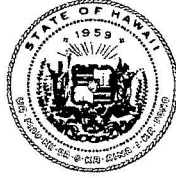


Linda Lingle
GOVERNOR



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 FINANCE

March 28, 2008, 2:00 p.m.
Room 308, State Capitol

In consideration of
S.B. 2293, S.D. 1
RELATING TO AFFORDABLE HOUSING.

The HHFDC supports S.B. 2293, S.D. 1, which provides a limited exemption to the shared appreciation provision as well as a shorter buyback period for high density developments on private lands that do not utilize government financing or subsidies. It is our hope that this measure will encourage the production of more affordable housing by the private sector on private land.

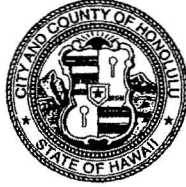
To the extent that State resources are utilized in the development of a project, we believe that it is appropriate for the State to preserve long-term affordability and share in the appreciation of the value of the unit when exercising its 201H expedited approval authority. However, under the limited circumstances provided in the S.D. 1, we believe that such resale restrictions may not be necessary.

Thank you for the opportunity to testify.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8000 • FAX: (808) 527-6743
INTERNET: www.honolulu.gov • DEPT. WEB SITE: www.honolulu.dpp.org

MUFI HANNEMANN
MAYOR



HENRY ENG. FAICP
DIRECTOR

DAVID K. TANOUÉ
DEPUTY DIRECTOR

March 28, 2008

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
The House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chairs Oshiro and Members:

**Subject: Senate Bill 2293 SD1
Relating to Affordable Housing**

The Department of Planning and Permitting **opposes** Senate Bill 2293 SD1, which addresses requirements for multi-family projects with the equivalent density of at least 75 units per acre.

This bill is identical to House Bill 2662 HD2 SD1, with the exception of the effective date; this measure would take effect upon approval, and the House version would take effect in 2050.

Our opposition is based on lack of clarity and confusion reflected in this bill. Specifically:

1. The new subsection is titled "new rental or for-sale developments", but there is no provision that we can determine that addresses rental projects. In fact, the provision appears to only apply to multi-family condominium projects.
2. The provision appears to apply to all apartment condominium projects meeting the density requirement, regardless of whether they involve market or affordably-priced units, or both. We fail to understand why a luxury apartment complex should be required to have a 3-year occupancy requirement and transfer restrictions.
3. The bill declares that the affected projects would be exempt from the Hawaii Housing Finance and Development Corporation's (HHFDC) shared appreciation equity program. We do not understand how the projects would fall under this requirement in the first place, if it involved no federal or state financing or other forms of government participation.
4. It is unclear how the three-year occupancy requirement and transfer restrictions will be imposed and enforced. Without state of county project review as an affordable housing project, the only "checkpoint" to assure that these requirements are imposed is at the county building permit process. If this is the intent, not only will this add additional time and workload on our staff, but we will refer all affected projects to the HHFDC for compliance. This will significantly delay permit processing, something we are trying hard to improve, rather than extend. Our other option would be to assume that these requirements will somehow be imposed by HHFDC on its own.

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
The House of Representatives
Re: Senate Bill 2293 SD1
March 28, 2008
Page 2

5. We have heard that this bill is intended to encourage more affordable housing in Kakaako. However, this bill does not mention Kakaako, or affordable housing.
6. It appears that this law would supersede any conflicting county affordable housing provision. Currently, we require certain affordable housing projects to have a 10-year buy-back requirement. As a home-rule issue, we believe the counties should be able to fashion their own affordable housing program requirements.

To sum, we do not feel we can agree with the House Joint Committee No. 1233-08 that states that the intent of this bill is to encourage the development of more affordable housing. It appears to do the opposite, in that it does not address affordable housing and it discourages higher-density housing in general, by adding new requirements.

We do agree that we need to make more efficient use of our land by encouraging more intense use of lands in urban areas. We do agree that we need more affordable housing. However, this bill does neither. Please file this bill.

Thank you for the opportunity to testify.

