



KAMEHAMEHA SCHOOLS

WRITTEN TESTIMONY TO THE SENATE COMMITTEE ON WAYS AND MEANS

By

Kirk Belsby

Vice President, Endowment

Kamehameha Schools

Hearing Date: Friday, February 22, 2008

11:00 a.m., Conference Room 211

Thursday, February 21, 2008

TO: Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, Vice Chair
Members of the Committee

RE: **Senate Bill No. 2294, S.D. 1, Relating to Kaka`ako**

Thank you for the opportunity to comment on S.B. No. 2294, S.D. 1 (this "**Bill**").

Kamehameha Schools respectfully **opposes** this Bill. While Kamehameha Schools broadly supports having more affordable housing throughout Hawai`i, it does not believe this Bill would further that objective. In fact, this Bill would very likely slow or stop all beneficial development in Kaka`ako, including the construction of affordable housing units that might have otherwise been built under existing rules and authorities. Our more specific comments to this Bill follow.

(1) 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 economically infeasible. The Bill could also require a commercial business owner to have to buy significant additional land 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 on a broader range of development activities.



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(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. It imposes a 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.

(3) 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).

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.

(4) This Bill is inconsistent with HCDA’s vision, plans and processes.

The Hawai`i Community Development Authority (“*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.



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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.

(5) Arguments that landowners in Kaka`ako have unduly benefited from State construction of infrastructure are untrue.

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. Much of this district infrastructure has been used for developments outside of Kaka`ako, and the actual availability of this infrastructure for development in Kaka`ako is limited, requiring Kaka`ako developers to pay even more to further improve infrastructure. The State and City need to carefully study infrastructure capacity, in addition to the availability of necessary federal and state tax credits for the development of affordable housing, before proceeding with this Bill.

Further, Kamehameha Schools has made significant land contributions for public facilities, including the lands under the Pohukaina Elderly Project (senior housing), Kaka`ako Makai Gateway 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.

(6) This Bill may be unconstitutional and legally defective.

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 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.



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Members of the Committee

For the reasons stated above, Kamehameha Schools opposes this Bill. If this Committee is inclined to advance this Bill, notwithstanding our opposition, we would strongly urge this Committee to make the following revisions to this Bill:

- (A) **Limit the reserved housing requirement to residential developments.** The application of the requirement to nonresidential developments imposes an unfair burden. For example, a commercial developer would be required to build, at significant cost, unrelated residential units either on the planned commercial site or on a new site the developer would have to separately purchase. This requirement imposes significant exactions on landowners, which, under basic economics, will have to be passed on to small lessees and businesses in the district, who will end up paying higher occupancy costs or have to move to other districts.
- (B) **Allow reserved housing to be freely built outside Kaka`ako.** The affordable housing problem is statewide. If developers are allowed to build the required square footage of reserved housing outside Kaka`ako, they would have the incentive and ability to both pursue their Kaka`ako revitalization developments and build affordable housing units where they are needed most and can be built most efficiently and economically. While affordable units would still be built in Kaka`ako, this revision would acknowledge that there are other vital communities in our State that have a need for affordable housing.
- (C) **Delete the concurrency requirement.** The proposed concurrency provision requires the reserved housing to be built prior to or concurrently with the planned project. This would be an extraordinary burden on commercial developers and other developers who are constructing the reserved housing on a separate property. The concurrency requirement also creates an untenable situation whereby the developer of a commercial project or a market based housing project can be delayed if they contract with another entity to construct the affordable housing and the contracted party is delayed due to permitting, financing constraints, availability of tax credits, lack of infrastructure capacity or loss of equity financing.
- (D) **Delete the future increase of the reserved housing requirement.** While the proposed increase to 25% would itself likely slow, if not stop, most development, a further future increase (in 2017) to 35% is completely untenable. It would significantly impair future revitalization efforts, including efforts to build more affordable units. This is an important point for long-term landowners whose plans will extend well past that period.



