

# OVERVIEW

THE AUDITOR  
STATE OF HAWAII

## A Preliminary Study of a Proposed Department of Housing

House Concurrent Resolution 107, 1994 Regular Session, directed the State Auditor to conduct a study of the potential advantages and disadvantages of incorporating state housing programs under a single cabinet level Department of Housing. The resolution also directed the Auditor to discuss the impact of combining the Hawaii Housing Authority (HHA), the Housing and Finance Development Corporation (HFDC), and the Hawaii Community Development Authority (HCDA) into a single housing department. This report is the first of a two phase report in response to the legislative request.

### Summary

The State recognizes that there is a critical shortage of affordable rental and for-sale housing in Hawaii. Since 1987, the State has promoted a wide range of housing programs that encompass the development of rental and for-sale housing, supporting infrastructure, various financing programs, grants, and social services to address the shortage. These programs have been implemented through the efforts of three principal agencies—HHA, HFDC, and HCDA.

HHA is the oldest agency, created in 1935 to receive federal funds for purposes of slum clearance and low income housing construction. From 1935 through 1976, HHA was the only state housing agency authorized to develop and manage low income housing projects that included the elderly. HHA also operates rent supplements and rental assistance programs using state and federal funds. In 1970, HHA's role expanded to include development, increased mortgage financing capacity, and a broader target population that included the moderate income group.

HCDA was created in 1976 to guide the revitalization of Honolulu's Kakaako district. HCDA's responsibilities include planning the installation of infrastructure, and planning and regulating development in the district. A specific mission of HCDA is to increase the amount of low income housing in Kakaako.

HFDC was created in 1987 to assume housing development and financing functions from HHA in order to expedite the supply of affordable rental and for-sale housing for low to moderate income persons.

Today, the three agencies operate multimillion dollar programs that develop urban and rural infrastructure and construct rentals, for-sale units, and shelters for low to moderate income and homeless persons. The agencies provide tax credits for homebuyers; tax exemptions, tax credits, and low interest construction loans for developers; low interest mortgage financing for homebuyers and developers; and rental assistance/supplements for low income persons. The State has spent almost \$3 billion for these programs through the three agencies during the past seven years.



Between FY1987-88 through FY1993-94, the three agencies received appropriations, revenues and other receipts totaling \$3.030 billion. Expenditures and other uses of funds totaled \$2.909 billion.

	Revenues	Expenses
HFDC	\$ 2,449,895,369	\$ 2,330,012,746
HCDA	\$ 203,331,688	\$ 168,818,268
HHA	\$ 376,913,049	\$ 409,77,801
Totals	\$ 3,030,140,106	\$ 2,908,608,815

HFDC's development and financing programs account for 80 percent of these totals. To date, HFDC has completed development of over 4,460 units and made 1,800 mortgage loans for persons of low to moderate income levels.

During this same period HHA expended about \$377 million, most of which was for rental housing assistance and maintenance costs. Today HHA manages and maintains over 8,960 units for about 26,000 persons who range from homeless to very low income.

For the same period, HCDA expended most of its \$203 million on infrastructure development within the Kakaako district to support commercial and housing development in the area. HCDA requires that private residential developers in Kakaako set aside 20 percent of the total units for low income persons or make in lieu cash payments. To date, HCDA has assisted in developing over 800 low income units and received over \$6 million of in lieu cash payments.

Hawaii's three housing agencies perform certain *overlapping functions*, although for somewhat different target groups. All three agencies develop housing jointly and independently of one another for persons ranging from homeless to moderate income groups. The agencies perform similar functions such as meeting zoning requirements, getting approvals for environmental assessment statements, water allocation and building permits, and conducting public hearings and final inspections.

Other areas are noted as duplicative. Both HHA and HFDC have rental assistance and property management functions. In addition, HCDA's planning and regulatory functions are described as similar to that of the City and County of Honolulu.

Housing organizations in other states demonstrate that no one model exists. Other states have varied programs and levels of involvement in housing. In light of the State's austere financial outlook and before a decision is made on how housing efforts should be organized, it may be more appropriate to reconsider which target groups the State could best serve, what housing goals should be met and what strategy would best accomplish these goals.

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## Agencies Responses

A draft of this report was transmitted to HHA, HCDA, and HFDC. HHA generally agreed with our overall conclusion. HCDA responded that the report did not adequately or accurately describe the comprehensive nature of HCDA. HCDA included several clarifications which we incorporated in the report. HFDC's response provided additional information.

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Marlon M. Higa  
State Auditor  
State of Hawaii

Office of the Auditor  
465 South King Street, Room 500  
Honolulu, Hawaii 96813  
(808) 587-0800  
FAX (808) 587-0830