

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

**SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND
AFFORDABLE HOUSING
SENATE COMMITTEE ON INTERGOVERNMENTAL AND MILITARY AFFAIRS**

February 6, 2008, 9:00 a.m.
Room 229, State Capitol

In consideration of
S.B. 2293
RELATING TO AFFORDABLE HOUSING.

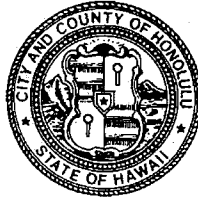
The HHFDC opposes S.B. 2293. The HHFDC opposes an exemption to its Shared Appreciation Equity and buyback for specific, defined housing projects. To the extent that State resources are utilized in the development of a project, we believe that it is appropriate for the State to preserve long-term affordability and share in the appreciation of the value of the unit.

We 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.

Thank you for the opportunity to testify.

DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

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MUFI HANNEMANN
MAYOR

DEBORAH KIM MORIKAWA
DIRECTOR

ERNEST Y. MARTIN
DEPUTY DIRECTOR

February 4, 2008

The Honorable Russell Kokubun, Chair
and Members of the Senate Committee on
Consumer Protection and Affordable Housing
The Honorable Lorraine Inouye, Chair
and Members of the Senate Committee on
Intergovernmental and Military Affairs
Hawaii State Capitol, Room 407
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chairs Kokubun and Inouye and Members:


Subject: SB No. 2293 Relating to Affordable Housing
Hearing: February 6, 2008, 9:00 am

The Department of Community Services strongly opposes provisions of S.B. No. 2293 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.

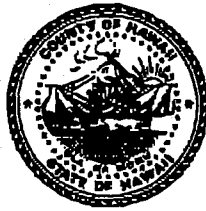
Thank you for the opportunity to provide this testimony.

Sincerely,


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, Hawai'i 96720-2456
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February 5, 2008

The Honorable Russell Kokubun, Chair
and Members of the Senate Committee on
Consumer Protection and Affordable Housing

The Honorable Lorraine Inouye, Chair
and Members of the Senate Committee on
Intergovernmental and Military Affairs

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

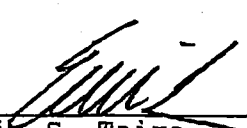
SUBJECT: Senate Bill 2293 Relating to Affordable Housing
Hearing: February 6, 2008; 9:00 a.m.

The Office of Housing and Community Development (OHCD) opposes SB2293 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 islandwide. 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





CENTRAL PACIFIC BANK

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

February 4, 2008

Senator Russell S. Kokubun
Chairman
Committee on Commerce, Consumer Protection & Affordable Housing

Senator Lorraine R. Inouye
Chairman
Committee on Intergovernmental and Military Affairs

Sent via email: testimony@capitol.hawaii.gov

Re: SB 2293 Relating to Affordable Housing **(In Support)**

Dear Chairs Kokubun and Inouye:

I am Blenn Fujimoto, Vice Chairman of Central Pacific Bank, testifying in support of SB 2293 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' followed by a stylized surname.

Blenn A. Fujimoto
Vice Chairman
Email: blenn.fujimoto@centralpacificbank.com

IN SUPPORT OF SENATE BILL 2293

From:
James E. Hallstrom, Jr. MAI, CRE
Esther H.C. Price, MAI
The Hallstrom Group, Inc.
Real Estate Consultants and Appraisers

To: Committee on Intergovernmental and Military Affairs
Date and Time of Hearing: Wednesday, February 6, 2008, 9:00 a.m.

Senator Lorraine R. Inouye, Chair
Senator Shan S. Tsutsui, Vice Chair

Re: Senate Bill 2293 – Relating to Chapter 201H, Hawaii Revised Statutes

Government does not have the financial wherewithal to solve the affordable housing crisis. As our land resources are absorbed and construction costs climb it becomes incumbent on the government to work hand-in-hand with the private sector to solve the affordable housing crisis.

Housing costs continue to escalate; many of our children are forced to seek opportunities on the mainland or abroad where the cost of living is more manageable. We cannot continue to turn blindly away from our future generations. We must find and support mechanisms to provide housing that our younger generations can afford.