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- (E) **Level the median income requirements for reserved housing sales and rentals.** This Bill and the existing HCDA rules allow sales to families with an income of 140% of the median income, but limits rentals to families with an income of 100% of the median income. There is no rationale for this distinction. Developers should not be discouraged from building rental units.

- (F) **Consider development incentives, rather than penalties.** This Committee should consider adding to this Bill meaningful development incentives (such as density bonuses) to help landowners build affordable projects without the imposition of additional exactions. Development incentives rather than development penalties would seem a much better way to assure that high-quality affordable projects will be timely built in the current real estate market.

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

FAX

Chauncey T. K. Ching

3625 Yuma Street NW | Washington DC 20008 | Phone 202.262.6619 | Fax 508.632.0245 | email cc@cching.com

February 20, 2008

COMMITTEE ON Ways and Means

Senator Rosalyn H. Baker, Chair

Senator Shan S. Tsutsui, Vice Chair

February 22, 2008, Committee Hearing

Conference Room 211

11:00AM

Senate Bill 2294 S.D.1

Relating to Kaka'ako

Dear Madam Chair and Committee Members:

I write to express my strong objection to the passage of Senate Bill 2294 S.D.1.

My name is Chauncey Ching and my family has been an owner of property in the 800 block of Queen Street for many years. This has been a most desirable investment since we enjoy the dual benefits of earning a reasonable return while supporting the foundation of our economy, small businesses. We have leased our property to several small businesses over the years, some of whom have outgrown our limited space and moved on to larger facilities. Other small businesses have had the usual challenges of startup and have failed. This is, unfortunately, the nature of small business development and we are proud to be part of the process.

As you know, central Kaka'ako is made up of small properties, from 30,000sq.ft. to 2,700 square feet. On these properties are small businesses, commercial, light industrial, service, and wholesale businesses. To revitalize Central Kaka'ako is a very daunting task. We have been working with Hawaii Community Develop Authority and the Transit Oriented Community Based Development project to devise solutions that serves the community at large.

SB2294 will greatly diminish incentives to devise community solutions. The large high-end developments have had a hard time with HCDA's 20% reserved housing requirement. Currently, the small businesses and small landowners have a hard time redeveloping their properties without the reserved housing requirement. With SB2294, it will be

impossible. Pursuing this argument, central Kaka'ako will deteriorate further and eventually the small businesses will close. So instead of some reserved housing, there will be no reserved housing and a negatively impacted economy.

The need for affordable housing for the people in the State of Hawaii is unquestionable. But terminating a source of income for residents is counterproductive.

Creative ideas for creating affordable housing and for supporting small businesses should be encouraged. SB2294 is not supportive of either affordable housing or small businesses. Forcing such an action, no matter how well intentioned, is not likely to result in the desired outcome.

Thank you for your consideration of my views. I urge you to oppose SB2294.

Sincerely,

A handwritten signature in black ink, appearing to be 'C. Ching', with some decorative flourishes and a small cluster of dots to the right.

Chauncey T.K. Ching

COMMITTEE ON Ways and Means

Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, Vice Chair

**February 22, 2008, Committee Hearing
Conference Room 211
11:00AM**

**Senate Bill 2294 S.D.1
Relating to Kaka'ako**

Chair Baker and Committee Members:

I am against the passage of Senate Bill 2294 S.D.1.

I am Dexter Okada. I am the president of U. Okada & Co., Ltd., a third generation small family business and property owner that has been located on Queen Street in Kaka'ako for over fifty years. I also represent the Kaka'ako Business and Landowners Association, a group of small businesses and small landowners.

Central Kaka'ako is made up of small properties, from 30,000sq.ft. to as small as 2,700sq.ft. On these properties are small businesses, commercial, light industrial, service, and wholesale businesses. To revitalize Central Kaka'ako is a very daunting task. We have been working with Hawaii Community Develop Authority and the Transit Oriented Community Based Development project to come up with some creative and win-win solutions.

