



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAOKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
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STATEMENT OF

ANTHONY J. H. CHING, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE

HOUSE COMMITTEE ON WATER, LAND, OCEAN RESOURCES &
HAWAIIAN AFFAIRS

AND

HOUSE COMMITTEE ON HUMAN SERVICES & HOUSING

Thursday, February 14, 2008

8:30 A.M.

State Capitol, Conference Room 329

H. B. 2732 - RELATING TO KAKAOKO.

Purpose: Increases the reserved housing requirement for a planned development on a lot of at least one acre in the Kakaako Community Development District Mauka Area to at least fifty percent of the total floor area, except that space which is developed for community or special facility use.

Position: The Hawaii Community Development Authority (HCDA) agrees that there is a severe lack of inventory of affordable housing units in Honolulu; however, the Authority is obliged to oppose the passage of this measure in its current form. This opposition is based on the following reasons.

If a developer in the area outside of the Kakaako Community Development District is not obliged to perform at the same standards, the proposal would only create a severe disincentive for any developer to pursue an identical project in Kakaako. The City & County of Honolulu does not

currently require that developers perform to a standard as stringent as is being proposed. Barring a correction by the City & County of Honolulu, enactment of the proposal will only make the redevelopment of Kakaako that much more difficult, if not impossible.

Development of inclusionary reserved housing units has not attracted significant interest from the development community. The HCDA currently requires that planned developments shall provide at least twenty percent of the total number of dwelling units *in the development* for sale or rental to qualified persons as determined by the Authority. The HCDA rules also allow for the development of the reserved housing units elsewhere within the Mauka Area and/or allows the payment of a cash in-lieu fee.

It is unlikely that any developer in town would be interested in developing an inclusionary project which featured a fifty percent mix of reserved units and market units. Instead the most recent reserved housing projects built (i.e., 1995 – 1133 Waimanu/282 units) or proposed (i.e., 1226 Waimanu/64 units) have been free standing projects developed elsewhere in the Mauka Area.

Development of inclusionary reserved housing units within a planned development is not cost efficient. In order to control the cost of constructing housing towers where the footprint of land is limited, the floor template is typically consistent between all floors. This dictates that the floor space for each type of unit (studio, one and two bedroom) within the planned development is stacked and does not vary. The economics of this construction technique does not typically allow for configuring smaller reserved housing units with larger market units unless significant cost factors are included (e.g., number of plumbing stacks and separating walls).

Application of the reserved housing requirement to projects with no housing units is problematic. The design of a commercial development is considerably different from that of a housing development. Logic tells us that a developer of commercial properties would be outside of their comfort zone, if they were required to develop at least fifty percent of their project as a housing development. As discussed previously, the floor plates for a commercial development and a housing project are not necessarily compatible and the cost of development for such a project would be significantly higher than that for an exclusive commercial project.

HCDA Reserved Housing Plan. However, given the severity of the shortage of affordable housing in the State of Hawaii, the HCDA is currently engaged in discussion with the various stakeholders to identify what enhancement to the HCDA reserved housing program should be pursued in the Kakaako Community Development District. Elements of this strategy include ensuring that:

- the existing 20% reserved housing requirement is delivered in Kakaako in the form of units and not cash in-lieu fees;
- the delivery of these units are concurrent with that of the market units;
- the HCDA explore opportunities to acquire land in Kakaako for the purpose of developing public benefit facilities and reserved housing units; and
- any reserved housing units are appropriately maintained and offered in such a way that it is truly affordable to starter families.

Summary. Based on the foregoing reasons, the HCDA respectfully recommends that this measure does not advance in its current form.



SERVCO PACIFIC INC.

P.O. Box 2788 • Honolulu, Hawaii 96803-2788 • Telephone: (808) 564-1300 • Facsimile: (808) 523-3937 • www.servco.com

To: Representative Ken Ito, Chair
Representative Jon Riki Karamatsu, Vice-chair
Committee on Water, Land, Ocean Resources & Hawaiian Affairs

Representative Maile S. L. Shimabukuro, Chair
Representative Karl Rhoads, Vice-chair
Committee on Human Services & Housing

From: Carol K. Lam
Servco Pacific Inc.
2850 Pukoloa Street, Suite 300
Honolulu, Hawaii 96819

Hearing Date: Thursday, February 14, 2008

In Opposition to HB 2732, Relating To Kakaako

On behalf of Servco Pacific Inc. ("*Servco*"), I submit the following comments in opposition to the adoption of H.B. No. 2732 (the "*Bill*").

The lack of affordable housing is an important issue that needs to be addressed. As a third-generation family company, we are committed to working with government housing agencies to encourage the development of more affordable housing.

