

MONARCH PROPERTIES, Inc.

Testimony via facsimile: 586-6271

LMG Committee Hearing at 2:00 pm on 4/2/08; Conference Room 423

April 2, 2008

Representative Michael Y. Magaoay, Chair
Representative James Kunane Tokioka, Vice Chair
Committee On Legislative Management

RE: HCR 125 REQUESTING THE AUDITOR TO EXAMINE UPCOMING CONDOMINIUM LEASEHOLD EXPIRATIONS AND THEIR IMPACT ON THE AVAILABILITY OF REPLACEMENT AND AFFORDABLE HOUSING FOR HAWAII RESIDENTS

Dear Chairman Magaoay, Vice-Chairman Tokioka and Members of the Committee:

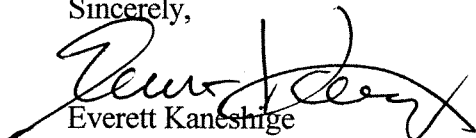
Monarch Properties, Inc., (MPI) supports HCR 125's objective of having the Auditor examine the issue of upcoming condominium lease expirations and its impact on the availability of replacement and affordable housing for Hawaii residents. **This letter is additional testimony previously submitted to your committee.**

MPI would like to suggest two amendments to the resolution:

- 1) Additional language to further clarify the scope of the study to include providing a range opportunities to address the expiring leasehold conversions; and
- 2) That the Auditor consult with key stakeholder groups in order to ensure broad and balanced input and participation in the report process.

Thank you for the opportunity to testify and provide input.

Sincerely,


Everett Kaneshige
Chief Operating Officer

TWENTY-FOURTH LEGISLATURE, 2008

STATE OF HAWAII

HOUSE CONCURRENT

RESOLUTION

requesting the auditor to examine upcoming condominium leasehold expirations and their impact on the availability of replacement and affordable housing for hawaii residents.

WHEREAS, the availability of affordable housing has reached a state of crisis in Hawaii, where the average statewide median price of a single-family and multi-family dwelling is over \$600,000 and \$300,000, respectively; and

WHEREAS, the Hawaii Housing Policy Study (2006) found that about 34 percent of Hawaii households pay 30 percent or more of their household income on housing costs, compared with the national average of 22 percent for housing costs; and

WHEREAS, over the years, leasehold condominium and co-operative units have remained relatively affordable for many Hawaii residents; and

WHEREAS, in 2007, the first long-term leasehold agreements for approximately 18,700 condominium and co-operative housing units statewide began to expire; and

WHEREAS, these 18,700 leasehold units are situated in approximately 540 condominium and co-operative projects throughout the state, impacting over 63,000 units that are owner-occupied, leased, or rentals; and

WHEREAS, within the next 30 years, the expiration of existing leases for over 8,000 leasehold condominium and co-operative units could result in reversion of these units back to the fee owner, leaving thousands of residents without a place to live – many of whom are elderly residents; and

WHEREAS, Act 307, Session Laws of Hawaii 1967, codified as Chapter 516, Hawaii Revised Statutes, and administered by the Hawaii Housing Finance and Development Corporation, allows lessees of long-term leasehold interests in single-family residential development tracts to purchase the fee interest of their residential lots where the State of Hawaii would condemn the fee interest, paying the fee owner fair compensation for the fee interest and selling the acquired fee interest to the leasehold homeowner; and

WHEREAS, after years of contentious litigation, leasehold conversion for single-family residences was upheld by the United State Supreme Court in 1984, when the Court held in *Hawaii Housing Authority v. Midkiff*, that Act 307 did not violate the United States Constitution; and

WHEREAS, shortly thereafter, in *Hawaii Housing Authority v. Lyman*, the Supreme Court of Hawaii also found that Act 307 did not violate the Hawaii State Constitution; and

WHEREAS, as a result, over the last 25 years, the number of leasehold single-family residences fell from a high of approximately 28,000 to 4,600, providing affordable housing opportunities for thousands of Hawaii residents; and

WHEREAS, in 1991, the Honolulu City Council adopted ordinance 91-95, which granted multi-family residential leaseholders the right to purchase the fee simple interest in their units in a condemnation procedure similar to that of Chapter 516, Hawaii Revised Statutes; however, in 2002, the City and County of Honolulu repealed Chapter 38, Revised Ordinances of Honolulu, which provided for leasehold conversion of condominium units; and

WHEREAS, the counties of Hawaii, Kauai, and Maui currently do not have leasehold conversion provisions for multi-family units, leaving no county or state mechanism to address the expiration of leasehold condominium and co-operative units; and

