

Linda Lingle
GOVERNOR



ORLANDO "DAN" DAVIDSON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Orlando "Dan" Davidson
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HUMAN SERVICES AND HOUSING

February 12, 2008, 8:40 a.m.
Room 329, State Capitol

In consideration of
H.B. 2662
RELATING TO AFFORDABLE HOUSING.

The HHFDC opposes H.B. 2662 as drafted. To the extent that State resources are utilized in the development of a project, we believe that it is appropriate for the State to preserve long-term affordability and share in the appreciation of the value of the unit. We have provided a proposed House Draft 1 which provides a limited exemption to the shared appreciation provision for high density developments as well as a shorter buyback period.

We also believe that any units in a development produced to satisfy an affordable housing requirement should comply with the county's affordable housing program. This is a county home rule issue that should not be legislated. Accordingly subsection (b) of the proposed new section in chapter 201H should be deleted.

Thank you for the opportunity to testify.

H.B. NO. 2662

PROPOSED HD1

A BILL FOR AN ACT

RELATING TO AFFORDABLE HOUSING.

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

1 SECTION 1. Chapter 201H, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§201H- New for-sale developments. (a) Any law to the
5 contrary notwithstanding, new multi-family for-sale housing
6 condominium developments of seventy-five units or more per acre
7 on privately owned lands and privately financed without federal,
8 state or county financing assistance or subsidies, shall:

9 (1) Be exempt from the corporation's shared appreciation
10 equity program;

11 (2) Be subject to three-year occupancy requirements and
12 transfer restrictions; and

13 (3) Not be subject to the ten-year occupancy requirements
14 and transfer restrictions in sections 201H-47 and 201H-
15 49."

16 SECTION 2. New statutory material is underscored.

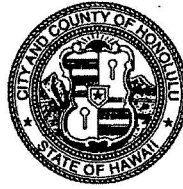
17 SECTION 3. This Act shall take effect upon its approval.

18

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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MUFI HANNEMANN
MAYOR



HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUE
DEPUTY DIRECTOR

February 12, 2008

The Honorable Maile S. L. Shimabukuro, Chair
and Members of the Committee on Human
Services & Housing
House of Representatives
State Capital
Honolulu, Hawaii 96813

Dear Chair Shimabukuro and Members:

**Subject: House Bill 2662
Relating to Affordable Housing**

The Department of Planning and Permitting is a strong supporter of affordable housing, but must **oppose** HB 2662 because the bill lacks clarity, infringes on home rule, and appears to be designed to fit one specific situation.

The bill would exempt new multi-family condominium developments of 50 or more units per acre on privately owned lands or lands owned temporarily by the State or any county for a period of less than 12 months as a facilitator of affordable housing from a shared equity program and the 10-year occupancy requirements and transfer restrictions stipulated elsewhere in Section 201H, Hawaii Revised Statutes (HRS). The bill would also not require these housing units to be on the same parcel of land as any required market-priced housing development, and require the areas of the affordable housing development and the market-priced housing development to be of equal square footage.

First, we are not clear about the intent of the bill. If it is to restrict each county council from imposing occupancy and buy-back requirements on projects for which the county grants exemptions from planning, zoning, and construction standards pursuant to Section 201H, HRS, we strongly object. To ensure that a public benefit remains, e.g., the continued availability of an affordable housing unit to a second generation of buyers after the initial sale, the county should retain the flexibility to impose buy-back or shared appreciation requirements when deemed appropriate.

Second, why is it important to determine eligibility by density—50 units per acre—rather than the number of units in a project?

This department and the Honolulu City Council have long supported affordable rental projects as shown by past Council approvals of exemptions from planning, zoning and other development standards for projects under the "201H" exemption program. Thus, we believe that each county should continue to retain the ability to impose certain restrictions on high density development, such as projects

The Honorable Maile S. L. Shimabukuro, Chair
and Members of the Committee on Human
Services & Housing
House of Representatives
Re: House Bill 2662
February 12, 2008
Page 2

with 50 or more units per acre that are the subject of HB 2662. Our council needs to retain the flexibility to impose occupancy or buy-back restrictions, based on the economic circumstances of the time.