SB2294 will kill the incentives to come up with these solutions. The large high-end developments have had a hard time with HCDA's 20% reserved housing requirement. Currently, the small businesses and small landowners have a hard time redeveloping their properties without the reserved housing requirement. With SB2294, it will be impossible. Central Kaka'ako will deteriorate further and eventually the small businesses will have to close up shop. So instead of some reserved housing, there will be no reserved housing and a negatively impacted economy.

The need for affordable housing for the people in the State of Hawaii is unquestionable. But to kill off the source of income to these people is self-defeating.

Creative ideas for creating affordable housing and for supporting small businesses should be encouraged. SB2294 is a disincentive. Forcing an action, no matter how well intentioned, may not result in the desired outcome.

Thank you,

Dexter Okada

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

February 21, 2008

SUPPORT BILL PASSAGE

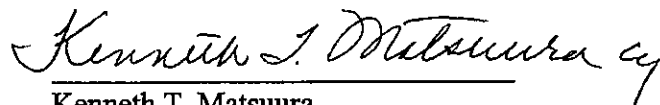
Senator Rosalyn Baker
Chair, Ways and Means Committee
Hawaii State Capitol
415 South Beretania Street, Room 210
Honolulu, Hawaii 96813

Dear Senator Baker:

Attached is my testimony for Senate Bill 2294.

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

Best Regards and Aloha,



Kenneth T. Matsuura
Kenneth T. Matsuura
Resident of Hawaii from Birth

Attachment

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

Senate Bill 2294 amends the reserve housing requirements in Kakaako which is administered by the HCDA (Hawaii Community Development Authority). Legislative amendments need to be added to mandate that HCDA fulfill the affordable housing promises of 25 years ago. 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 this Bill 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.

TO: SENATE SARGENT - AT - ARMS

Committee on Ways and Means

Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, Vice chair

February 22, 2008, committee Hearing
Conference room 211
11:00 AM

Senate Bill 2294 S.D.1
Relating to Kaka'ako

Chair Baker and Committee Members:

I am against the passage of Senate Bill 2294 S.D.1.
I am Linda Kano, president of Interior Showplace, Ltd., a small business which has been
Located on Queen Street for seven years.

This part of Kaka'ako is made up of small properties. These properties have are small
businesses, commercial, light industrial, service, and wholesale. We are trying to work
with HCDA the transit community development project to come up with some win-win
solutions.

SB229 will kill all the incentive to come up with solutions. Central Kaka'ako will
deteriorate further and eventually the small businesses will have to close up shop.
Instead of some reserved housing, there will be no reserved housing and a negative
economy.

Creative ideas for creating affordable housing and supporting small businesses should be
encouraged. SB2294 is a disincentive. Forcing this action, may not result in the desired
outcome.

Thank you.

Sincerely,

Linda Kano-

- 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]

February 21, 2008

Senator Rosalyn Baker
Chair Ways and Means Committee
Hawaii State Capitol
415 South Beretania Street, Rm. 210
Honolulu, Hawaii 96813

Re: Testimony in Support of Senate Bill 2294

Dear Senator Baker:

We speak for the Hawaii residents that do not have their own place to own or rent. This Kakaako Affordable Housing Bill has been compromised through two committees of the Senate and two committees of the House this Legislative Session.

Our understanding is that HCDA is in agreement, but not the two largest landowners in Kakaako, Kamehameha and General Growth. Two companies worth not hundreds of millions, but billions of dollars. They have forgotten as to what was agreed to 30 years ago. Instead, they believe something is being taken away which they are entitled to.

Here are the compromises from the original bill and comments:

1. Decrease the amount from 50% to 25%.

With the remaining, undeveloped lands in Kakaako, estimated at 100 acres, it would be possible to develop a maximum of 15,000 affordable housing units or 50 more residential projects. This reduction means that the maximum new affordable housing building is down to 12 buildings or 3,750 apartments. The reality is that engineering and planning will reduce the maximum that is built by 20% to 30%. This means a high probability of only 8 to 9 affordable residential projects with a total of 2,600 to 3,000 apartments can be added in Kakaako.

