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KE KE'ENA O KA MEIA
CITY AND COUNTY OF HONOLULU**

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January 19, 2025

The Honorable Donovan Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means
State Senate
415 South Beretania Street, Room 208
Honolulu, Hawai'i 96813

The Honorable Kyle T. Yamashita, Chair
and Members of the House Committee on Finance
House of Representatives
415 South Beretania Street, Room 306
Honolulu, Hawai'i 96813

Dear Chair Dela Cruz, Chair Yamashita, and members of the Committees:

I want to begin my testimony by acknowledging the strong cross sector collaboration between the State of Hawai'i and the City and County of Honolulu in key areas that has resulted in significant progress on long-standing problems confronting the City and the State.

HOMELESSNESS

With State planning, support and funding, the City, in concert with available federal funds and the support of non-profit service providers, opened:

- a 20-bed behavioral and medical respite at Lē'ahi hospital;
- four floors of emergency shelter for up to 22 families at the City acquired, owned and operated Waikīkī Vista;
- a 30-bed medical respite and 30 units of transitional housing in Iwilei at the site of the former First Hawaiian Bank;
- a 12-family temporary housing facility in Wahiawā; and

Honorable Donovan Dela Cruz, Chair
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Honorable Kyle T. Yamashita, Chair
and Members of the House Committee on Finance
January 19, 2025

- sustained operations of the City's mobile triage Crisis Outreach Response and Engagement (CORE) program and temporary shelter at the City's Homeless Outreach and Navigation for Unsheltered Persons (HONU) program, accommodating up to 40 individuals at a time.

The above is in addition to the City transferring the use of the Iwilei Resource Center (IRC) to the State for its own Department of Health operated Behavioral Health Crisis Center in Iwilei offering short-term, sub-acute crisis services. The IRC facility at 840 Iwilei Road is near the Institute for Human Services (IHS) and CORE.

The City is also establishing a medical triage and shelter facility at Iwilei Center, the recently acquired City parcel across the street from the Pūnāwai Rest Stop in Iwilei. In addition, the City is working with the State and non-profit homeless service providers to stand up a Homeless Command Center with a shared homeless care coordination platform that will facilitate data-sharing between the City, State and non-profit homeless service providers.

AFFORDABLE HOUSING

Similar to homelessness, City-State collaboration is making a difference in the planning, design and construction of affordable housing and the infrastructure to support affordable housing.

In 2024, the State passed Act 37, Relating to Housing, to drive adaptive reuse of commercial properties and on December 12, 2024, Bill 51 (2024), CD2, Relating to Adaptive Reuse, passed third reading at the Honolulu City Council and was signed into law as Ordinance 25-3 on January 3, 2025.

The City and State have also been incentivizing private sector housing production through coordination of City and State financing streams. The City is expected to close on \$138M in Private Activity Bond financings in Q2 2025 to support the construction of 428 new affordable rental units scheduled to be opened for occupancy in 2027/2028. The City's coordinated work with the Hawai'i Housing Finance and Development Corporation (HHFDC) will continue to facilitate the development of affordable housing on O'ahu and we appreciate the fine work by Dean Minakami and his team at HHFDC. For example, in 2024, the City and State celebrated the opening of the first phase of a 401 rental unit project in Kapolei on City-owned land, an example of this partnership in action. The State has also joined the City in financially incentivizing the development of affordable housing on smaller lots, often referred to as Bill 7 lots. Most recently, on Saturday, January 11, 2025, the City and State celebrated the groundbreaking of a 90-unit affordable housing complex on Pensacola Avenue to be constructed where five smaller homes previously existed. More Bill 7 projects are in the works.

Honorable Donovan Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means
Honorable Kyle T. Yamashita, Chair
and Members of the House Committee on Finance
January 19, 2025

In early 2024, the City closed on a 3.8-acre parcel situated adjacent to the future Skyline Kūwili station in Iwilei, representing a \$51.5 million dollar investment in affordable housing and TOD. Additionally, the City acquired the First Hawaiian Bank building on King Street across from 'A'ala Park and the City plans to acquire other parcels in Iwilei to develop thousands of affordable housing units, facilitate Iwilei access to the Kūwili Skyline station for other Iwilei properties (i.e., Castle and Cooke), improve vehicular, transit, bicycle and pedestrian access and connectivity and provide mixed use retail and government service operations to community residents. Current plans are to break ground on City affordable housing units in Iwilei in 2027 - 2028.

The City has other affordable housing projects in the works throughout the county and is actively working with the State to facilitate the necessary infrastructure for development and affordable housing at the State's Aloha Stadium site.

