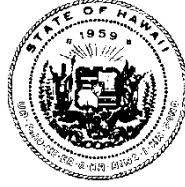


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

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

Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

January 23, 2025 at 1:30 p.m.
State Capitol, Room 225

In consideration of

S.B. 35

RELATING TO THE RENTAL HOUSING REVOLVING FUND

Chair Chang, Vice Chair Hashimoto, and members of the Committee.

HHFDC **supports** SB 35, which establishes the Housing Efficiency and Innovation Subaccount (Subaccount) within the Rental Housing Revolving Fund (RHRF); specifies permissible uses of funding and priorities; and authorizes the Hawaii Housing Finance and Development Corporation (HHFDC) to transfer funds between the Housing Efficiency and Innovation Subaccount and RHRF without legislative approval.

HHFDC supports the provisions to allow flexibility for transferring funds between RHRF and the Subaccount without legislative approval, and to make funds available for funding other than loans, such as credit enhancement. The Subaccount will provide a dedicated source of funding to finance workforce rental housing projects and enable HHFDC to establish new programs to support rental housing development and preservation.

While HHFDC supports the creation of the new Subaccount, we note that the Dwelling Unit Revolving Fund (DURF) is used to make interim loans to for-sale projects. There needs to be a distinction between this new Subaccount and DURF.

The provision requiring projects to be eligible for residents in perpetuity is problematic for lower area median income (AMI) rental projects, which lack sufficient rental income to fund long-term maintenance.

Due to the significant role that nonprofit housing developers have on providing affordable housing on the neighbor islands, we suggest that “Projects developed by nonprofit housing developers” be added to the priority list in 201H-202 (f) (1).

Thank you for the opportunity to testify on this bill.

OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

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Committee: Senate Committee on Housing
Bill Number: SB 35, Relating to the Rental Housing Revolving Fund
Hearing Date and Time: January 23, 2025, 01:30pm (Room 225)
Re: Testimony of Holomua Collaborative – Support

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee:

Mahalo for the opportunity to submit testimony **in support** of SB 35, Relating to the Rental Housing Revolving Fund.

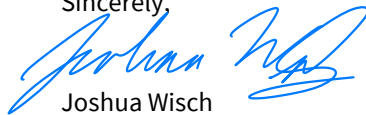
Hawai'i's housing crisis continues to drive local families to move to the continent. In October 2024, a survey¹ seeking to gather information about the day-to-day financial experience of local workers suggests this growing crisis has the potential to reach staggering levels. When nearly 1,500 local workers were asked if they may need to move to a less expensive state, only thirty-one percent answered a definitive “no,” while sixty-nine percent said “yes” or “unsure.” And nearly two-thirds of the respondents said the cost of housing was the primary impact on their cost of living in Hawai'i. Each local worker and family we lose to continent contributes to a loss of our economy, our culture, and our family.

The Rental Housing Revolving Fund (RHRF) provides equity gap low-interest loans to qualified owners and developers building affordable housing units. Funds may be used to provide a loan for the development, construction, acquisition, preservation, and substantial rehabilitation of rental housing units. Through the volume of dedicated funding provided to it by the Legislature, the RHRF has been instrumental in increasing the number of affordable housing units in Hawai'i.

Despite the RHRF's successes, the current prioritization of projects limits the breadth of projects and—ultimately—residents who can benefit from the RHRF as the competitive bidding and statutorily mandated prioritization of projects has led to a narrow scope of projects being financed through the fund.

SB35 proposes to create a Housing Efficiency and Innovation subaccount within the RHRF. This subaccount would be dedicated to using RHRF funds for loans to housing projects, focused on local residents living on lands that are owned or developed by the State or a County, and that require the least state funding per housing unit per year. This subaccount would be an efficient mechanism to quickly and cost-effectively develop housing for local working families without needing to compete for funding with the other crucial RHRF priority projects.

Sincerely,



Joshua Wisch
President & Executive Director

¹ <https://holomuacollective.org/survey/>

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Rental Housing Revolving Fund

BILL NUMBER: SB 35

INTRODUCED BY: CHANG, RICHARDS, McKelvey, Moriwaki

EXECUTIVE SUMMARY: Establishes the Housing Efficiency and Innovation Subaccount within the Rental Housing Revolving Fund. Specifies permissible uses of funding and priorities. Authorizes the Hawai'i Housing Finance and Development Corporation to transfer funds between the Housing Efficiency and Innovation Subaccount and the RHRF without legislative approval.

SYNOPSIS: Amends section 201H-202, HRS, to create a housing efficiency and innovation subaccount under the Rental Housing Revolving Fund. Funds in the subaccount may be used to make loans or credit enhancements to housing projects meeting different criteria than loans or credit enhancements that the Rental Housing Revolving Fund may make. Sets up a separate application process. Provides that money may be moved between the RHRF and the subaccount without legislative approval.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: Under section 201H-202, HRS, as it now exists, priority in RHRF funding is supposed to go to developments where at least 50% of the available units are for persons and families with incomes at or below 80% of median family income, of which 5% of the available units are for persons and families with incomes at or below 30% of median family income, and the balance of the units are for persons and families with incomes at or below 100% of median family income.

Loans or credit enhancements made out of the new subaccount would not have to meet these criteria.

Thus, it appears that the bill is designed to create a separate stream of loans, and a separate application process, that would get around the percentage of median family income criteria. Because money may be freely moved between this subaccount and the RHRF, money intended for making RHRF loans could instead be used on making subaccount loans, thus effecting an end run around existing statutory criteria.

Digested: 1/21/2025

SB-35

Submitted on: 1/22/2025 1:12:05 PM

Testimony for HOU on 1/23/2025 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Galen Fox	Individual	Support	Written Testimony Only

Comments:

Chair Chang, VC Hashimoto, Members,

In support of SB35. The Rental Housing Revolving Fund has \$1,038,249,619 that could be used for housing, but it tends to sit there. In FY 23, the RHRF built only 2,156 units! SB35 will help RHRF money go further by restricting its use to projects on state or country land, by selecting projects that use the least money per unit, by favoring projects with a perpetual affordability commitment, and by limiting housing exclusively to qualified Hawaii residents who live in their unit and own no majority interest in any other property. Please pass SB35. Mahalo!

Aloha, Galen Fox