$36M a year in federal funding.

The HUD-Veterans Affairs Supportive Housing (HUD-VASH) program combines Housing Choice Voucher (HCV) rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). VA provides these services for participating Veterans at VA medical centers (VAMCs) and community-based outreach clinics.

The HPHA plays a major role in our state for these programs. Beginning in 2008 until April 2015, the HPHA was the sole administrator for the VASH program vouchers in Hawaii, and we are currently housing 447 veterans.

The HPHA also serves as the Contract Administrator to HUD's Project Based Contract Administration program. This HUD program outsources the contract administration services for project-based Housing Assistance Payments (HAP) Contracts under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) (Section 8) to qualified Public Housing Agencies who act as Contract Administrators (CAs). This program contracts with 60 properties, containing 2,996 units statewide, assists approximately 6,000 residents every year, and brings in approximately 36M a year in federal funding.

One of the biggest challenges is finding landlords that want to participate in the Section 8 program, as we currently have 67 families with vouchers in hand that are in search of housing. That is why the HPHA is very thankful to the Legislature in providing the Landlord Liaison position last session to further participation in HPHA's rental assistance programs. This position will administer the HPHA's Landlord Incentive Program (LIP) per Act 215 Session Laws of Hawaii 2019, actively recruit and build relationships with area landlords or property managers to expand housing options; conducts Fair Market Rent analysis, Rent Reasonableness analysis, and other duties to assist Section 8 Branch operations. We are hoping to have that position filled and the LIP program up and running by the end of January.

In addition to the above information, below are some additional HPHA highlights for FY 2019:

- For our public housing properties, the HPHA is presently housing 5,133 families in our federal and state public housing properties totaling approximately 14,000 individuals. In FY 2019, we were able to provide over 450 public housing units for new families and transfers.
- On the construction front, the HPHA created 4 in-house designs, procured and awarded 4 new consultant contracts, 10 new construction and 5 new service contracts in FY 2019, encumbering/obligating \$21,374,115 in new contracts. This is in addition to the on-going design and construction contracts that were awarded in previous years.
- HPHA implemented an online applicant portal (hpha.myhousing.com) which benefitted both the general public and the applications office by providing greater accessibility and streamlining the application process with a more centric approach. This also improved the process of purging obsolete or invalid applications from the waitlist and serves applicants in a timelier manner while improving the accuracy of the data system.
- HPHA continues to assist families through its Family Self-Sufficiency Program. Recent successful graduates include Mr. D. Lewis who graduated from the FSS Program on April 30, 2019 and is awarded \$33,512 that was held in escrow for him through the program.
- Continued issuance of "high performer" ranking by HUD for the Section 8 Housing Choice Voucher (HCV) program over the past 10 years. The 2019 score is pending appeal and is expected to be released shortly. High performer rankings indicate the HPHA is operating the HCV program above standard, meeting or exceeding HUD requirements in 14 different categories, and providing the very best service to Section 8 HCV recipients.
- The HPHA entered into a Memorandum of Agreement with the University of Hawai'i Community Design Center to conduct multi-disciplinary efforts across the University of Hawai'i in partnership with the School of Architecture, Center on the Family and the School of Sociology. Looking forward to out of the box creative solutions that the

intellectual university environment stimulates to discover a new model for public housing, improved living/healthy environment, economic and upward mobility for HPHA residents and co-create a 21st Century workplace environment for its employees.

- According to Wils Choy of KMH LLP, “This year, we don’t have any financial control material weakness, which is the most severe, followed by no significant deficiencies. So, we’re happy to report that management has done an excellent job maintaining their controls. If you process over 700,000 transactions, you need a good control system. Without it, you’re going to have all kinds of problems. And if you look at the past, yes we did.”

C. Federal Funds

The HPHA currently operates three major types of federal programs: 1) Federal low-income public housing; 2) Federal rent subsidy program; and 3) Federal project-based rental assistance program

In Fiscal Year 2018-2019, the HPHA received federal grants and subsidies of:

- \$24.83 million for Federal Low Rent Program; \$6.80 million for Federal Capital repairs;
- \$35.91 million for Section 8 Housing Choice Voucher program; and
- \$35.97 million for Section 8 Contract Administration program; totaling \$100.77 million from federal sources.

In administering federal and state housing units, the HPHA received \$23.41 million of rental revenue, and \$1.87 million of other revenue. Federal proration of housing assistance funds for the Section 8 program is increasing too, which could result in the HPHA expending all of the HUD held reserves for its programs.