There is no easy or simple solution. We believe that mandating an arbitrary formula -- while simple -- will not solve the problem. In fact, such mandates may unnecessarily delay the time that a workable solution is achieved.

As an owner of property located within the Kaka'ako Redevelopment District, Servco supports a rational, reasonable, balanced, and fair reserved or affordable housing condition to the development of residential lands in the State of Hawaii. But this Bill is unfair and unworkable.

It represents a radical change in the existing reserved housing requirements within the Kakaako Redevelopment District established by the state agency (the Hawaii Community Development Authority) created by the Legislature to govern development within the Kaka'ako Redevelopment District. From a requirement that 20% of the total residential units be reserved housing units to a requirement that 50% of the countable floor area in the project be set aside for reserved housing is a significant and unilateral change. Such a change would unfairly single out and impose on developments within the Kaka'ako Redevelopment District a reserved or affordable housing requirement which is not applicable to any other developments anywhere else within the State of Hawaii.

In addition, it puts a burden on the private landowners in the Kaka'ako Redevelopment District, and could potentially stop ongoing redevelopment efforts in the area. This is contrary to the State's long term goal of fostering redevelopment, and providing an appropriate reserved or affordable housing component into the Kaka'ako District.

We believe that this issue and the means of addressing it in the current Hawaii marketplace must be more thoroughly examined and the options and alternatives critically tested in the real world. In Servco's view it will require a fair and equitable contribution from many different stakeholders involved with this problem -- the landowners, the housing developers, construction lenders, contractors, government, and the public. It is unfair to burden one group or side with the cost and burden of solving this problem. Unfortunately that is exactly what the current Bill would do.

Thank you for allowing us to share our concerns about this Bill with you.

February 11, 2008

The Honorable Maile S. L. Shimabukuro

Chair-Committee on Human Service and Housing

The Honorable Ken Ito

Chair-Committee on Water, Land, Ocean Resources & Hawaiian Affairs

415 South Beretania Street

Honolulu, HI 96813

Sent via email: HSHtestimony@capitol.hawaii.gov

Re: **HB 2732 Relating to Kakaako (In Support)**

Hearing Date: February 14, 2008

Dear Chairs Shimabukuro & Ito:

My name is Clint Arnoldus, CEO & President of Central Pacific Bank, testifying in support of HB 2732. CPB is a full-service commercial bank with 39 branches statewide.

As a banker for 36 years, I've had the good fortune to experience living in many cities both domestically and abroad. But living in Hawaii for the last seven years, my wife and I have come to learn that this community is very special. We love being a part of it.

Unfortunately, for the next generation of Hawaii residents, the dream of having their own home is now out of reach. Housing for our workforce is unaffordable and scarce. We need to take bold steps to correct this situation. This bill takes us in the right direction. I encourage you to support it.

The bill will encourage the private sector to develop much needed workforce housing. It will help Kakaako become a livable community where residents live, work, shop and recreate. More importantly, it would create starter housing for young couples and families.

Thank you for the opportunity to testify in support of this bill.

Aloha,



Clint Arnoldus

President & Chief Executive Officer

Email: clint.arnoldus@centralpacificbank.com



CENTRAL PACIFIC BANK

P.O. Box 3590
Honolulu, HI 96811-3590
Telephone (808) 544-0500

February 11, 2008

Representative Maile S. L. Shimabukuro
Chair--House Committee on Human Services & Housing

Representative Ken Ito
Chair-House Committee on Water, Land, Ocean Resources & Hawaiian Affairs

Sent via email: HShtestimony@capitol.hawaii.gov

Re: **HB 2732 Relating to Kakaako (In Support)**
Hearing Date: February 14, 2008

Dear Chairs Shimabukuro and Ito:

I am Blenn Fujimoto, Vice Chairman of Central Pacific Bank, testifying in support of HB 2732.

This bill will encourage development of much needed workforce housing by the private sector with no monetary outlay by the public sector. The lack of affordable housing for our middle income residents is a growing problem. Employees that cannot find an affordable place to live, have one more reason to migrate to the mainland; thereby continuing Hawaii's brain drain.

Kakaako Mauka can accommodate the development of such housing. It has the roads and sewer capacity, and is close to urban employment centers. Housing built in the urban core can greatly add to a household's quality of life. With its proximity to retail shopping, restaurants, entertainment, and parks; Kakaako is fulfilling the vision as a livable community.

As the parents of two adolescent sons, my wife and I worry about whether their generation will be able to buy homes in Honolulu. This bill is a step in the right direction.

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'.

