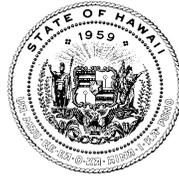


DAVID Y. IGE  
GOVERNOR  
STATE OF HAWAII

SHAN S. TSUTSUI  
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STATE OF HAWAII



JOBIE M. K. MASAGATANI  
CHAIRMAN  
HAWAIIAN HOMES COMMISSION

WILLIAM J. AILA, JR.  
DEPUTY TO THE CHAIRMAN

**STATE OF HAWAII  
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879  
HONOLULU, HAWAII 96805

**TESTIMONY OF JOBIE M. K. MASAGATANI, CHAIRMAN  
HAWAIIAN HOMES COMMISSION  
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS**

IN SUPPORT OF

**LATE**

**SB 2421 SD1 RELATING TO HOUSING**

February 28, 2018

Aloha Chair Dela Cruz and members of the Committee:

The Department of Hawaiian Home Lands (DHHL) supports this bill that authorizes the issuance of general obligation bonds to construct affordable rental units and homes. As it pertains specifically to DHHL, the bill authorizes \$50 million in general obligation bonds for fiscal year 2018-2019 for the purpose of constructing a multiple-unit high rise condominium or tiny homes on land administered by DHHL or making infrastructure improvements, provided that the units shall be used by eligible homesteaders and that the moneys may be expended for infrastructure or actual building costs.

The Department appreciates any additional funding to support its initiatives as long as it doesn't affect the priorities identified in the Governor's Executive budget request. DHHL requests flexibility for the use of the \$50 million in general obligation bonds for lump sum Hawaiian Home Lands lot development, Statewide. In order to construct a multiple-unit high rise condominium on land administered by DHHL, the Department must first adopt administrative rules and that process is just starting with the Hawaiian Homes Commission's approval in December 2017 to proceed to beneficiary consultation for administrative rules related to Declaration of Covenants, Conditions, and Restrictions (DCCR) communities, multi-family housing, and rentals.

A mechanism to allow for financing of micro housing units through Hawaii Housing Finance and Development Corporation (HHFDC) could increase affordable housing options. In an effort to accomplish this objective, DHHL has prepared proposed amendments to SB2421 SD1.

Thank you for your consideration of our testimony.

## A BILL FOR AN ACT

RELATING TO HOUSING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the cost of housing  
2 and the lack of affordable rentals and properties for sale are  
3 two of the most pressing issues facing the State, and that the  
4 lack of housing inventory has driven up the cost of rental  
5 properties and homes for sale. In November 2016, the median  
6 price of a home in Hawaii was \$584,400. On Oahu, where the  
7 shortage of affordable housing is most acute, the median sale  
8 price for single-family houses, as reported by the Honolulu  
9 Board of REALTORS, was \$730,000.

10           The legislature further finds that a shortage of affordable  
11 housing is one of the primary causes of homelessness in Hawaii.  
12 Rates of homelessness have been increasing in the State in  
13 recent years, and events such as the development of the homeless  
14 encampment in Kakaako in 2015 and 2016 highlight the need to  
15 provide more housing for middle class and low income residents.

16           The legislature additionally finds that a consensus exists  
17 among many individuals, working groups, and task forces focused

|||||

1 on addressing the issue of homelessness that more units must be  
2 constructed to meet the growing demand for affordable housing.  
3 The legislature also finds that government land is available for  
4 housing, but infrastructure is insufficient in many areas,  
5 including for transit-oriented development. It is projected  
6 that meeting long-term housing goals will require sixty-four  
7 thousand new housing units by 2025, and of that total, twenty-  
8 two thousand two hundred households of all income levels will  
9 require rental units. Act 127, Session Laws of Hawaii 2016, was  
10 enacted to address the need for sixty-four thousand seven  
11 hundred new housing units with a goal to build 22,247  
12 residential rental units by 2026. The legislature further finds  
13 that funding is a key component of meeting these construction  
14 goals.

