



KAMEHAMEHA SCHOOLS

TESTIMONY TO THE SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND AFFORDABLE HOUSING

By

Mike Dang

Director, Planning and Development Division
Kamehameha Schools

Hearing Date: Wednesday, February 6, 2008
9:00 a.m., Conference Room 229

Tuesday, February 05, 2008

TO: Senator Russell S. Kokubun, Chair
Senator David Y. Ige, Vice Chair
Members of the Committee

RE: Senate Bill No. 2294 Relating to Kaka`ako

Kamehameha Schools submits the following comments regarding S.B. No. 2294 (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 **objects** to this Bill because: (1) it is inconsistent with the represented and invested vision and plans HCDA has represented; (2) it disparately impacts Kaka`ako as opposed to other neighborhoods; (3) it will most likely significantly slow, if not stop, beneficial revitalizing development in Kaka`ako; and (4) it will increase the burdens on Kaka`ako landowners who already contribute significantly to public facilities in the area.

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

The Hawai`i Community Development Authority ("**HCDA**") has in place a Mauka plan and is in the process of revising its Makai plan. These plans reflect the HCDA's goals to revitalize the area to include mixed-use communities and a well rounded scope of "work, live, visit, learn and play" activities. 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. 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.



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Senator David Y. Ige, Vice Chair

Members of the Committee

Page 2 of 3

(2) 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. The disparate treatment of this Bill imposes an extraordinarily high reserved housing percentage on a broad and unrelated range of development projects. This requirement would seem to drive development from Kaka`ako to other areas.

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

While the intent of this Bill is laudable, it imposes another requirement on development, with the most likely result being to render many development projects infeasible. The current requirements do make development 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. The effect of this Bill, together with the current economic environment, may well slow, if not stop, development and redevelopment in Kaka`ako, which would hurt residents and communities in the area. Unfortunately, without development activity, there may well be less, not more, affordable housing in the area, even with a higher reserved housing percentage requirement.

(4) 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 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.



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Senator Russell S. Kokubun, Chair
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Members of the Committee
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KS' infrastructure contributions were based on a "fair share" allocation formula developed by the HCDA. Other property owners have contributed millions towards such improvements as well.

Our Kawaihāo 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.

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

**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, my partners and 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

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

Testimony in Support of Senate Bill 2294 (Relating to Kakaako)

Hearing Date: February 6, 2008

9:00 am

Commerce, Consumer Protection, and Affordable Housing Committee

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.



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

Sent via email: testimony@capitol.hawaii.gov

Re: SB 2294 Relating to Kakaako **(In Support)**

Dear Chair Kokubun:

I am Blenn Fujimoto, Vice Chairman of Central Pacific Bank, testifying in support of SB 2294.

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,

Blenn A. Fujimoto
Vice Chairman

Email: blenn.fujimoto@centralpacificbank.com

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

The Honorable Russell S. Kokubun
State Senator
Chairman-Committee on Commerce, Consumer Protection & Affordable Housing
415 South Beretania Street
Honolulu, HI 96813

Sent via email: testimony@capitol.hawaii.gov

Re: SB 2294 Relating to Kakaako **(In Support)**

Dear Chair Kokubun:

My name is Wendy Pang, Senior Vice President at Central Pacific HomeLoans, testifying in support of SB 2294.

This bill will increase the new construction supply of affordable housing in Kakaako- Mauka. The Kakaako district has the infrastructure in place to create new housing opportunities for Hawaii's workforce as well as for our college graduates and generations X and Y. By providing professionals an affordable place to live located near urban and downtown employment areas, Hawaii's brain drain can be reversed.

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

Aloha,

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



CENTRAL PACIFIC BANK

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

February 4, 2008

The Honorable Russell S. Kokubun
State Senator
Chairman-Committee on Commerce, Consumer Protection & Affordable Housing
415 South Beretania Street
Honolulu, HI 96813

Sent via email: testimony@capitol.hawaii.gov

Re: SB 2294 Relating to Kakaako (In Support)

Dear Chair Kokubun:

My name is Clint Arnoldus, CEO & President of Central Pacific Bank, testifying in support of SB 2294. 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,

A handwritten signature in cursive script that reads "Clint Arnoldus".