SKYLINE RAPID TRANSIT

Our City-State collaboration extends to other important initiatives including, but not limited to, O'ahu's Skyline rail system now operating along O'ahu's dense leeward corridor as a result of committed federal, state and county funding. In mid-2023, rail operations commenced from East Kapolei to Aloha Stadium and in 2024, the City amended the Full Funding Grant Administration (FFGA) agreement, updated its financial plan and restored federal funds withheld from the project since 2017. Of significance, in the fourth quarter of 2025, rail operations will open its second segment from Aloha Stadium to Middle Street, capturing in-demand station locations including Joint Base Pearl Harbor Hickam and the Daniel K. Inouye International Airport, destinations that will drive increased ridership. The City is appreciative of State funding which will enable this intermodal mass transit rail system to be fully paid at the completion of construction of the locally preferred alternative, a serious commitment to lowering costs for future generations of transit riders.

PUBLIC SAFETY

City, State and Federal public safety resources united to show their collective commitment to law enforcement and emergency response in recent public safety emergencies including, but not limited to, increased gun violence and criminal conduct along the leeward coast, the tragic airplane crash at the Daniel K. Inouye International Airport and the most recent severe injuries and loss of lives associated directly with the purchase and display of illegal aerial fireworks on O'ahu. The City and the State are also working closely together on wildland fire preparation and mitigation efforts on O'ahu, which also includes HECO, other utilities and emergency first responders.

Honorable Donovan Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means
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and Members of the House Committee on Finance
January 19, 2025

OTHER CITY-STATE COLLABORATIONS

The State is ensuring improved and expanded access to government services through the State's Wahiawā Civic Center, which will house City Department of Customer Services personnel in a relocated Wahiawā Satellite City Hall. In pursuing greater connectivity and an efficient, seamless and safe intermodal traffic and transit network on O'ahu, the City Department of Transportation Services (DTS) works very closely and in collaboration with the Hawai'i Department of Transportation (HDOT) and the O'ahu Metropolitan Planning Organization (OMPO) to plan, design, construct, maintain, upgrade and operate safe City and State streets, roadways and highways, upgrade to a state of the art traffic signal controller system, conversion of our public fleets to electrical vehicles, maximize federal funding opportunities and connect our communities through the installation of fiber optic resources.

Finally, most recently, the City has demonstrated that its options are limited in siting a landfill outside the aquifer without State assistance, whether it be the Hawai'i State Legislature or the State of Hawai'i Land Use Commission. The City looks forward to exploring other paths to siting a landfill outside the No Pass Zone in concert with the Board of Water Supply and the State of Hawai'i.

The unprecedented collaboration between the City and the State to date remains a cornerstone of my administration's singular attention to serving and advancing the general welfare, safety and aspirations of the communities we collectively serve on O'ahu. I am grateful to each and every one of you for your part in strengthening our mutual relationships and the services we provide our constituents.

OTHER CITY PRIORITIES

- Department of Housing and Land Management

While we have accomplished a great deal in our first four years in office, our City leadership team remains steadfastly focused on driving execution of projects and doing more, faster and better in our second term in office.

In a few months, the City will offer a resolution to the Honolulu City Council to merge the City's Office of Housing with the City's Department of Land Management (DLM) to create the Department of Housing and Land Management, the first fully functional housing and land acquisition agency in the City since 1998. One of the department's key projects will be driving execution of the City's redevelopment and revitalization efforts around the Kūwili Rail Station, where, as discussed above, the City has already aggregated over five acres including its existing land holdings to jump start Iwilei's approved Transit Oriented Development (TOD) Neighborhood Plan. Working with and through the State, the City has collaborated to secure

Honorable Donovan Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means
Honorable Kyle T. Yamashita, Chair
and Members of the House Committee on Finance
January 19, 2025

\$2.7M in State and Federal grants towards master planning TOD in Iwilei and we are in active discussion with our State colleagues on next steps.

Additionally, this month, DLM will launch the first of a series of development solicitations for underutilized City properties – leveraging the Governor’s Emergency Proclamation on Housing to pilot innovative solutions to affordable housing. DLM has drafted a comprehensive overhaul of City leasing ordinances, and is working with the City Council to introduce legislation, to make these solutions permanent. The intent is to issue multiple similar solicitations throughout the year to support the eventual development of thousands of new units of affordable housing on City-owned land.

- Department of Planning and Permitting

Our focus is also reform minded. For example, the City’s laser-like focus on people, processes and technology in the Department of Planning and Permitting (DPP), where Director Dawn Takeuchi Apuna, in concert with her existing DPP staff, is implementing significant software upgrades, improved workflow processes, employee training, staffing and competitive wages that will result in a real time permitting system that allows applicants to check their permit status at any time. DPP is also upgrading its enforcement software and collaborating with the State to more effectively identify illegal short-term vacation rentals and address the negative impact they have on our island’s affordable housing stock and our neighborhoods.

