

LATE

HB 1015

LATE

LINDA LINGLE
GOVERNOR



RUSS K. SAITO
Comptroller

BARBARA A. ANNIS
Deputy Comptroller

**STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119**

WRITTEN COMMENTS
OF
RUSS K. SAITO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE
ON
WAYS AND MEANS
ON
April 8, 2009

H.B. 1015, H.D. 1, S.D. 1

RELATING TO OBLIGATIONS OF THE DEPARTMENT OF HAWAIIAN HOME
LANDS TRUST FUND

Chair Kim and members of the Committee, thank you for the opportunity to comment on H.B. 1015, H.D. 1, S.D. 1.

The Department of Accounting and General Services supports this bill because it will enable individuals on the Department of Hawaiian Home Lands' waiting lists to purchase and occupy their homes more quickly.

Currently, State-funded housing projects are required to have full capitalization funding on hand before proceeding. This requirement unnecessarily limits the Department of Hawaiian Home Lands in providing homes to its beneficiaries. The Department of Hawaiian Homes Lands initiates projects which generate income streams by selling or leasing completed homes or improved lands. Changing the law as this bill proposes would be consistent with the private industry standard that allows a developer-contractor to be bonded and to proceed with only those funds needed to complete an

identifiable phase of the project. This will allow State-financed affordable housing projects for the Department of Hawaiian Home Lands to be expedited.

Thank you for the opportunity to comment on this matter.

LATE

LINDA LINGLE
GOVERNOR
STATE OF HAWAII



MICAH A. KANE
CHAIRMAN
HAWAIIAN HOMES COMMISSION

KAULANA H. PARK
DEPUTY TO THE CHAIRMAN

ROBERT J. HALL
EXECUTIVE ASSISTANT

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

P.O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF MICAH A. KANE, CHAIRMAN
HAWAIIAN HOMES COMMISSION

BEFORE THE SENATE COMMITTEES ON
WAYS AND MEANS

ON HB 1015 HD1 SD1
RELATING TO THE OBLIGATIONS ON THE
DEPARTMENT OF HAWAIIAN HOME LANDS TRUST FUND

April 8, 2009

Chair Kim, Vice-Chair Tsutsui and Members of the Committee:

The Hawaiian Homes Commission and the Department of Hawaiian Home Lands support HB 1015, which will enable the department to encumber construction contracts with the peak value of the proposed development.

This bill affords DHHL the same opportunity and ability as private sector developers who maximize their revenue towards the production of affordable housing through effective cash flow and construction management. DHHL's housing projects currently must have full capitalization funding on hand before construction contracts are encumbered and this requirement is a challenge in projects like ours where an income stream is derived by the sale of completed homes. This requirement also delays the delivery of affordable homes to

beneficiaries, which in turn, opens affordable homes and rental units on the open market.

With the current economic conditions in Hawaii, this bill will boost construction employment opportunities and will compliment the anticipated federal stimulus funding. HB 1015 is consistent with the State's goal of doing more with less.

Additionally, in February 2009, Fitch Ratings assigned an 'A-' rating to DHHL's \$50 million revenue bonds and cited DHHL's ability to successfully manage its revenue stream to reflect sound debt service.

Mahalo for the opportunity to testify on this important bill.