Sincerely yours,

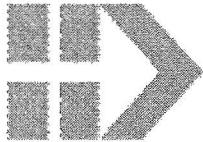


Henry Eng, FAICP, Director
Department of Planning and Permitting

HE: jmf
sb2293sd1-kh1.doc

FINTestimony

From: Kirt Pruyn [kpruyn@hdcc.com]
Sent: Thursday, March 27, 2008 3:53 PM
To: FINTestimony
Cc: Kirt Pruyn; Marshall Hung; Ken Matsuura
Subject: Testimony in support of SB 2293, SD 1...March 28 hearing...Agenda #1



**HAWAIIAN DREDGING
CONSTRUCTION COMPANY**

P.O. Box 4088
Honolulu, HI 96812-4088
Phone: (808) 735-3211
Fax: (808) 735-7416

Ma

26, 2008

Committee on Finance
Conference Room 308
2:00 PM

SUBJECT: SUPPORT OF SB 2293, SD 1 RELATING TO AFFORDABLE HOUSING

Dear Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Kirt Pruyn, and I am the Manager of Business Development & Community Relations for Hawaiian Dredging Construction Company. Founded in 1902, Hawaiian Dredging is Hawaii's largest and oldest full-service general contractor, currently employing over 1,100 employees.

Hawaiian Dredging Construction Company **SUPPORTS** the passage of SB 2293, SD1 Relating To Affordable Housing.

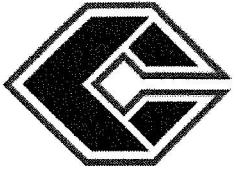
By amending Chapter 201H of the HRS, this Bill would greatly increase the supply of sorely needed affordable housing in Hawaii. You know the housing situation which is already desperate for many families.

Simply stated, SB 2293 would provide the reasonable and essential incentives to bring private developers, private land, and private financing together to create affordable housing.

The specified exemptions from the State's shared appreciation equity program and the reduced year occupancy and transfer restrictions seem to be reasonable, minor concessions given the enormous benefit of additional housing supply provided by the private sector. The Cost/Benefit test seems straightforward—great benefit with little or no cost.

Hawaiian Dredging urges you to pass this bill.

Mahalo. I can be reached at 808-735-7411.



CENTRAL PACIFIC HOMELOANS

Hawaii's Mortgage Experts

March 27, 2008

Representative Marcus R. Oshiro
Chair - Committee on Finance
State House of Representatives

Sent via email: FINtestimony@capitol.hawaii.gov

Re: SB 2293, SD 1 Relating to Affordable Housing **(In Support)**

Dear Chair Oshiro:

I am Tom Zimmerman, President of Central Pacific HomeLoans, Inc., testifying in support of SB 2293 both as a mortgage banker and as a concerned citizen.

This bill will encourage development of workforce housing by exempting new multi-family housing condominium developments of 75 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.

Central Pacific Home Loans is one of the largest individual residential mortgage lenders in Hawaii. 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 off this bill and for the opportunity to submit testimony.

Sincerely,

Tom Zimmerman
President
Email: tzimmerman@cp-homeloans.com

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

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

March 26, 2008

SUPPORT BILL PASSAGE

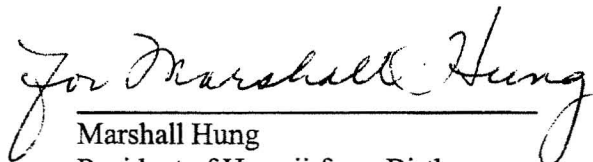
Representative Marcus Oshiro, Chair
Finance Committee
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 306
Honolulu, Hawaii 96813

Dear Representative Oshiro:

Attached is my testimony for Senate Bill 2293 for of your public hearing on March 28, 2008. My hope is that it will bring more clarity.

Mahalo for the residents of Hawaii.

Respectfully yours,



Marshall Hung
Resident of Hawaii from Birth,
Real Estate Developer Practitioner

cy
7

Attachment

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 75 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 75-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 Public Financing at the discretion of the appropriate Federal, State or County Government agency?

This will provide flexibility and latitude to private developers or landowners to seek public financing assistance like, tax credits, and tax exempt bonds if their projects need or warrant them depending on the targeted group for their respective projects and the existing economic and market conditions at that time. (Please note that this Bill gives HHFDC the discretion to approve any public financing assistance.)

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
Honolulu, Hawaii 96817
Phone (808) 526-2027 Fax (808) 526-2066

March 26, 2008

SUPPORT BILL PASSAGE

Representative Marcus Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 306
Honolulu, Hawaii 96813

Dear Representative Oshiro:

Attached is my testimony for Senate Bill 2293 to be heard by your Committee on March 28, 2008.

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

Best Regards and Aloha,



Kenneth T. Matsuura
Resident of Hawaii from Birth

Attachment

Testimony for Senate Bill 2293

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% to 140% of median income. The private landowners and developers need to participate or contribute to increasing the supply of affordable housing.

Senate Bill 2293 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) assisting developers by providing public financing at the discretion of the appropriate Federal, State or County Government agency. (Please note that this Bill gives HHFDC the discretion to approve the public financing option.)

In conclusion, passage of Senate Bill 2293, as amended, 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.