2. Exclusion of affordable housing requirement of new projects that are no more than a 1.5 times land density or not higher than 45 feet.

From legislative history, it is our reading 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 the 1960s.

Landowners agreed to put the Kakaako lands into a special authority under the State Government. Based upon appraisals, the land values of the Kakaako lands in the 1970s are recorded at \$35 per square foot, prior to the State's formulation of HCDA thirty years ago. During the last 30 years, the State Government has invested over \$500 million into Kakaako, for environmental cleanups, infrastructure, parks and beautification, and the UH Medical School anchor stimulus in Makai Kakaako. At the end of the day, the State Government will have invested over \$1 billion into Kakaako with rising costs.

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

3. There is to be no change to the Bill for the calculation of Reserved Housing (Affordable Housing) to be on the square footage of new commercial and residential developments in Kakaako.

Legislative history records that the Kakaako lands were to provide 19,000 housing units for the Hawaii residents. The legislative studies projected a resident population of 47,500, living in 18.6 million square feet. Kakaako was to be for Hawaii's people, not second homes to wealthy outsiders. It was the State Government's alternative to single-family densities that would require 4,500 acres of land.

The State Government built six or seven affordable housing projects in the 1980s, approximately 1,300 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. A rough calculation measures the total affordable housing in Kakaako at 7% of all floor area developed since the creation of HCDA.

A mathematical summary is that the 1,580 affordable housing unit equals 1,200,000 square feet of floor area and a population of 4,740 people.

The two largest private landowners, Kamehameha and Ward Properties have produced no affordable housing on their lands to date.

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.

The last 30 years of HCDA, with its legislative authority have failed to supply the 19,000 apartments for Hawaii's residents. This difference between the quantity the government promised and what has been actually been built is the reason for the original draft of the Bill asking for 50% of all the square footage to be developed in Kakaako to be for affordable housing.

- 4. The elimination of the in-lieu of fee and concurrence of construction were agreed to. An increase from the 25% requirement to 35% after 10 years, subject to legislative review in the ninth year.**

These changes will hopefully ensure that affordable housing gets developed in Hawaii.

- 5. Landowners may build in excess of the 25% affordable housing requirement in one building and have such square footage applied to other buildings and/or to-be built buildings in Kakaako. In addition, for a mutually agreed price, housing credits maybe sold from one building to meet the requirement of another landowner.**

This gives flexibility to landowners to develop affordable housing buildings. It will help prevent the inclusion of temporary affordable housing within a luxury project.

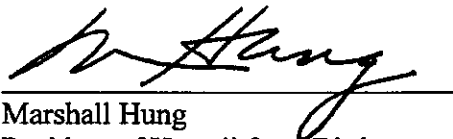
In summary, the State Government provided two incentives for landowners to develop affordable housing in Kakaako:

1. An open ended (projected at \$1 billion) infrastructure build-out commitment from the State,
2. Bonus density above 1.5 times the land and added height limits over 45 feet.

The Redevelopment Authority – HCDA has failed in not using their authority to having the landowners fulfill their agreement to build-out 19,000 residential housing units that were agreed upon 25 to 30 years ago. Of which 75% were to be affordable housing. The landowners need to be reminded of these agreements and understand that 3,000 more affordable housing units is far short of the original agreements.

Thank you for the opportunity to speak for those that are unable to rent or own their own home in Hawaii.

Respectfully yours,



Marshall Hung
Resident of Hawaii from Birth,
Real Estate Practitioner



General Growth Properties, Inc.

Senator Rosalyn Baker, Chair
Senate Committee on Ways and Means

Friday, February 22, 2008; 11:00 a.m.
Conference Room 211

RE: SB 2294 SD1 Relating to Kakaako - Testimony in Opposition

Aloha Chair Baker, Vice Chair Tsutsui and Members of the Committee:

My name is Jan Yokota, Vice President- Development of the Hawaii Region for General Growth Properties. General Growth Properties **opposes SB 2294 SD1.**

The purpose of SB 2294 SD1 is to increase the reserved housing requirement for a planned development with a height of more than forty-five feet or a floor area that equals or exceeds 1.5 times the lot area for such development in the Kakaako Community Development District, Mauka Area. Additionally, this bill would require reserved housing in every planned development even if only commercial, industrial or resort uses are intended.