The department is also concerned about the provision in HB 2662 that does not require these multi-family housing condominium developments to be on the same parcel of land as required market-priced housing. Frequently, projects developed with exemptions pursuant to 201H, HRS, have both affordable and market-priced housing in the same development. This provides for social and economic integration of our county's population. Therefore, we are puzzled at this proposal for segregation.

Lastly, we are puzzled by the mention of rental projects under the sub-title, but the provisions themselves only make reference to condominium projects.

We ask that this bill be filed. Thank you for the opportunity to testify.

Sincerely yours,

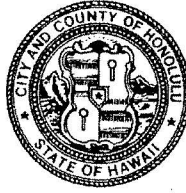


Henry Eng, FAICP, Director
Department of Planning and Permitting

HE:jmf
hb2662eh.doc

DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

715 SOUTH KING STREET, SUITE 311 • HONOLULU, HAWAII 96813 • AREA CODE 808 • PHONE: 768-7762 • FAX: 768-7792



MUFI HANNEMANN
MAYOR

DEBORAH KIM MORIKAWA
DIRECTOR

ERNEST Y. MARTIN
DEPUTY DIRECTOR

February 11, 2008

The Honorable Maile Shimabukuro, Chair
and Members of the House Committee on
Human Services and Housing
State Capitol, Room 326
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Shimabukuro and Members:

Subject: HB No. 2662 Relating to Affordable Housing
Hearing: February 12, 2008, 8:40 am

The Department of Community Services strongly opposes provisions of H.B. No. 2662 which proposes a new section in Chapter 201H, Hawaii Revised Statutes.

The bill proposes special buyback and shared appreciation requirements for a narrowly defined housing project. Approving more lenient requirements for a project would establish an undesirable precedent. More importantly, we oppose the provision allowing market priced housing to be located on a different site than the affordable housing units, as long as they are on the same island. Each county has different circumstances and issues and should be allowed to determine what will be allowed within its affordable housing program.

Thank you for the opportunity to provide this testimony.

Sincerely,

A handwritten signature in black ink that reads "Deborah Kim Morikawa".

Deborah Kim Morikawa
Director

DKM:gk

Harry Kim
Mayor



Edwin S. Taira
Housing Administrator

County of Hawaii
OFFICE OF HOUSING AND
COMMUNITY DEVELOPMENT

50 Wailuku Drive • Hilo, Hawaii 96720-2456
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February 08, 2008

The Honorable Maile S. L. Shimabukuro, Chair
The Honorable Karl Rhoads, Vice Chair
Committee on Human Services & Housing

State Capitol, Room 229
415 South Beretania Street
Honolulu, Hawai'i 96813

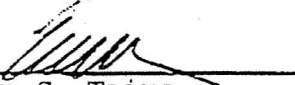
SUBJECT: House Bill 2662
Relating to Affordable Housing
Hearing: February 12, 2008
Time: 8:40AM
Room: 329

The Office of Housing and Community Development (OHCD) opposes HB2662 which would allow certain multi-family housing developments exemptions from various affordable housing requirements.

Provisions of this bill would be contradictory to our efforts to obtain long-term affordable housing inventory. Exemptions from shared appreciation, transfer restrictions, and occupancy requirements would establish a negative precedent that would impact the development of affordable rental housing - a much needed housing type for our island workforce.

In its current affordable housing policy, the County of Hawai'i currently requires a 15-mile radius requirement from the market development to the affordable housing site, which allows the integration of affordable housing development throughout various communities island wide. Relaxing this requirement to allow for county-wide satisfaction would isolate the areas in which affordable housing would be developed - likely increasing commuting times for the working populations for which these units are targeted.

Thank you for the opportunity to provide testimony.