The changes proposed for the 201H State Affordable Housing Law are necessary to incentivize private landowners, for profit developers and equity dollars from the private sector. Exemptions from the corporation's shared appreciation equity program, removal of the ten-year occupancy requirements and transfer restrictions, and not requiring developments of 50 units or more per acre to be mixed with market-priced housing are positive changes that will help to motivate private developers to enter the affordable housing market.

Please support Senate Bill 2293.

February 5, 2008

LATE TESTIMONY

For: Committee on Commerce, Consumer Protection & Affordable Housing
Hearing: Wed, February 6, 2008, 9:00am, Conference Room 229

Re: SB 2293, RELATING TO AFFORDABLE HOUSING
SB 2294, RELATING TO KAKAAKO

TESTIMONY IN SUPPORT OF THE BILL

Dear Senators:

These two bills are vital to the future of Hawaii.

First, it allows for vertical urban housing in an area with adequate infrastructure for new development. The State government created Kakaako for a mixed used community in the 1960s and invested over \$500 million in the land infrastructure. The time is now to move forward to the next stage to assure a viable area where local residents have easy access to urban amenities.

Second, it will require that 50% of each new development to provide affordable housing to households with incomes of less than 140% of median income. The time has come for the State legislature to take a firm stance to provide and assure local residents to have access to needed housing, regardless if rented or purchased. Affordable housing is an integral component of sustainability for future generations.

I strongly urge you to vote in support of these two bills.

Sincerely,

Ray Miyashiro

Sonya Miyashiro

Direct Line: 808.566.7222

Fax Line: 808.566.7122

Email: sonya@regaltravel.com

www.regaltravel.com

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February 5, 2008

Senator Russell S. Kokubun
Chairman
Committee on Commerce, Consumer Protection & Affordable Housing

Senator Lorraine R. Inouye
Chairman
Committee on Intergovernmental and Military Affairs

Sent via email: testimony@capitol.hawaii.gov

Re: SB 2293 Relating to Affordable Housing **(In Support)**

Dear Chairs Kokubun and Inouye:

My name is Wendy Pang, I am a Senior Vice President at Central Pacific HomeLoans and I am testifying in support of SB 2293. Central Pacific HomeLoans is one of the largest residential mortgage lenders in the State of Hawaii.

As an active lender in the real estate market, we have witnessed strong demand for affordable housing without restrictions such as shared appreciation and long buyback periods. This bill will encourage private developers to provide more 201H developments and create affordable housing solutions for Hawaii's workforce.

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

Sincerely,

Wendy Pang
Senior Vice President
Email: wpang@cp-homeloans.com



SB 2293 Relating to Affordable Housing

Committee on Commerce, Consumer Protection, and Affordable
Housing

Committee on intergovernmental and Military affairs

February 6, 2008
229

9:00 am

Room

The Office of Hawaiian Affairs **opposes** the purpose and intent of SB 2293.

The Hawaii Housing Policy Study Update, 2006 confirmed while most Hawaiians looking to move would prefer to buy their next home, most may face significant challenges because of their relatively low income per household member. However, Hawaiian households would be willing to accept a multi-family dwelling if a single family dwelling was not available in their price range. Until then Hawaiians are more likely to be renters.

The developments designated as affordable housing and have received considerations from the State to do affordable multi-family housing condominium need to be subject to shared appreciation equity program and to the ten-year occupancy requirements and transfer restrictions in section 201H-47 and 201H-49 until the State of Hawaii can document that the percentage of homeowners meets the national average.

We recognize that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability, and environmental health be sustained without a coherent and supportive physical framework.

Mahalo nui loa for the opportunity to provide this testimony.



CENTRAL PACIFIC BANK

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February 4, 2008

The Honorable Russell S. Kokubun
Chairman-Committee on Commerce, Consumer Protection & Affordable Housing
The Honorable Lorraine R. Inouye
Chairman-Committee on Intergovernmental and Military Affairs
State Senate
415 South Beretania Street
Honolulu, HI 96813

Sent via email: testimony@capitol.hawaii.gov

Re: SB 2293 Relating to Affordable Housing **(In Support)**

Dear Chairs Kokubun & Inouye:

My name is Clint Arnoldus, CEO & President of Central Pacific Bank, testifying in support of SB 2293. 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,

A handwritten signature in black ink that reads "Clint Arnoldus".

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

SUPPORT BILL PASSAGE

Testimony for Senate Bill 2293

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.