General Growth agrees that there is a significant need for affordable housing in Hawaii. However, the bill, as drafted and revised, does not facilitate the development of reserved housing in Kakaako. In today's market, development projects have thin margins as a result of high construction costs and inflated land prices. Therefore, it is essential that the State, counties and developers work together to formulate a workable program to provide reserved housing. 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 SB 2294 SD1. 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

From: CLIFFORD J. GARCIA [tropical_otto@hotmail.com]
Sent: Thursday, February 21, 2008 11:03 AM
To: testimony
Subject: SB 2294 SD1 FEB.22,2008 11:00 A.M.

THE SENATE
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008
COMMITTEE ON WAYS AND MEANS
SENATOR ROSALYN H. BAKER, CHAIR
SENATOR SHAN S. TSUTSUI, VICE CHAIR
REGARDING SB 2294, SD1

TO: COMMITTEE MEMBERS,

SB 2294, SD1 BEING A SMALL BUSINESS OWNER FOR OVER 60 YEARS HERE IN KAKAAKO I FEEL THIS BILL SHOULD NOT PASS AS STATED. MY PROPERTY IS ONLY 7873 SQ. FT. AND THAT WOULD HURT US FROM REMODELING OR REBUILDING ON MY PROPERTY WHICH IS INDUSTRIAL. I THINK LARGE PROPERTY OWNERS SHOULD BE HELD RESPONSIBLE TO PROVIDE RESERVED HOUSING AND NOT SMALL PROPERTY OWNERS. I HOPE THIS BILL WILL NOT PASS AS STATED. AGAINST!!!!!!

THANK YOU,

CLIFFORD J. GARCIA

TROPICAL LAMP & SHADE CO.
977 QUEEN ST.

PH. 593-0408

DATE: FRIDAY, FEBRUARY 22, 2008
TIME: 11:00 A.M.
STATE CAPITOL

COMMITTEE ON Ways and Means
Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, Vice Chair

February 22, 2008, Committee Hearing
Conference Room 211
11:00AM

Senate Bill 2294 S.D.1
Relating to Kaka'ako

Chair Baker and Committee Members:

I am against the passage of Senate Bill 2294 S.D.1.

My name is Neal Tamura. I am the owner of Ray's Transmission Service Center, LLC, a 2nd generation small family business that has been located in Kaka'ako for over forty years, with twenty of those years located on Queen St.

Central Kaka'ako is made up of small properties, from 30,000sq.ft. to as small as 2,700sq.ft. On these properties are small businesses, commercial, light industrial, service, and wholesale businesses. To revitalize Central Kaka'ako is a very daunting task. We have been working with Hawaii Community Develop Authority and the Transit Oriented Community Based Development project to come up with some creative and win-win solutions.

SB2294 will kill the incentives to come up with these solutions. The large high-end developments have had a hard time with HCDA's 20% reserved housing requirement. Currently, the small businesses and small landowners have a hard time redeveloping their properties without the reserved housing requirement. With SB2294, it will be impossible. Central Kaka'ako will deteriorate further and eventually the small businesses will have to close up shop. So instead of some reserved housing, there will be no reserved housing and a negatively impacted economy.

The need for affordable housing for the people in the State of Hawaii is unquestionable. But to kill off the source of income to these people is self-defeating.

Creative ideas for creating affordable housing and for supporting small businesses should be encouraged. SB2294 is a disincentive. Forcing an action, no matter how well intentioned, may not result in the desired outcome.

Thank you,



Neal Tamura

COMMITTEE ON Ways and Means
Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, Vice Chair

February 22, 2008, Committee Hearing
Conference Room 211
11:00AM

Senate Bill 2294 S.D.1
Relating to Kaka'ako

Chair Baker and Committee Members:

I am against the passage of Senate Bill 2294 S.D.1.