Blenn A. Fujimoto
Vice Chairman

Email: blenn.fujimoto@centralpacificbank.com



**TESTIMONY BEFORE THE HOUSE COMMITTEES
ON
WATER, LAND, OCEAN RESOURCES & HAWAIIAN AFFAIRS
AND
HUMAN SERVICES & HOUSING
HOUSE BILL 2732
BY
STEVEN GOLDEN**

THURSDAY, FEBRUARY 14, 2008

Chairs Ito and Shimabukuro and members of the Committees:

I am Steve Golden, Vice President of External Affairs for The Gas Company. Thank you for the opportunity to provide testimony on House Bill 2732, relating to Kakaako.

The Gas Company owns and occupies a plot of land of approximately 2 acres with a roadway lot of a little less than 1 acre located at 515 Kamakee Street in the Kakaako mauka area. This site has been our major gas operations facility site for our utility system since 1936. As you are all aware, our part of Kakaako has changed from primarily a light industrial area to more of a residential area in recent years.

This bill would, among other things, require developers of planned developments on lots of an acre or larger that are located in Kakaako mauka to reserve at least 50% of the countable floor area for low income housing. Alternatively, the developer may make a cash payment to the Hawaii Community Development Authority (HCDA.)

As a kama'aina company in its second century of providing gas energy solutions to the people and businesses of Hawaii, we are well aware of the severe lack of affordable housing in our community. However, The Gas Company opposes this bill for several reasons.

First, we believe that the onerous conditions on planned development proposed, in this bill, will negatively impact all of our utility customers. Our property is a utility asset, which means that it is held for the benefit of our ratepayers. This means that this legislation, which requires that 50% of any planned redevelopment of our property be used for reserved housing, affects not one property owner, but all of our over 35,000 utility customers.

Second, we recognize that the highest and best use of our Kamakee St. property may lie in residential development, rather than use as a gas utility distribution facility and that there may come a time when we will have to move to a neighborhood which is more compatible with our light industrial operations. However, we are concerned that the conditions imposed by the bill are so burdensome, that the value of our Kamakee property would be severely diminished making it uneconomic to move to an alternate site. The result is that the site cannot be developed further; thereby making no contribution towards meeting the State's housing needs.

Third, HCDA already has initiated its planning process for the area, which comprehensively considers parks, transportation, land use and an overall urban design, including reserved housing. We believe that if any changes are to be considered they are more appropriately addressed comprehensively in HCDA's plans and processes rather than through legislation.

Thank you for allowing The Gas Company to present these comments.



Yamaguchi &
Yamaguchi, Inc.
Real Estate
Counseling Services

Representative Ken Ito, Chair
Committee on Water, Land, Ocean
Resources & Hawaiian Affairs
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 420
Honolulu, Hawaii 96813

SUPPORT BILL PASSAGE

Dear Representative Ito:

My name is Jon Yamaguchi and I am writing this letter as a concerned citizen of the State of Hawaii. I have been real estate appraiser and counselor for over 35 years and have completed many jobs public and private in Hawaii. I have been very active in the community and a volunteer high school football coach for over 20 years as well as serving on public and private boards and commissions. Currently, I am the Vice Chair of the International Steering Committee of the National Counselors of Real Estate and have the opportunity to meet with many people on the issue of Affordable Housing.

Although there is no universal solution to the problem, there is one basic premise in my opinion that applies, "Affordable Housing should be modest shelter housing and not market housing for investment". By this I mean I have seen projects that are required to match affordable housing with market housing because government feels everyone is equally entitled. This in my opinion is wrong! Everyone should have the right to purchase what they can afford. Therefore, we need to build it; if it is barebones shelter housing that is affordable then that's what it should be.

I am in support of HB 2732 Relating to Kakaako with reservation. I believe government should help guide, rather than regulate and let the real estate developer do what he does best, develop. It has been proven over the years that market subsidized housing for affordable entitlement does not work. Creating an artificial market has always come back to bite us. Case in point are all the affordable public rental housing units (City and State) that are too extravagant, too large in unit size and produce inadequate rental income to be maintained properly by the governmental agencies

Kakaako is the only urban area that has the infrastructure capacity to accommodate a true high density initiative. I look at it as opportunity to right the wrongs that have occurred in the past.

