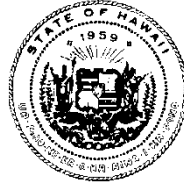


JOSH GREEN, M.D.
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

IN REPLY, PLEASE REFER TO:

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
SENATE COMMITTEE ON HOUSING

Thursday, February 2, 2023
1:00 PM – Room 225, Hawaii State Capitol

In consideration of
SB 859

RELATING TO THE HAWAII HOUSING FINANCE DEVELOPMENT CORPORATION

Honorable Chair Chang and members of the Senate Committee on Housing, thank you for the opportunity to provide testimony concerning Senate Bill (SB) 859, relating to the Hawaii Housing Finance and Development Corporation.

The Hawaii Public Housing Authority (HPHA) **supports** the enactment of SB 859, which requires the Hawaii Housing Finance and Development Corporation to provide greater priority in the award of Rental Housing Revolving Fund (RHRF) loans to affordable housing projects owned by the State or to organizations obliged to use any financial surplus generated to construct more housing.

The HPHA's mission is to provide Hawaii's residents with adequate and affordable housing, economic opportunity, and suitable living environments that are free from discrimination through both its public housing and rental assistance programs. The HPHA serves our state's most disadvantaged populations, including families earning less than thirty percent of the Area Median Income, the disabled, and the elderly.

The HPHA has completed a portfolio-wide evaluation to assess the feasibility of redeveloping and modernizing its public housing inventory. Efforts are already underway to develop new

affordable rental and/or for-sale housing units at several HPHA properties, including at the Kuhio Park neighborhood and the HPHA's School Street campus. Most recently, the HPHA issued a Request for Qualifications seeking a Master Developer for its upcoming Ka Lei Momi Project. Through a public-private partnership, the HPHA will oversee the development of 10,000 new, affordable housing units across the state. Each new unit will be incorporated into a mixed-income, mixed-use community that also include a one-for-one replacement of any existing public housing units.

Given that the HPHA will maintain ownership of each of its properties after redevelopment, any profit generated from them will remain with the State and not with a partnering developer. By providing projects that are or will be State-owned with greater priority in the award of LIHTC, the Legislature can help to ensure that local housing development is less profit-motivated and more focused on providing Hawaii's residents with a greater number of affordable housing options.

HPHA redevelopment projects will provide the State with the following benefits:

- Allows the State to rehabilitate functionally obsolete public housing units; eliminate expensive repair and maintenance. Built in the 50's and 60's, the existing housing portfolio has reached the end of its useful life and urgently requires revitalization.
- Supports the Administration's and Legislature's Policy priority of providing access to permanent housing from homelessness and will allow the Agency to make a meaningful impact in support of legislative goals of developing more affordable housing units, thereby expanding the existing supply of affordable and low-income housing in the State to urgently address the affordable housing crisis.
- HPHA redevelopment projects will be integrated into mixed-income, mixed-use communities. Not only does this provide greater housing stability to local families struggling to get by, but it also benefits the overall social fabric of our neighborhoods. By reducing poverty-concentration statewide, low-income households are empowered through easier access to better schools, healthcare, and job opportunities. The United State Department of Housing and Urban Development (HUD) encourages this approach through programs such as Rental Assistance Demonstration (RAD) and Mixed-Finance strategies through public private partnerships. This makes HPHA's potential redevelopment projects much more user-friendly in the private sector, better positioning HPHA properties to access the private capital and financing necessary to revitalize them.
- As the State's only Public Housing Agency with federal public housing, we can access greater federal support and funding to benefit the most disadvantaged populations in our State, using our Moving to Work designation and tools like RAD, Choice Neighborhood Initiative, and Section 18 Demolition/Disposition.
- As the proposed redevelopments will be located on parcels already owned by the HPHA, it excludes the cost of land from the development cost equation, creating an attractive incentive for private developers to partner with the State in this endeavor.