15 The purpose of this Act is to:

- 16 (1) Authorize the director of finance to issue general  
17 obligation bonds to construct affordable rental units  
18 and homes, public housing development, homeless  
19 shelters or transitional housing centers for the  
20 homeless, and a condominium, tiny homes, and  
21 infrastructure improvements on Hawaiian home lands;



1        (2) Authorize the director of finance to issue revenue  
2        bonds to fund an innovative mortgage loan program for micro  
3        housing units;

4        ~~(23)~~ Allow moneys from the conveyance tax and the county  
5                surcharge on state tax to be used to repay the bonds;  
6                and

7        ~~(34)~~ Increase the percentage of the conveyance tax  
8                collected to be paid into the rental housing revolving  
9                fund and repeal the statutory cap of \$38,000,000.

10        SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
11        amended by adding a new section to part III to be  
12        appropriately designated and to read as follows:

13        "§201H- Micro Housing Loan and Mortgage Program. (a) The corporation may establish  
14        a micro housing loan and mortgage program to finance the construction of micro housing units  
15        that will be used by the owner occupant or as an affordable rental. This program may be used  
16        on Hawaiian Home Lands.

17        (b) For purposes of this section, "micro housing unit" means a dwelling unit with a total  
18        floor area of less than eight hundred square feet, including a bed, kitchen, kitchen sink,  
19        cooking and refrigeration appliance, and a partitioned off bathroom containing a toilet and a  
20        bathtub or shower."

21        SECTION ~~23~~.Section 247-7, Hawaii Revised Statutes, is  
22 amended to read as follows:

23        "**§247-7 Disposition of taxes.** All taxes collected under  
24 this chapter shall be paid into the state treasury to the credit  
25 of the general fund of the State, to be used and expended for

26 the purposes for which the general fund was created and exists  
27 by law; provided that of the taxes collected each fiscal year:

28 (1) Ten per cent or \$6,800,000, whichever is less, shall  
29 be paid into the land conservation fund established  
30 pursuant to section 173A-5; ~~and~~

31 (2) [Fifty] Sixty per cent [or \$38,000,000, whichever is  
32 less,] shall be paid into the rental housing revolving  
33 fund established by section 201H-202[7]; and

34 (3) Funds may be used to repay bonds issued pursuant to  
35 Act \_\_\_\_\_, Session Laws of Hawaii 2018."

.....

1 SECTION ~~34~~. Section 248-2.6, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) If adopted by county ordinance, all county surcharges  
4 on state tax collected by the director of taxation shall be paid  
5 into the state treasury quarterly, within ten working days after  
6 collection, and shall be placed by the director of finance in  
7 special accounts; provided that county surcharge revenues  
8 levied, assessed, and collected in a county with a population  
9 greater than five hundred thousand shall be deposited into the  
10 mass transit special fund established under section 248-2.7.  
11 Out of the revenues generated by county surcharges on state tax  
12 paid into each respective state treasury special account or the  
13 mass transit special fund, the director of finance shall deduct  
14 one per cent of the gross proceeds of a respective county's  
15 surcharge on state tax to [reimburse]:

16 ill Reimburse the State for the costs of assessment,  
17 collection, disposition, and oversight of the county  
18 surcharge on state tax incurred by the State[7]; and

19 (2) Repay bonds issued pursuant to Act , Session Laws  
20 of Hawaii 2018.

1 Amounts retained shall be general fund realizations of the  
2 State."

3 SECTION 45. The director of finance is authorized to issue  
4 revenue bonds in the sum of \$5,000,000 or so much thereof as  
5 may be necessary for fiscal year 2018-2019 for the  
6 financing of micro housing units as defined in section 201H-  
7 , Hawaii Revised Statutes, provided that the cost of  
8 construction of each micro housing unit shall not exceed  
9 \$125,000.

10 The sum appropriated shall be expended by the Hawaii housing finance and  
11 development corporation for the purposes of this Act.