Edwin S. Taira
Housing Administrator

0091tasr



EQUAL HOUSING OPPORTUNITY
"HAWAII COUNTY IS AN EQUAL OPPORTUNITY
PROVIDER AND EMPLOYER"



CENTRAL PACIFIC BANK

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Honolulu, HI 96811-3590
Telephone (808) 544-0500

February 11, 2008

Representative Maile S. L. Shimabukuro
Chair
Committee on Commerce, Consumer Protection & Affordable Housing

Sent via email: HShtestimony@capitol.hawaii.gov

Re: **HB 2662 Relating to Affordable Housing (In Support)**
Hearing Date: February 12, 2008

Dear Chair Shimabukuro:

I am Blenn Fujimoto, Vice Chairman of Central Pacific Bank, testifying in support of HB 2662 both as a lifetime banker and as a concerned citizen.

This bill will encourage development of workforce housing by exempting new multi-family housing condominium developments of fifty units or more per acre on privately owned lands from shared appreciation requirements and by reducing the 10-year occupancy requirements to 3-years. The easing of these restrictions would increase the desirability of such housing and would encourage more 201-H developments.

CPB is very active in residential construction lending and its subsidiary, Central Pacific Home Loans is one of the largest individual residential mortgage lenders. There is a large void in affordable housing inventory – this measure would encourage developers to build workforce housing in this price point.

Thank you for your consideration of this bill and for the opportunity to submit testimony.

Sincerely,

A handwritten signature in black ink, appearing to read 'Blenn A. Fujimoto'.

Blenn A. Fujimoto
Vice Chairman

Email: blenn.fujimoto@centralpacificbank.com

February 11, 2008

The Honorable Maile S. L. Shimabukuro
Chair-Committee on Human Services and Housing
State House of Representatives
415 South Beretania Street
Honolulu, HI 96813

Sent via email: HShtestimony@capitol.hawaii.gov

Re: **HB 2662 Relating to Affordable Housing (In Support)**
Hearing Date: February 12, 2008

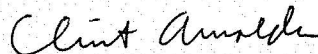
Dear Chair Shimabukuro:

My name is Clint Arnoldus, CEO & President of Central Pacific Bank, testifying in support of HB 2662. CPB is a full-service commercial bank with 39 branches statewide. We are very active in lending to the housing market.

This bill would eliminate or reduce certain state and county requirements for new multi-family housing condominium developments of fifty units or more for privately developed projects. It will encourage the private sector to build affordable workforce housing because by eliminating the equity sharing and reducing the buyback period, the demand for this type of housing increases.

We ask for your support of this bill and thank you for the opportunity to testify.

Aloha,



Clint Arnoldus
President & Chief Executive Officer
Email: clint.arnoldus@centralpacificbank.com

- Facsimile
- Hand Delivery
- Mail
- Express Mail
- Email

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February 8, 2008

SUPPORT BILL PASSAGE

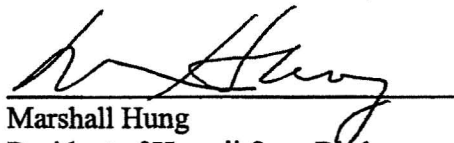
Representative Karl Rhoads, Vice Chair
Committee on Human Services & Housing
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 406
Honolulu, Hawaii 96813

Dear Representative Rhoads:

Attached is my testimony for House Bill 2662 ahead of your public hearing. My hope is that it will bring more clarity.

Mahalo for the residents of Hawaii.

Respectfully yours,



Marshall Hung
Resident of Hawaii from Birth,
Practicing Real Estate Developer of
Affordable Housing

Attachment

SUPPORT BILL PASSAGE

Testimony for House Bill 2662

State's 201H Affordable Housing Update

Is there a difference between equity sharing for privately owned lands and publicly owned lands?

Yes. For publicly owned lands, equity sharing is a recapture for the government reducing its land price. However, it does not make sense for most private land owners to reduce the price of their land and allow the government an equity profit on future housing sales. Therefore, it serves as a deterrent for private landowners and developers to participate in contributing to affordably priced housing.

Why create a special category of 50 units or more per acre?

Mid-rise and high-rise apartment products are less desirable than single-family or low-rise apartment products because more people share the land with others. Due to higher land costs and economies of scale from repetitious vertical construction, the 50-unit or more per acre product is comparatively the most economical housing product. It is no longer feasible and very difficult to develop the single-family or low-rise housing products for the 140% of median income households and below.

