



The Senate

STATE CAPITOL
HONOLULU, HAWAII 96813

October 16, 2020

Ms. Denise Iseri-Matsubara, Executive Director
Hawaii Housing Finance & Development Corporation
677 Queen Street
Honolulu, Hawaii 96813

Dear Executive Director Iseri-Matsubara:

RE: Housing Relief & Resiliency Program under Part XI of Act 9 (2020)

We write with grave concern about the shortcomings of the program to disburse \$100 million to the 34,000 jobless in need of rent or mortgage assistance. To date, the third-party intermediaries – AUW and Catholic Charities—have accepted an estimated 19,000 applications. Both have stopped receiving applications. That means that of the intended 34,000 (down from the needy 40,000 due to the "middle person" administrative costs of \$15 million), 15,000 households will NOT be served.

In June, we thought we had a path forward to get funds immediately to the struggling jobless. The legislature appropriated \$100 million from the CARES Act Relief Fund (Part XI of SB 126), to address the housing needs of an estimated 40,000 jobless needing rental or mortgage assistance. To reach the largest number, we agreed the program would pay \$500/household for 5 months (August to December). The Senate asked that the funds be administered by HPHA because it already: 1) manages a similar rental assistance program via payment to landlords, 2) was linked to the UI data as well as other assistance programs, and 3) has in place a computer system that could disburse quickly funds to landlords and banks. HPHA could thus delete applicants already receiving assistance from other sources. Instead, Act 9 directed HHFDC contract to third party intermediaries because they supposedly could disburse funds more quickly than the state.

Unfortunately, this has not been the case. As of October 15, the funds have yet to reach the intended 34,000 households. In fact, only 19,000 applications have been received. And, of the 9,000 AUW applications, only 250 have been approved. It is not for the lack of funding as AUW was to receive \$35 million (40% of the \$88 million allocated to third party intermediaries). In September, HHFDC raised the monthly payments from \$500 to \$2,000; and indicated that it would provide assistance for three months (See Rent Relief and Housing Assistance Program Overview (9/8/2020)). Using this formula would reduce the number served from the original 34,000, to about 14,600 households. This would leave over 20,000 jobless without assistance when their UI benefits run out and the Governor's proclamation lifts the eviction moratorium.

State Senate, State Capitol
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The delay in funds reaching the jobless was due to the state not releasing funds timely to the third-party intermediaries (and its community agencies). The contract to one of the intermediaries (AUW) did not get approved until August 19; and thereafter the community agencies had to be trained on inputting data into a "SmartSheets" software program so that applications were not accepted until September 8.

Once the SmartSheets computer system was up and running, HHFDC was to only check for duplication among applicants received by AUW and Catholic Charities, with a 24-hour turn-around time for approval; and automatic approval if there were no response in 24 hours. But that did not happen.

Rules changed almost daily. The HHFDC requirements have apparently led to the review of applications line by line and asking community agencies to redo applications and going back to landlords to complete additional forms. One agency had to redo an application three times. These requirements are holding up approval for thousands needing assistance. Landlords are frustrated, tenants are hurting; some are trying to get loans for fear of being evicted.

With only 10 weeks left for CARES Act funding, it is tragic that only a trickle of applications are being approved. One agency submitted 138 applications since September and, as of today only 52 applications were approved by HHFDC. This must change. We ask that HHFDC work with its third-party intermediaries to expedite the disbursement of funds to needy households. We ask that HHFDC:

- 1) Provide copies of the AUW and Catholic Charities contracts, including the budget and deliverables in terms of number of applicants to be served, amount available for each household, cost for administrative services;
- 2) Clarify HHFDC's role in the program. Is it managing the third-party agencies and, if so, has its changing requirements caused the agencies to redo data entry, code data differently, and ask for additional information or documents beyond the original agreement, leading to more time away from quickly processing the thousands of applications;
- 3) Determine whether HHFDC requirements has caused third party intermediaries to require two additional vendor verification forms for agencies to complete; if so, could HHFDC work with third party intermediaries to eliminate unnecessary and duplicative verification documentation if information is found in other documents already uploaded as indicia of eligibility (e.g., lost income due to covid, lease or mortgage agreement)
- 4) Ask agencies to keep all documents so that HHFDC can conduct a post-audit review rather than uploading all documents other than originally required documents for pre-audit line-by-line review of applications or requiring landlords to verify the tenancy of the applicant in addition to the lease agreement;
- 5) Address one of the major problems for delay -- the SmartSheets software which is apparently cumbersome and does not allow the sharing of data among the agencies, which could eliminate the unnecessary review by both the third-party intermediaries and HHFDC if they are reviewing applications merely to delete duplicates. This is not the most effective use of limited staff resources.

We urge HHFDC work with HPHA staff as they are the only experts in this arena. HHFDC maintains that Act 9 prohibits it from using HPHA as it is required to contract with a nonprofit intermediary to establish a database to distribute funds. However, the state's intent was for the cost-effective use of funds and surely if the HPHA's computer system consultant could eliminate the unnecessary work to get funds to the needy faster, HHFDC has the responsibility to work with AUW and Catholic Charities to connect with HPHA and to use some of the allocated funds, if needed, to contract with HPHA's computer consultant to address HHFDC concerns regarding duplication and obtaining the necessary documentation to be in compliance

Ms. Iseri-Matsubara

October 16, 2020

Page 3 of 3

with federal requirements; or, in the alternative, work among agencies so that applications sent to intermediaries and to HHFDC would be reviewed for duplication within 24 hours, with automatic approval should each level not respond after 24 hours. This should expedite the processing of applications within 2-3 days of agency review and submittal;

- 6) Provide performance metrics to date of the number of households receiving rent and mortgage assistance and funds paid out by county; success will be measured by these agencies providing housing assistance to as many of the estimated 34,000 jobless households by December.

Given the urgency of the need cited above, please provide information and answers no later than Tuesday October 20, 2020. Please email your response to all Senate Special Committee COVID-19 members. Should you have any questions, please contact Dane Wicker at 586-6639 or via email at d.wicker@capitol.hawaii.gov.

Sincerely,

Senator Donovan M. Dela Cruz
Senator Jarrett Keohokalole
Senator Michelle N. Kidani
Senator Donna Mercado Kim
Senator Sharon Moriwaki
Senator Kurt Fevella

Cc: Senate President