WHEREAS, over the next 30 years, about half of over 18,700 long-term leasehold condominium units could revert back to fee owners, leaving thousands of Hawaii residents in need of alternative housing; and

WHEREAS, the displacement of hundreds of lessees each year could dramatically impact the affordable housing crisis in Hawaii; and

WHEREAS, the State of Hawaii must anticipate the short- and long-term impact of leasehold conversion of condominium and co-operative units on the availability of affordable housing for Hawaii's residents; now therefore,

BE IT RESOLVED by the House of Representatives of the Twenty-fourth Legislature of the State of Hawaii, Regular Session of 2008, the Senate concurring, that the Auditor is requested to examine the issue of upcoming condominium lease expirations and its impact on the availability of replacement and affordable housing for Hawaii residents; and

BE IT FURTHER RESOLVED that the Auditor is requested to provide recommendations on how to mitigate the loss of affordable housing stock due to leasehold expirations, including examining the current status of residential leaseholds in condominiums and co-operatives and determining whether state legislation for fee conversion or lease extension is appropriate; and

BE IT FURTHER RESOLVED that the study provide a range of alternatives, options and solutions to address the upcoming leasehold expirations, including exploring ways to expand the state's affordable housing stock that may be associated with these expiring condominium leases; and

BE IT FURTHER RESOLVED that part of the study, the Auditor shall consult with stakeholders, experts and impacted entities and individuals such as lessors, lessees, large and small fee owners, condominium and co-op associations, affordable housing specialists, and real estate professionals to provide input and recommendations on addressing the condominium leasehold expirations; and

BE IT FURTHER RESOLVED that the Auditor is requested to report its findings and recommendations to the Legislature no later than 20 days prior to the convening of the Regular Session of 2009; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Auditor, the Director of the Hawaii Housing Finance and Development Corporation, and the Governor.

OFFERED BY: _____

Report Title:

Condominium Leasehold Expirations; Affordable Housing; Auditor

VERSION 2.0 Recommendations

RE: HCR 125 & HR 107 REQUESTING THE AUDITOR TO EXAMINE UPCOMING CONDOMINIUM LEASEHOLD EXPIRATIONS AND THEIR IMPACT ON THE AVAILABILITY OF REPLACEMENT AND AFFORDABLE HOUSING FOR HAWAII RESIDENTS

Dear Chairman Shimabukuro, Vice-Chairman Rhoads and Members of the Committee:

My name is Steven Fronk and I am former Vice President of the BOD at Camelot and a current owner.

I am testifying in support of HCR 125 and HR 107 which requests the auditor to examine the issue of upcoming condominium and co-operative housing project lease expirations and its potential impact on the availability of replacement and affordable housing.

The recent expiration and reversion of the residential leases at The Kailuan resulted in the families being evicted and forced to find alternative housing against their will. This is just the tip of the iceberg since over the next 30 years, over 8,000 leasehold condominium units could revert back to the fee owner, leaving thousands of individuals and their families without a place to live -- many of whom are elderly residents.

It is critical that the state legislature consider leasehold conversion and/or lease extensions as a means to address the expiration of condominium leases. A study by the Auditor represents an important first step to address both this important issue and possible solutions.

Thank you.

Steven Fronk



confidential
fax

To: Representative Michael Y. Magaoay, Chair
Fax Number: 5866271

From: Stuart Gross
Fax Number: 5362736
Business Phone:
Home Phone: 526-3888

Pages: 1
Date/Time: 4/2/2008 7:24:56 AM
Subject:

April 1, 2008

Representative Michael Y. Magaoay, Chair
Representative James Kunane Tokioka, Vice Chair
Committee On Legislative Management

RE: HCR 125 REQUESTING THE AUDITOR TO EXAMINE UPCOMING CONDOMINIUM
LEASEHOLD EXPIRATIONS AND THEIR IMPACT ON THE AVAILABILITY OF REPLACEMENT
AND AFFORDABLE HOUSING FOR HAWAII RESIDENTS

Dear Chairman Magaoay, Vice-Chairman Tokioka and Members of the Committee:

My name is Stuart Gross and I am resident of the Admiral Thomas Condominium.

I am testifying in support of HCR 125 which requests the auditor to examine the issue of upcoming
condominium and co-operative housing project lease expirations and its potential impact on the
availability of replacement and affordable housing.

The recent expiration and reversion of the residential leases at The Kailuan resulted in the families