12 SECTION 46. The director of finance is authorized to issue  
13 general obligation bonds in the sum of \$800,000,000 or so much  
14 thereof as may be necessary and the same sum or so much thereof  
15 as may be necessary is appropriated for fiscal year 2018-2019  
16 for the purpose of developing affordable housing and to be  
17 distributed as follows:

- 18 (1) Dwelling unit revolving fund \$300,000,000;  
19 provided that of that amount, \$100,000,000 shall be  
20 used for transit-oriented development infrastructure  
21 projects;
- 22 (2) Rental housing revolving fund \$400,000,000; and  
23 (3) Rental assistance revolving fund \$100,000,000.

24           The sum appropriated shall be expended by the Hawaii  
25 housing finance and development corporation for the purposes of  
26 this Act.

27           SECTION 57. The director of finance is authorized to issue  
28 general obligation bonds in the sum of \$100,000,000 or so much  
29 thereof as may be necessary and the same sum or so much thereof  
30 as may be necessary is appropriated for fiscal year 2018-2019

.....

1 for the completion of the Mayor Wright housing development  
2 project; provided that the housing units shall be used by  
3 residents earning between thirty per cent and sixty per cent of  
4 the area median income.

5 The sum appropriated shall be expended by the Hawaii public  
6 housing authority for the purposes of this Act.

7 SECTION ~~68~~. The director of finance is authorized to issue  
8 general obligation bonds in the sum of \$50,000,000 or so much  
9 thereof as may be necessary and the same sum or so much thereof  
10 as may be necessary is appropriated for fiscal year 2018-2019  
11 for the purpose of:

- 12 (1) Constructing homeless shelters statewide; and
- 13 (2) Constructing transitional housing centers for the  
14 homeless;

15 provided that the homeless shelters or transitional housing  
16 centers for the homeless shall be converted to low-income rental  
17 units when the need for homeless shelters or transitional  
18 housing centers for the homeless end; provided further that the  
19 homeless shelters or transitional housing centers for the  
20 homeless shall be used by residents earning between zero per  
21 cent and sixty per cent of the area median income.



1           The sum appropriated shall be expended by the Hawaii public  
2 housing authority for the purposes of this Act.

3           SECTION 79. The director of finance is authorized to issue  
4 general obligation bonds in the sum of \$50,000,000 or so much  
5 thereof as may be necessary and the same sum or so much thereof  
6 as may be necessary is appropriated for fiscal year 2018-2019  
7 for the purpose of constructing a multiple-unit high rise  
8 condominium or tiny homes on land administered by the department  
9 of Hawaiian home lands or making infrastructure improvements;  
10 provided that the units shall be used by eligible homesteaders;  
11 provided further that the moneys may be expended for  
12 infrastructure or actual building costs.

13           The sums appropriated shall be expended by the department  
14 of Hawaiian home lands for the purposes of this Act.

15           SECTION ~~8~~10.The appropriations made for the capital  
16 improvement projects authorized by this Act shall not lapse at  
17 the end of the fiscal biennium for which the appropriation is  
18 made; provided that all moneys from the appropriations  
19 unencumbered as of June 30, 2020, shall lapse as of that date.

20           SECTION 911.Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.



1           SECTION ~~10~~12.    This Act shall take effect on July 1, 2018.

2

**Report Title:**

Affordable Housing; Hawaii Housing Finance and Development Corporation; Hawaii Public Housing Authority; Department of Hawaiian Home Lands; Conveyance Tax; Appropriation

**Description:**

Authorizes the director of finance to issue general obligation bonds to construct affordable rental units and homes, homeless shelters or transitional housing centers for the homeless, and a condominium and tiny homes on Hawaiian home lands. Allows moneys from the conveyance tax and the county surcharge on state tax to be used to repay the bonds. Increases the percentage of the conveyance tax collected to be paid into the rental housing revolving fund and repeal the statutory cap of \$38,000,000.  
(SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