Sincerely,

Jon F. Yamaguchi, President



KAMEHAMEHA SCHOOLS

TESTIMONY TO THE HOUSE COMMITTEES ON
WATER, LAND, OCEAN RESOURCES & HAWAIIAN AFFAIRS
AND HUMAN SERVICES & HOUSING

By

Mike Dang

Director, Planning and Development Division
Kamehameha Schools

Hearing Date: Thursday, February 14, 2008
8:30 a.m., Conference Room 329

Wednesday, February 13, 2008

TO: Rep. Ken Ito, Chair
Rep. Jon Riki Karamatsu, Vice Chair
Rep. Maile S. L. Shimabukuro, Chair
Rep. Karl Rhoads, Vice Chair
Members of the Committees

RE: House Bill No. 2732 Relating to Kaka`ako

Kamehameha Schools submits the following comments regarding H.B. No. 2732 (this "**Bill**"):

Kamehameha Schools broadly supports having more affordable housing throughout Hawai`i, but it does not support this Bill, which, as drafted, specifically and discriminately targets the lands of Kaka`ako.

As a landowner in Kaka`ako, Kamehameha Schools respectfully **objects** to this Bill because: (1) it is inconsistent with the represented and invested vision and plans of the Hawai`i Community Development Authority ("**HCDA**") which were developed through a community-driven input process; (2) it fails to recognize that HCDA's reserved housing programs have historically delivered a balanced blend of housing alternatives in Kaka`ako where over 27% of the housing units built since 1982 have been targeted to persons meeting affordable housing income thresholds; (3) it disparately impacts Kaka`ako as opposed to other neighborhoods—and may drive development to other neighborhoods; (4) it will most likely significantly slow, if not stop, achievement of the State's (*HCDA's*) goal to revitalize Kaka`ako; and (5) it will increase the burdens on Kaka`ako landowners who already contribute significantly to public facilities in the area.



KAMEHAMEHA SCHOOLS

February 13, 2008

Rep. Ken Ito, Chair
Rep. Jon Riki Karamatsu, Vice Chair
Rep. Maile S. L. Shimabukuro, Chair
Rep. Karl Rhoads, Vice Chair
Members of the Committees

(1) This Bill is inconsistent with HCDA's vision, plans and processes.

The HCDA has in place a Makai plan and is in the process of updating its Mauka plan. These plans were developed through a community-driven process and reflect the community's goals to revitalize the area to include mixed-use neighborhoods and a well rounded scope of "work, live, visit, learn and play" activities. Development of good communities requires careful planning of many elements and balancing their impacts on each other. This Bill selects out and significantly changes a single element of those plans without deliberation over or consideration of the broader impact on the overall planning context and the consequences on impacted communities. Further, the HCDA already has a comprehensive planning process which includes addressing issues relating to reserved housing, along with plans for implementation. The matters in this Bill are more appropriately addressed through the HCDA's plans and processes.

(2) Current reserved housing programs are providing meaningful housing options.

Since 1982, there have been 5,666 residential units constructed within Kaka'ako, of which 1,575 are "reserved housing" units. While many of these units were built by State agencies, the private sector has made substantial contributions:

- A. The private sector contributed substantial funds to the construction of these State sponsored projects.
- B. 15% of all the private sector units built since 1982 have been reserved housing (excluding the three projects built during the 2002 to 2005 period when the reserved housing waiver rules were in place).



KAMEHAMEHA SCHOOLS

February 13, 2008

Rep. Ken Ito, Chair
Rep. Jon Riki Karamatsu, Vice Chair
Rep. Maile S. L. Shimabukuro, Chair
Rep. Karl Rhoads, Vice Chair
Members of the Committees

Since 2005, HCDA has tightened the reserved housing requirements, and the present rules make it challenging for private sector developers to avoid building reserved housing units via payment of in lieu fees. We believe the present rules provide a sufficient mandate for landowners and developers to construct even more additional reserved housing units in Kaka`ako.

(3) This Bill unfairly tilts development away from Kaka`ako.

This Bill creates a requirement for Kaka`ako that is significantly more burdensome than exists for any comparable area in the State. It imposes an extraordinarily high reserved housing percentage on a broad and unrelated range of development projects, forces Kaka`ako landowners to carry a disproportionate share of the affordable housing cost, and will drive development from Kaka`ako to other areas.

(4) The Bill will slow, if not stop, all beneficial development in Kaka`ako.

While the intent of this Bill is laudable, and shared by virtually everyone, it imposes another requirement on development, with the most likely result being to render many development projects infeasible. The proposed requirements make development even more difficult. They could effectively require a commercial business owner to have to buy up to two times as much land as their project needs in order to accommodate this requirement. This Bill, if adopted in the current economic climate, will slow, if not stop, development and redevelopment in Kaka`ako, which would hurt residents and communities in the area. The mechanism proposed in the Bill may not achieve its well-intentioned purpose. Unfortunately, without development activity, there may well be less, not more, affordable housing in the area, even with a higher reserved housing percentage requirement.

(5) Landowners already contribute significantly to public facilities and initiatives in Kaka`ako.