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

- 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]

January 24, 2008

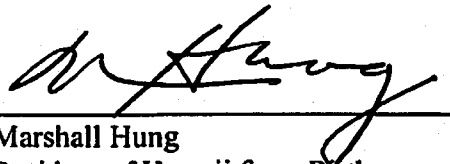
Senator Russell Kokubun
Hawaii State Capitol
415 South Beretania Street, Room 407
Honolulu, Hawaii 96813

Dear Senator Kokubun:

Attached are my testimonies for House Bills 2293 and 2294 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

Attachments

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.

KENNETH T. MATSUURA
215 N. King Street, Suite 1000
Honolulu, Hawaii 96817
Phone (808) 526-2027 Fax (808) 526-2066

February 4, 2008

SUPPORT BILL PASSAGE

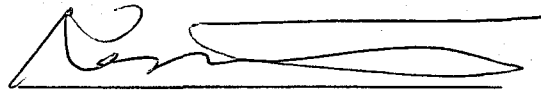
Senator Russell Kokubun, Chair
Committee on Commerce, Consumer Protection
and Affordable Housing
Hawaii State Capitol
415 South Beretania Street, Room 407
Honolulu, Hawaii 96813

Dear Senator Kokubun:

Attached is my testimony for Senate Bills 2293 and 2294.

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 Bills 2293 and 2294

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.

Senate Bills 2293 and 2294 will help encourage, incentivize, and require those private landowners, and developers to participate and contribute in the following manner:

- (1) Senate Bill 2293 amends the 201H Affordable Housing legislation by; 1) eliminating the equity share provisions; 2) reducing the owner-occupant purchasers restriction to 3 years, and 3) provide flexibility to developers to meet the affordable housing requirements of their properties elsewhere in the same County.
- (2) Senate Bill 2294 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 has 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 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 at a much faster pace as compared to other land areas that do not have the infrastructure in place which usually take many years to install due to its high cost.

In conclusion, passage of these Bills 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.

SUPPORT BILL PASSAGE

*February 2008
Marshall Realty, Inc.*

Testimony for Senate Bill 2294

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.

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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.

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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.

IN SUPPORT OF SENATE BILL 2294

LATE TESTIMONY

From:

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

To: Committee on Commerce, Consumer Protection, and Affordable Housing
Date and Time of Hearing: Wednesday, February 6, 2008, 9:00 a.m.

Senator Russell S. Kokubun, Chair
Senator David Y. Ige, Vice Chair

Re: Senate Bill 2294 – Relating to Kakaako Reserved Housing

The location of Kakaako, in close proximity to Ala Moana, Ward Center and Honolulu's financial district, makes it an ideal choice for integrated commercial and residential development. Given its existing infrastructure, it is the logical choice for vertical construction designed to meet the needs of Oahu's affordable housing market within the urban core.

This type of housing is required to stem the tide of our younger generations leaving Hawaii in pursuit of mainland communities where the cost of living is more manageable. Government needs to work with the private sector to create affordable housing for local residents and Kakaako offers that hope.

Senate Bill 2294 is a chance for the State to commit to creating low and moderate income housing within the urban core. It will give Hawaii's best and brightest a chance to remain and contribute their talents to our home which in turn will be a win for all.

Please support Senate Bill 2294.



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAOKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
Executive Director

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STATEMENT OF

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

BEFORE THE

SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION &
AFFORDABLE HOUSING

Wednesday, February 6, 2008

9:00 A.M.

State Capitol, Conference Room 229

S. B. 2294 - 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. 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. I believe that developers 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, I do not believe that the floor plates for a commercial development and a housing project are easily compatible and the development cost would be significantly increased.

Summary. Based on the foregoing reasons, the HCDA respectfully recommends that this measure does not receive any further consideration.