The environmental balance between open-space and buildings has become critical for sustainability. A policy change is needed for new construction of housing so that the higher density housing product can preserve a higher proportion of the open-space environment.

Why provide Resort and Kakaako Land Owners the flexibility of meeting the affordable housing requirements by allowing them to substitute affordable housing developments outside their neighborhood?

Most counties in Hawaii are moving towards a 50% Affordable Housing Requirement for all new residential developments with this amendment. Each county government will be able to approve on a case-by-case basis an affordable housing neighborhood substitution. With this amendment flexibility is provided for a resort landowner that differs with their neighborhood being mixed income. For it can be argued, that higher profits from an exclusive neighborhood for the wealthy can more economically provide the subsidy to build affordable housing in more appropriate neighborhoods with lower land values.

Why does the 201H State Affordable Housing Law need to be updated this way?

Currently, the affordable housing supply shortage has reached crisis numbers. The non-profit government programs for the low income households cannot produce the needed amounts because they are implementing 75 to 100% subsidized developments with high land and building costs. The conclusion is that the government by itself does not have the capability in money and resources to solve the shortage of supply crisis.

This Amendment to the 201H Law will help to bring private landowners, private developers (for profit), equity money from the private sector, debt financing money from private banks, and bond financing from the unused 4% tax credit program to the table. The active participation of these various private players in the real estate housing industry is necessary to help increase the supply of affordable housing in Hawaii more quickly and in larger amounts. County governments will receive an increase of applications to increase zoning densities for specific parcels of land in exchange for the community needed affordable housing. Providing more affordable housing will have an impact on lessening the many social ills now plaguing our community to more acceptable levels.

KENNETH T. MATSUURA
215 N. King Street, Suite 1000
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Phone (808) 526-2027 Fax (808) 526-2066

February 8, 2008

SUPPORT BILL PASSAGE

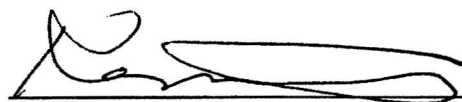
Representative Maile Shimabukuro, Chair
Committee on Human Services & Housing
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 406
Honolulu, Hawaii 96813

Dear Representative Shimabukuro:

Attached is my testimony for House Bill 2662.

Mahalo for your consideration and support for more affordable housing in Hawaii.

Best Regards and Aloha,

A handwritten signature in black ink, appearing to read 'Kenneth T. Matsuura', written over a horizontal line.

Kenneth T. Matsuura
Resident of Hawaii from Birth

Attachment

Testimony for House Bills 2662

Affordable housing for the local residents and the local workforce are in critical short supply. Therefore, we need legislation to help increase the supply of affordable housing. Government alone cannot increase the needed supply to meet the overwhelming demand for affordable housing for those with incomes of 140% and below the median income in Hawaii. Government does not have the unlimited resources, hence, it can barely satisfy the 80% to 60% of median income and below households. This leaves a supply gap for those households from 80% of median income and above. The private landowners and developers need to participate or contribute to increasing the supply of affordable housing.

House Bill 2662 will help encourage and incentivize those private landowners, and developers to participate and contribute as it amends the 201H Affordable Housing legislation by; 1) eliminating the equity sharing provisions, 2) reducing the owner-occupant purchasers restriction to 3 years, and 3) provides flexibility to developers to meet the affordable housing requirements of their properties in another location in the same county or island.

In conclusion, passage of House Bill 2662 will definitely help to increase the supply of affordable housing. By increasing the supply; 1) more households can move up the housing ladder which will also make room at the bottom of the housing ladder for those who are homeless, 2) more of the younger households can then afford to purchase their first homes, 3) this will encourage the younger families who now live and work on the mainland (USA) to return home to Hawaii to live and work, and 4) this will encourage new industry and business to expand to Hawaii due to the availability of affordable workforce housing.

Mahalo for the local residents of Hawaii and for the future sustainability of Hawaii.