As a landowner in Kaka`ako, Kamehameha Schools has paid millions of dollars in improvement district infrastructure assessments and has transferred valuable lands to the State to help revitalize the area. Our land contributions for public facilities include the



KAMEHAMEHA SCHOOLS

February 13, 2008

Rep. Ken Ito, Chair
Rep. Jon Riki Karamatsu, Vice Chair
Rep. Maile S. L. Shimabukuro, Chair
Rep. Karl Rhoads, Vice Chair
Members of the Committees

lands under the Pohukaina Elderly Project (senior housing), Kaka`ako Waterfront Park and Mother Waldron Park. Through the years, Kamehameha Schools and its fellow Kaka`ako landowners have been very supportive of public facilities and initiatives required for the development and redevelopment of this important district of the State.

Our Kawaiahao Plaza offices are located within this area so we daily appreciate the value of this investment in our community. We endorse the comments of the HCDA which said:

“ID projects thus far have greatly allowed those who live, work, visit and play in Kaka`ako to better travel through the area and to be more comfortable in their residences and places of business. The replacement of aging infrastructure has worked to avoid situations where utilities break down, causing inconveniences, hardships and delays for people.

“The area’s infrastructure and aesthetic appearance was greatly improved.”
The area has become a much safer and more pedestrian friendly environment.
“HCDA 2007 Annual Report, “Building Better Communities”, page 5.

Lastly, we concur with the testimony of the Land Use Research Foundation of Hawaii to the Senate Committee on Consumer Protection, and Affordable Housing on SB2294, a companion to this Bill, heard on February 6, 2008, that elements of this Bill may be unconstitutional and legally defective, and we encourage this Committee to seek an appropriate opinion from the State Attorney General as to its legality.

Thank you for this opportunity to express our concerns about this Bill.



General Growth Properties, Inc.

Representative Ken Ito, Chair
House Committee on Water, Land, Ocean Resources & Hawaiian Affairs

Representative Maile Shimabukuro, Chair
House Committee on Human Services & Housing

Thursday, February 14; 8:30 a.m.
Conference Room 329

RE: HB 2732 Relating to Kakaako - Testimony in Opposition

Aloha Chairs Ito and Shimabukuro, Vice Chairs Karamatsu and Rhoads and
Members of the Committees:

My name is Jan Yokota, Vice President- Development of the Hawaii Region
for General Growth Properties. General Growth Properties **opposes HB 2732.**

The purpose of HB 2732 is to increase the reserved housing requirement for a
planned development on a lot of at least one acre in the Mauka Area of the Kakaako
Community Development District to 50% of the countable floor area. This bill would
require reserved housing in every planned development even if only commercial,
industrial or resort uses are intended.

While this bill seeks to increase the availability of reserved housing units for
low- and moderate-income families, it may, in fact, reduce the overall development
of housing in the Kakaako Mauka Area. Currently, development projects have thin
margins as a result of high construction costs and inflated land prices. This measure
would more than double the reserved housing requirement, making it even more
financially difficult to build these projects. Ultimately, families who do not qualify
for reserved housing would be affected, as sales prices for the non-reserved housing
will have to be increased dramatically to compensate for the higher reserved housing
requirement. In addition, the proportion of reserved housing required in this measure
appears to be somewhat arbitrary and without sound basis. Finally, adding the
reserved housing requirement to commercial, industrial and resort projects will make
these financially infeasible as well.

General Growth Properties strongly urges the committee to defer action on
HB 2732. Thank you for the opportunity to testify on this matter.

Limited Partnership
1441 Kapiolani Blvd., Ste 202
Honolulu, Hawaii 96814
Development Design
& Construction
Hawaii Region
Phone 808 - 947-3788
Fax 808-947-3980
www.ggp.com

Testimony in Support of House Bill 2732 (Relating to Kakaako)

Hearing Date: February 14, 2008

8:30 am

Committee on Water, Land, Ocean Resources & Hawaiian Affairs

Committee on Human Services & Housing

Submitted by: Dale Nishikawa

CEO

Marcus and Associates, Inc.

No one in Hawaii would dispute the fact that housing prices in Hawaii are among the highest in the nation or that many residents of the State are unable to afford a home of their own.

I have been a part of the real estate industry here in Hawaii for 30 years. My company, Marcus and Associates, Inc. has been in business for 37 years helping people buy and sell their homes. During that time we have worked with many who wanted to buy a home but were unable to because they just couldn't afford it. The ones who could in many cases were forced to buy homes located far away from their jobs, forcing them to spend hours each day commuting to work, thereby exacerbating the already problematic amount of traffic on our roads. Furthermore, when development was considered for the urban core, financial and profit considerations led to the building of projects other than affordable housing. People in our industry will tell you that you can make a lot more money building self-storage or luxury condos, than you can developing affordable housing for first time buyers.