- Allows the State to ensure that every new housing unit that's built will remain affordable in perpetuity.
- The scale of this proposal makes it possible to establish contract(s) directly with key suppliers nationally, or access government pricing, resulting in significant cost savings for Hawaii taxpayers.
- HPHA's development projects serve the largest demographic of housing needed of 20% AMI and below that private developers can't accommodate.
- Leveraging capital resources through public/private partnerships, Transit Oriented Development (TOD) incentives and underutilized State assets in prime PUC areas and TOD areas creates an exceptional opportunity to deliver desperately need affordable housing to the state and to create more livable, vibrant, and integrated communities for health and well-being of our residents and taxpayers that can be enjoyed for generations to come.
- Encourage developers to enter into public/private partnerships to lower costs.

The HPHA appreciates the opportunity to provide the Committee with its testimony regarding SB 859. We thank you very much for your dedicated and continued support.

JOSH GREEN, M.D.
GOVERNOR

LATE



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

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

SENATE COMMITTEE ON HOUSING
February 02, 2023 at 1:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 859
RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION.

HHFDC offers comments on S.B. 859, which establishes priority for projects that are awarded funds from the Rental Housing Revolving Fund that are owned by the State or an organization obliged to reinvest financial surplus generated by a completed project into a newly constructed housing project. Requires HHFDC to amend chapter 15-311, Hawaii Administrative Rules, to award application criteria points to projects that fulfill these criteria and prioritize applications based on timing and loan amount repaid early.

The Rental Housing Revolving Fund (RHRF) provides “equity gap” low-interest loans to qualified owners and developers constructing affordable housing units. Funds may be used to provide a loan for the development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units.

HHFDC respectfully disagrees with the provision to add a new criteria category that allows for up to twenty per cent of the maximum two hundred fifty points on the application criteria point system to be allocated to proposed projects owned by the State or an organization obliged to use all financial surplus generated by the project to construct housing.

As a matter of policy, HHFDC does not generally support “earmarking” funds for specific projects as it allows projects to circumvent HHFDC’s competitive evaluation process used to award financing. Additionally, “ear-marking” funds for a specific project does not promote the highest and best use of limited resources, nor the use of cost-saving measures or value-engineering approaches to contain costs while developing affordable housing.

Thank you for the opportunity to provide testimony.

February 2, 2023

Representative Stanley Chang, Chair
Representative Dru Mamo, Vice Chair
Members of the Committee on Housing

**RE: RELATING TO THE HAWAII HOUSING FINANCE AND
DEVELOPMENT CORPORATION
Hearing date – February 2, 2023 at 1:00 p.m.**

Aloha Chair Chang, Vice Chair Mamo and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony providing **COMMENTS** on SB859 RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii is generally supportive of efforts to promote sustainability.

SB 859 proposes to require HHFDC, when considering awarding funding from the Rental Housing Revolving Fund, to give preference to projects owned by the state.

Respectfully, NAIOP Hawaii is concerned with the priority provided to projects that are owned by the State will effectively eliminate that are not either built on or conveyed to the state upon completion from competition. Specifically, the measure awards twenty percent of the maximum two hundred fifty points to projects that use all financial surplus generated by the project to construct housing.

Giving preferences at such high levels will diminish the pool of developers that are able to provide housing at the volume our state needs at this time. Mandating that all profits be allocated to construct additional housing will eliminate quality developers from competition for funding for the Rental Housing Revolving.

The current implementation the RHRF loan program, as currently implemented by HHFDC, has produced more affordable housing in the state than any other programs in the state's history by encouraging public-private partnerships with qualified affordable housing developers, investors and state or municipal agencies. While we appreciate the

Representative Stanley Chang, Chair
Representative Dru Mamo, Vice Chair
Members of the Committee on Housing
February 2, 2023
Page 2

efforts to incentivize the construction of affordable housing units, creating preferences at such high levels to developers who devote all profit to creating housing will eliminate all competition and may impact the quality of housing of local residents.

We respectfully recommend that this measure be held until the legislature can conduct research on the likely success of allocating a significant amount of resources to public housing over tried and true public private partnerships. Thank you for the opportunity to testify on this measure.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read "Camp", with a stylized flourish at the end.

Jennifer Camp, President
NAIOP Hawaii