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DIRECTOR | KA LUNA HO'OKELE

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Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committees on Commerce and Consumer Protection and Housing
Wednesday, January 31, 2024
9:35 a.m.
Conference Room 229 & Videoconference

On the following measure:
S.B. 2026, RELATING TO DEPOSITS OF PUBLIC FUNDS.

Chairs Keohokalole and Chang, and Members of the Committees:

My name is Nadine Ando and I am the Director of the Department of Commerce and Consumer Affairs ("Department") The Department offers comments on this bill.

The purpose of this bill is to require the Director of Finance to consider, before the selection of a depository for the state treasury, the beneficial effects to the State of using depositories within the State who provide lending at favorable terms for the creation of certain affordable housing units.

The Department defers to the Department of Budget and Finance as it has oversight over the use of public funds. The Department supports the innovative thinking determining which depository institutions within the State to deposit state funds. The Department supports all lending initiatives that create affordable housing units. and is willing to work with other agencies to further this end.

Thank you for the opportunity to provide comments on this bill.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: January 30, 2024

TO: Senator Jarrett Keohokalole
Chair, Committee on Commerce and Consumer Protection

Senator Stanley Chang
Chair, Committee on Housing

Submitted Via Capitol Website

FROM: Tiffany Yajima / Mihoko Ito

RE: **S.B. 2026 – Relating to Deposits of Public Funds**
Hearing Date: Wednesday, January 31, 2024 at 9:35 a.m.
Conference Room: 229

Dear Chair Keohokalole, Chair Chang, and Members of the Joint Committees:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

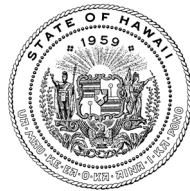
HBA submits **comments** on this bill which gives the Director of Finance the authority to consider a local bank's lending history to support affordable housing when determining where to place deposits of state funds.

HBA is uncertain what this measure attempts to accomplish and has concerns with respect to the consideration of a bank's loans for affordable housing at below-market value as a criterion to receiving state funds. This bill does not define "below market price" and it is unclear how the state would weigh the amount of affordable housing financing deployed by each financial institution. For example, would the state calculate a weighted average based on each bank's asset size or would the determination of state fund deposits be based on the amount of lending for affordable housing that is kept in a financial institution's portfolio.

It is additionally unclear what the intent is behind the requirement that the loans be used for housing that is reserved "exclusively for residents of the State who are occupants and own no other real property." If the intent of this measure is to increase loans for affordable housing, HBA has concerns that this bill could run counter to the presumable intent because a resident who owns and resides in only one property in the state and who owns no other real property could define a wide range of residents outside of the definition of "affordable." The measure is also unclear on what lending information would be required of banks during the pre-selection process and we have concerns that

it could create an unlevel playing field between financial institutions who have interests in state deposits. Banks are already examined with respect to their services to low- and moderate-income individuals, which includes lending and investment in affordable housing. For these reasons, HBA believes that this measure is unnecessary.

Thank you for the opportunity to submit these comments on SB 2026.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON COMMERCE & CONSUMER PROTECTION
AND HOUSING
ON
SENATE BILL NO. 2026

January 31, 2024
9:35 A.M.
Room 229 and Videoconference

RELATING TO DEPOSITS OF PUBLIC FUNDS

Senate Bill No. 2026 proposes to amend HRS section 38-2 (d) to require the Director of Finance to consider, prior to the selection of a depository for the state treasury funds, the beneficial effects to the State of using depositories within the State, "including but not limited to the amount the depository has lent at favorable terms to create housing below market price or housing exclusively for residents of the State who are occupants and own no other real property".

The Department provides comments on this bill to include the following:

- 1) The new requirement in this bill would be the first special consideration specified in law that must be made by the Director of Finance prior to selecting a depository and may open the door to the requirement of more special considerations in the future.
- 2) The State has a fiduciary responsibility to protect public funds and to prudently manage its treasury to achieve the investment objectives of safety, liquidity, and yield, in priority order. Any selection of a depository should be based on these primary objectives.

In closing, the Department supports the efforts to increase housing for residents but believes its fiduciary responsibility to prudently manage the treasury must remain the paramount objective. Thank you for your consideration of our comments.

LATE

January 30, 2024

Senator Stanley Chang, Chair Senate Housing Committee

Senator Troy Hashimoto, Vice Chair Senate Housing Committee

Senator Jarrett Keahokaole Chair, Commerce and Consumer Protection Committee

Carol Fukunaga Vice-Chair, Commerce and Consumer Protection Committee

Re: **SB 2026 Banks: Loans; Housing; Director of Finance; State Treasury Depository**

Dear Senators Chang, Hashimoto, Keahokaole, Fukunaga and Members of the Housing and Commerce and Consumer Protection Committees:

I am Gail Breakey, resident of Waipio Gentry and long time advocate for children and families. **I am testifying in strong support for SB 2026.**

SB 2026 requires the Director of Finance to consider, before the selection of a depository for the state treasury, the beneficial effects to the State of using depositories within the State, including but not limited to lending at favorable terms for the creation of certain affordable housing units.

This bill is intended to create additional funding for affordable housing units for Hawaii residents. Affordable housing is a critical issue for Hawaii families.

Sincerely,

Gail Breakey, RN, MPH

TO THE SENATE
KA 'AHA KENEKOA

THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2024

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

COMMITTEE ON HOUSING

Senator Stanley Chang, Chair
Senator Troy N. Hashimoto, Vice Chair

NOTICE OF HEARING

DATE: Wednesday, January 31, 2024
TIME: 9:35 AM

LATE

LATE

Bill No. SB2026

Position: **Support with Comments**

Aloha Committee Chairs and Committee Members,

The housing crisis has led to more people on the street, this dynamic cost the state tens of millions of dollars that are just wasted on services that do not address the key areas of housing policy. SB2026 is designed to address the dynamic of market forces and the national AMI formulation policy in its current form.

This bill can be improved with the inclusion of the language as follows:

“but not limited to the amount the depository has lent at favorable terms to create housing below market price or housing exclusively for residents of the State who are occupants and own no other real property; and..”

I support the intent of what this bill is trying to do, however, I will make suggested language concepts for inclusion.

1. I would add language pertaining to what AMI or level of affordability level that should be considered “beneficial”. Beneficial can mean many things and having language attached to what “beneficial” means gives a working definition and transparency to what the state strives to accomplish.
2. Language that supports an AMI (indexed) rate. When looking at the change of the Median Income from year to year there are some instances where the median income increases upwards of 6%. This is far more than the cost-of-living adjustment or inflation is at around 3.9% yearly.

Personally, this could be a benchmark for what could constitute “beneficial” as well. To my knowledge, I have not seen the price of building materials increase faster than 3.9% or 6%. Thus, the inclusion of such language is proactive in the intent of this bill toward housing policy.

3. Through families (persons with more than one person in a household) there is a changing dynamic in population cohorts. Housing needs studies indicate that there is a severe need for housing for single individuals. This could be in the way of shared accommodation(s) such as where there are individual rooms and individual showers but a shared kitchen.

I hope that this committee will strongly take into consideration the suggested language inclusion that could be made to strengthen the In summation, I am in support of SB2026 and request that this bill pass out of this committee and that all changes to this bill should be in keeping with the introducer’s intent.

Thank you for giving me the opportunity to give testimony on this bill.

Mahalo,

Ken Farm

Chair Emeritus,
Former Chair Neighborhood Board No. 15
Speaking in my personal capacity,