Yet, most would say that it would be a good thing if we had more affordable housing and if that housing was located in town where the jobs currently are. The benefits for this are numerous and self-evident. Private enterprise however has not been able to, on its own, to do the job.

Senate Bill 2294 and House Bill 2732 provide a mechanism to get these much needed affordable units built. Kakaako is the last area in the urban core where significant numbers of residential units can be built. By requiring that 50% or all units be affordable, this ensures that all the people of Hawaii, not just the wealthy and the investors from off-island, can live, work and play in town, near their jobs, and not spend hours each week stuck in their cars. By allowing developers to build vertically, the cost per unit can be significantly lowered thereby giving developers the financial incentive needed to undertake the risk of building projects with such affordable housing requirements while simultaneously allowing for more open space.

Like most business owners, I generally subscribe to the "less government the better" school of thought. However, sometimes government intervention is the best and only way. I believe that the affordable housing issue is one such situation where government legislation is necessary if we are to achieve what most of us would agree is a critical goal,

to provide more affordable housing for the people of the State of Hawaii. For that reason, I support Senate Bill 2294 and House Bill 2732.

**Testimony: Senate Bill 2294 and House Bill 2732
February 2008**

As a practicing REALTOR and business owner of Marcus & Associates for over 31 years, I have had the privilege of assisting many first time buyers into their largest investment of their lives and becoming homeowners.

However, over the years and cycles, the cost of land and housing in Hawaii has risen to unattainable levels by many residents due to the increase of wealthy foreign and out of state buyers purchasing luxury second homes.

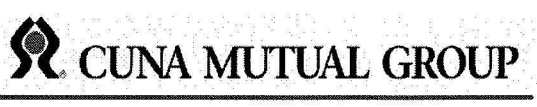
No one in Hawaii would dispute the fact that housing prices in Hawaii are among the highest in the nation or that many residents of the State are unable to afford a home of their own.

Senate Bill 2294 and House Bill 2732 provide a mechanism to get these much needed affordable units built. Kakaako is the last area in the urban core where significant numbers of residential units can be built. By requiring that 50% or all units be affordable, this ensures that all the people of Hawaii, not just the wealthy and the investors from off-island, can live, work and play in town, near their jobs, and not spend hours each week stuck in their cars. By allowing developers to build vertically, the cost per unit can be significantly lowered thereby giving developers the financial incentive needed to undertake the risk of building projects with such affordable housing requirements while simultaneously allowing for more open space.

Like most business owners, I generally subscribe to the "less government the better" school of thought. However, sometimes government intervention is the best and only way. I believe that the affordable housing issue is one such situation where government legislation is necessary if we are to achieve what most of us would agree is a critical goal, to provide more affordable housing for the people of the State of Hawaii. For that reason, I support Senate Bill 2294 and House Bill 2732.

Very truly yours,

Norman M. Noguchi
President and COO
Marcus & Associates, Inc.
1045 Mapunapuna Street
Honolulu, Hawaii 96819



To: Representative Ken Ito, Chair
Representative Jon Riki Karamatsu, Vice-Chair
Committee on Water, Land, Ocean Resources & Hawaiian Affairs

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

From: Daniel J. Larson
Director
MEMBERS Capital Advisors/CUNA Mutual Group
5910 Mineral Point Road
Madison, WI 53705
(Owner of 600 Kapiolani Boulevard, TMK # 210460020000)

Hearing Date: Thursday, February 14, 2008

In Opposition to HB 2731, Relating to Kakaako

On behalf of CUNA Mutual Group, owners of the property located within the Kakaako Redevelopment District at 600 Kapiolani Boulevard, Honolulu, Hawaii, I submit the following comments in opposition to the adoption of H.B. #2732.

While we recognize the need for affordable housing and support workable solutions to create additional affordable housing, we feel strongly that H.B. #2731 will do just the opposite. Increasing the reserved housing requirement for lots over one acre to 50% of the countable floor area will make many (if not all) new housing projects within the Kakaako economically infeasible. As a result, the amount of new affordable housing in the Kakaako will likely be greatly reduced. With Honolulu's high construction costs, profit margins are very thin and by more than doubling the reserved housing requirement, it will make it extremely difficult to build new housing projects in the Kakaako. If this requirement is put in place, projects will only make economic sense if prices of the other non reserve units are increased significantly. This may not be possible and if it is possible, the problem of affordable housing within the Kakaako will only be magnified.