- Honolulu Department of Ocean Safety

In 2024, the City also stood up an independent Department of Ocean Safety (HOSD) in recognition of the expanding mission of our watermen and waterwomen first responders. Following a successful Charter amendment, the City is actively reviewing resumes for commissioners of the to-be-formed Ocean Safety Commission. Led by Director Kurt Lager, HOSD is prioritizing its facilities, equipment and training in support of its first responder staff. An additional advantage of forming HOSD is the ability it gives the leadership of Honolulu’s Emergency Services Department (HESD) to singularly focus on improved operations of Honolulu’s Emergency Medical Services (EMS) ambulance operation, now wholly run and operated by the City.

- Economic Development

There are numerous other fronts where progress is happening and strengthening our economy is one of them. At the beginning of the year, after much work with the film industry, the Academy for Creative Media and the Honolulu City Council, the City passed Bill 59 which provides a property tax incentive for the investment of \$100 million in the construction of film studios near UH West O’ahu. Discussions are already underway with the State to aggressively

Honorable Donovan Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means
Honorable Kyle T. Yamashita, Chair
and Members of the House Committee on Finance
January 19, 2025

pursue investment in locally filmed and produced media that will create a pipeline of locally trained and high paying jobs on O'ahu. The demand for Hawai'i as a premiere shooting location is great but without adequate studios, producers will continue to minimize their film time in Hawai'i.

- Deregulation

While I am confident of the direction the City and State are heading with respect to affordable housing at differing income levels, one of my top concerns is the burden of over-regulation. Not only do UHERO studies validate the high cost of the regulatory burden on our local housing stock, our internal City data evidences a direct correlation between an increase in the number of rules and regulations on housing construction and the increased processing time for permits. The more complex our regulatory framework, the more time it takes the public and our permitting staff to navigate that framework. Compared to other states and cities with high housing costs, our State has some of the highest regulatory burdens on construction and the City will work with the State to identify, eliminate and/or simplify Hawai'i's regulatory environment in the housing sector. For example, working with the Honolulu City Council, the O'ahu Historic Preservation Commission was stood up in 2024 in part to actively support, assist and facilitate the State Historic Preservation Division's (SHPD) important role in the identification and preservation of historic and cultural assets. In the housing development sector, time is money and the City stands ready to assist SHPD in reducing the time for historic and cultural reviews.

The City is currently applying for a fully funded two-year fellowship with Bloomberg Harvard that will be focused on deregulation, mostly in housing but also in other core service areas where processes put upon our residents and constituents can be either simplified or eliminated.

- Cost of Living

Finally, I conclude my written testimony stressing the importance of working with the State to reduce the cost of living of our residents. A week ago, I attended the release of Aloha United Way's 2024 Asset Limited, Income Constrained, Employed (ALICE) Report. The ALICE report examines the financial strain on our ALICE population resident households, those with little to no discretionary income living just above the poverty line. The most recent data shows 46% of ALICE households lacking consistent access to food, 41% of ALICE households worrying about being forced to relocate outside Hawai'i and 37% of all Hawai'i households actually considering leaving the State because of Hawai'i's high cost-of-living.

As demonstrated by the UHERO documented regulatory burden on housing construction, government contributes to Hawai'i's high cost-of-living in many ways. I want the

Honorable Donovan Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means
Honorable Kyle T. Yamashita, Chair
and Members of the House Committee on Finance
January 19, 2025

City to do our part to actively reduce costs on our residents where ever possible. In 2023, the Honolulu Board of Water Supply approved a rate hike that will be phased in over five and a half years, commencing in 2025, to offset inflation, cover rising electricity costs, maintain our municipal water system and invest in new infrastructure and facilities. The City's Department of Environmental Services is currently proposing the first sewer fee increase since 2016, necessary to fund the 2010 federal consent decree improvements to the City's wastewater infrastructure. All of these essential fee increases have a cumulative impact on the cost of living of our residents and I want the City to look for every opportunity to reduce inefficiencies and eliminate unnecessary requirements that increase the cost of living and reduce the quality of life of our residents.

We have made significant progress over the last four years, however, there remains much work to be done. All of these incredible challenges are surmountable if the State and City continue to work together with common purpose. My commitment to you is that my City leadership team and I will work constructively with you during this upcoming legislative session and in the years ahead.

Very truly yours,



Rick Blangiardi
Mayor