D. Non-General Funds

<http://www.hpha.hawaii.gov/reportsstudies/reports/2019HPHAAnnualReport.pdf>

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E. Budget Request

- HPHA Budget Process

The Branch Chiefs at the HPHA meet frequently throughout the year to discuss, plan, formulate and implement the CIP and Operating budget request to the Executive Branch. With the HPHA’s inventory averaging 50 years of age, unexpected situations occur throughout the year and change the agency’s priority needs. The HPHA partners with a professional Planning firm that utilizes teams of Architecture and Engineering firms to determine point-in-time physical needs assessment of all HPHA properties to determine a plan of priority needs. The HPHA would deeply

appreciate a lump sum of CIP funding, as you have done in the past, that will allow the Agency to meet immediate and urgent situations with flexibility.

F. Significant Adjustments to Budget Requests

The HPHA thanks the Legislature for all of the previous appropriations and respectfully requests its continued support as we strive to provide permanent housing to the most disadvantaged families and individuals on the verge of homelessness.

I. Increase Federal Fund Ceiling.

For Program ID HMS222, the HPHA is requesting a federal fund ceiling increase for FY21 based on the Department of Budget and Finance/Office of Federal Awards Management method of comparing the following:

- 1) Federal fund appropriations under Act 5, SLH 2019; and
- 2) For FFs for FB 19-21 that were finalized in the Datamart/FAMS Form FF Budget Execution workflow.

| Program ID | FY 20 (Gov. Approved 9/13/19) | FY 21 Form A Request | MOF |
|------------|-------------------------------|----------------------|-----|
| 222 | 9,891,122 | 12,295,856 | N |

The requested ceiling increase is needed due to the anticipated grant award being more than the appropriation. The increase was approved by Governor Ige on September 13, 2019.

II. Position Requests.

- 1 A funded Permanent Part-Time Janitor Supervisor
- 3 A funded Permanent Part-Time Janitor II

These positions will look to replace current contracted custodial services at the HPHA Central Offices located at 1002 North School Street on Oahu for buildings A (Board Room / Conference Rooms / Lunch Room), B (Information Technology / Hearings), C (Construction Management), D (Central Maintenance / Contract Procurement), D1 (Outdoor Shower & Bathroom Facility), E (Office of the Executive Director / Property Management / Compliance), F1 (Restroom), G (Section 8), H (Section 8), J (Personnel), L (Applications) and M (Fiscal Management). The custodial work will be between the hours of 5:00 p.m. through 9:00 p.m. Hawaii Standard Time. Monthly, Quarterly and Semi-annual cleaning services shall be performed on a single Saturday between the hours of 7:00 a.m. and 3:30 p.m. Hawaii Standard Time.

III. Add general funds to maintain current Rent Supplement subsidies.

Currently, the HPHA's State Rent Supplement Program serves 345 families at a total cost of \$1,765,571 per year. The HPHA is therefore requesting an additional \$750,000 for FY21 for the

State Rent Supplement Program (RSP). The requested funding will enable the HPHA to fund 100% of the RSP participants at the current authorized rate. In response to the demand for housing assistance for homeless individuals and families, in addition to the high rents in Hawaii, the HPHA increased both the number of families served and the total amount of assistance provided. The current base appropriation cannot support the current program participants and the HPHA may have to suspend assistance to participating families. The RSP is one of the most cost effective rental assistance programs the HPHA has, and participants served under the RSP include formerly homeless and at-risk homeless families, the elderly, the disabled, and very low-income households.

IV. Lump sum for public housing development, improvements, and renovations statewide

Due to the age of our housing inventory, and unexpected issues that often occur, the HPHA respectfully requests your consideration for a lump sum budget request (as you have appropriated in the past), which will provide the agency with the flexibility of managing and expending capital funds in an expeditious manner, and also will not disclose to contractors exactly how much funding is attached to any project. These crucial funds will provide the agency with the ability to tackle its capital needs backlog of more than \$750 M in capital needs. The agency has properties that have been built over 50 plus years ago, and the issues at these properties need to be addressed.

The current supplemental budget includes \$20,000,000 in lump sum CIP. This appropriation will assist to expedite the repair and maintenance and remodeling of hundreds of units. The construction projects including site improvements, ADA compliance, structural repairs, re-roofing, infrastructure upgrades, concrete spall repairs and painting.

V. \$2.5M for HPHA North School Street Predevelopment Funding

The HPHA continues to embrace innovative approaches to redevelop its aging inventory through higher density, mixed-income, mixed-use projects. The HPHA partnered with nonprofit Retirement Housing Foundation and has signed a Master Development Agreement to redevelop the HPHA administrative offices at 1002 N. School Street. The master plan has evolved with extensive input from residents, community leaders and stakeholders, elected officials, government and service agencies to envision a project that will include 800 elderly affordable rental units, HPHA offices, and retail uses that best serve the surrounding community. This funding will go towards the HPHA's share of predevelopment activities, design, entitlements and site improvements.