This Bill also unfairly singles out the Kakaako Redevelopment District and would create a significantly higher reserved housing requirement than would be required for developments anywhere else within Honolulu and the State of Hawaii. The new requirements will put properties within the Kakaako at a competitive disadvantage to other properties that do not have the higher reserved housing requirement and could potentially stop many redevelopment efforts in the area. This is contrary to the State of Hawaii's long term goal of fostering redevelopment efforts in the Kakaako.

CUNA Mutual Group strongly urges the committee to defer action on HB 2731 and instead examine other options that are more equitable to land owners and more effective in providing affordable housing.

Thank you for providing us with the opportunity to share our concerns about this Bill.

- Facsimile
- Hand Delivery
- Mail
- Express Mail

Marshall Realty, Inc.
215 N. King Street, Suite 1000
Honolulu, Hawaii 96817 U.S.A.
(808) 526-2027 [Office] 526-2066 [Fax]

February 8, 2008

SUPPORT BILL PASSAGE

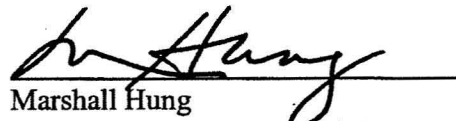
Representative Maile Shimabukuro, Chair
Committee on Human Services & Housing
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 406
Honolulu, Hawaii 96813

Dear Representative Shimabukuro:

Attached is my testimony for House Bill 2732 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 2732

A Mixed-Income Community Plan

Just imagine if there were 10,000 more housing units constructed over the next 10 years for the local people with a limitation of 10% for the wealthy second home market.

Just imagine if the large landowners were using 50% of their lands for affordable housing and not having "wall-street" short-term profit policies for their land use.

Just imagine if college graduates could find affordable housing in Kakaako for their \$50,000 to \$100,000 per annum salaries.

Just imagine if Kakaako could have 50% housing for the local people earning less than \$100,000 per annum (140% of median income) and 50% for the wealthy.

Just imagine if Hawaii's current leaders realized that the low percentage of generation X and Y college graduates living/working in Hawaii meant poor leadership from 2010 and thereafter as the baby boomers retire.

Just imagine if Hawaii could have an alternative, vertical neighborhood for the local residents that did not want to live in the suburb or rural environments.

Just imagine if there were a government plan to ensure that 90% of all new construction is for local resident occupancy until there is an equal amount of housing units to registered resident households (excluding the no income/asset homeless).

Just imagine if the State Government fulfilled the promise of Kakaako, to create the mixed income/mixed use community that formed the basis for the State's taking from the City.

How would 2020 then look?

Honolulu would be the only urban living environment for all Hawaii. It would have a commercial work force to balance tourism and the military industries.

The Big Island, Maui, Molokai, Lanai and Kauai could retain their pristine, green environment to better sustain their tourism industries.

The most educated of generation X and Y would have a choice of locating in Hawaii.

The homeless population would decrease because the older apartment housing units would become available at rents they could afford.

Seventy-five to one hundred percent subsidized government housing projects could be changed and leveraged to five times the quantity of new construction housing units with government subsidies reduced to an average of 25%.

The quality of Hawaii's affordable housing new developments could start to catch-up with the new housing quality in China, which Hawaii was ahead of 20 years ago.

Hawaii would retain its middle class society and Aloha Spirit.

Testimony in Support of House Bill 2732

Sustainability and Social Ills

This proposed legislation is about State Policy because, Kakaako represents the sustainability for Honolulu and Hawaii's future in my opinion. It is the only land area with the resident demand that can provide affordable housing and result in higher paying jobs in new research buildings for Hawaii. This is because it is the only land mass with the infrastructure to provide the urban lifestyle alternative. A lifestyle necessary to take Honolulu to the "24-Hour City" category. A modern city in the global economy.

Without new affordable housing in Kakaako, we have no relief for the older apartment buildings in Honolulu. The homeless population will continue to increase. College graduates will be lost to the mainland. Young adults will have to live with their elderly parents, Etc., etc., etc.

HCDA's Authority

From legislative history, it is our understanding that the legislature provided special authority, similar to all redevelopment authorities in the United States. This occurred because Kakaako became a depressed, rundown neighborhood between the 1940s to 1960s. Landowners agreed to put the Kakaako lands into a special authority under the State Government. The State Government has to date invested over \$500 million in Kakaako, so it can provide sustainability and lead the future of Honolulu and Hawaii.

Land Entitlements

The original Kakaako rules were carefully written so that landowners in the "new Kakaako" are only entitled to 1.5 density and a height limit of 45 feet. All extra density up to 3.5 density and a height limit of 400 feet were subject to providing affordable housing. In summary, landowners in Kakaako are governed by a Redevelopment Authority that has full discretion for the extra density. Please read the past legislative history for the creation of HCDA.

Needs of Honolulu and Hawaii

Honolulu does not need any more retail jobs or hotel jobs. It needs affordable housing and higher paying jobs for college graduates. The Governor announced that there will be a 30,000 housing unit shortfall. With the remaining, undeveloped lands in Kakaako, estimated at 100 acres, it would be possible to develop 15,000 affordable housing units or 50 more residential projects. For profits of approximately three times more per acre than affordable housing developments, many landowners have decided to build only luxury residential buildings or retail buildings. If left unchecked, Kakaako will be a place where 75% of Hawaii households (14% of median income and below) will only go to visit. To see how the wealthy live and shop.

A suggestion, if HCDA is going to allow retail development over the 1.5 density, it should require the appropriate housing for the retail workers. This would eliminate the burden on the State Government providing more subsidized, low income housing.

Work Force Housing

Many would like work force housing, or median income housing in Kakaako. This housing product can be built with land costs of \$100 per square foot and a monetary subsidy from the government of zero to twenty percent. In general, this type of housing is for household salaries that range from \$50,000 to \$100,000 per annum. This is the college graduate housing market for rental and purchase.

Summary of Present 20% Reserved Housing Program

The State Government built six or seven affordable housing buildings in the 1980s, approximately 1,500 apartments. The Nauru master plan called 404 Piikoi produced one building in 1994 or 280 apartments by a private developer with zero monetary subsidy from government.

The two largest private landowners, Kamehameha and Ward Properties have produced no affordable housing units.

The two projects under construction in Kakaako with inclusionary affordable housing do not make sense, because in five to ten years, those units will turn back to luxury residential housing.

In summary, contrary to HCDA's publication, the present 20% Reserved Housing Program that has been in effect over the last 30 years is not producing the affordable housing units needed by the community. The private landowners must help with this housing crisis. Legislation must be clear as to what must happen in Kakaako.

KENNETH T. MATSUURA
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Phone (808) 526-2027 Fax (808) 526-2066

February 8, 2008

SUPPORT BILL PASSAGE

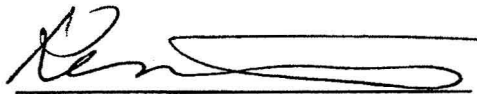
Representative Maile Shimabukuro, Chair
Committee on Human Services & Housing
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 406
Honolulu, Hawaii 96813

Dear Representative Shimabukuro:

Attached is my testimony for House Bill 2732.

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 'Ken Matsuura', written over a horizontal line.

Kenneth T. Matsuura
Resident of Hawaii from Birth

Attachment

Testimony for House Bill 2732

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 2732 amends the reserve housing requirements in Kakaako which is administered by the HCDA (Hawaii Community Development Authority). It increases the reserve housing requirement to 50% for land parcels of one acre or more. The past requirement of 20% for reserve housing and the current HCDA regulations have not been very effective in producing much affordable housing in Kakaako. In fact, there has been more luxury second home at prices exceeding \$500,000 developed in the recent years for the wealthy foreigners and out-of-state purchasers. In the 1960's, the State of Hawaii invested over \$500 million in the Kakaako land infrastructure to support a high-priced urban neighborhood. Since the private landowners have benefited from this investment by the State, they should more so be required to participate or contribute toward this affordable housing supply issue. Furthermore, since the Kakaako lands have the infrastructure already in place, affordable housing can be developed on them immediately and at a much faster pace as compared to other land areas that do not have the infrastructure in place which usually takes many years to install due to its high cost.

In conclusion, passage of House Bill 2732 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.

February 12, 2008

For: Committee on Water, Land, Ocean Resources & Hawaiian Affairs
Hearing: Thursday, February 14, 2008

Re: HB 2732, RELATING TO KAKAAKO

TESTIMONY IN SUPPORT OF THE BILL

Dear Chair Ito and Committee Members:

Take a look at the Waikiki-Honolulu skyline. In the past few years, there has been a proliferation of luxury condominium apartments that only the very rich can afford. Not many local citizens – born, raised and educated in Hawaii, can afford the high price tags of housing in the urban core. Local residents are forced to commute long distances from West and Leeward Oahu to work in the city.

HB 2732 would enact legislation to ensure low to middle income affordable housing in the Kakaako district. Kakaako is a viable location in that the State government has already spent millions in developing its infrastructure. Affordable housing in the urban core would allow local residents to work-play and enjoy conveniences in a sustainable location thus creating better lifestyles.

I strongly urge you to vote in support of this bill.

Sincerely,

Ray Miyashiro