My name is Gary Tamura. I am the owner of The Converter Factory, a 2nd generation small family business that has been located in Kaka'ako on Queen Street for over fifteen years.


Central Kaka'ako is made up of small properties, from 30,000sq.ft. to as small as 2,700sq.ft. On these properties are small businesses, commercial, light industrial, service, and wholesale businesses. To revitalize Central Kaka'ako is a very daunting task. We have been working with Hawaii Community Develop Authority and the Transit Oriented Community Based Development project to come up with some creative and win-win solutions.

SB2294 will kill the incentives to come up with these solutions. The large high-end developments have had a hard time with HCDA's 20% reserved housing requirement. Currently, the small businesses and small landowners have a hard time redeveloping their properties without the reserved housing requirement. With SB2294, it will be impossible. Central Kaka'ako will deteriorate further and eventually the small businesses will have to close up shop. So instead of some reserved housing, there will be no reserved housing and a negatively impacted economy.

The need for affordable housing for the people in the State of Hawaii is unquestionable. But to kill off the source of income to these people is self-defeating.

Creative ideas for creating affordable housing and for supporting small businesses should be encouraged. SB2294 is a disincentive. Forcing an action, no matter how well intentioned, may not result in the desired outcome.

Thank you,


Gary Tamura



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAAKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
Executive Director

677 Ala Moana Boulevard
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Web site
www.hcdaweb.org

WRITTEN STATEMENT OF

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

BEFORE THE

SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 22, 2008

11:00 A.M.

State Capitol, Conference Room 211

S. B. 2294, S. D. 1 - RELATING TO KAKAAKO.

Purpose: Increases the reserved housing requirement for a development with a height greater than forty-five feet or a floor area that equals or exceeds 1.5 times the lot area in the Kakaako Community Development District Mauka Area to at least twenty-five percent of the total floor area, except that space which is developed for community or special facility use. Also provides that the reserved housing requirement is constructed on or before the market project and deletes the fee alternative to producing the reserved housing.

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 opposed the passage of this measure in its current form. This opposition is based on the following reasons.

Application of the reserved housing requirement to commercial projects which otherwise do not propose to include any housing units with a floor area which greater than 1.5 times the lot area (or 1.5 FAR) or a height of 45 feet is problematic and contrary to rules being promulgated by the HCDA. The design of a commercial development is considerably different from that of a housing development.

The floor plates for a commercial development and a housing project are not necessarily compatible with each other and introduces the prospect of developing separate towers or footprints for the commercial and residential aspects of the project. This raises the specter of significantly higher development cost and requirement for land which might not be readily available. This would render most, if not all commercial projects to be cost prohibitive and would have to be abandoned. This flawed proposal must be deleted from the proposal.

A Disincentive for Redevelopment in Kakaako. It is important to note that the HCDA is currently proposing to increase the base zoning specifications for Kakaako for building heights from 45 to 65 feet and FAR from 1.5 to 3.5. These increases are being proposed to allow small lot developers greater economies and the opportunity to *increase* the density of their projects. The experience in Kakaako tells us that the existing base zoning specifications does not provide sufficient economies to support redevelopment. The proposed exemption for projects with a height of 45 feet or 1.5 FAR would actually serve as a disincentive for small or larger lot owners to develop more dense projects in Kakaako.

Definition of Planned Development. Page 2 lines 5 – 13, page 5 lines 10 – 14, page 7 lines 16 – 19 and page 17 lines 12 – 14 of the proposal also introduces a definition or description for “planned development” which is inconsistent with existing and proposed rules. Sections 7 through 9 also refers to “planned development permit application”. These references would appear to have been connected with an earlier version of S.B. 2294 and should be deleted or reconstructed as they conflict with the current draft and the HCDA’s proposed rule changes involving the planned development permit process.

Mechanism to Transfer Excess Housing Credits in Kakaako. While page 8 lines 9 – 13 establishes an incentive to transfer via an exchange of cash

excess housing units to another project in Kakaako, I believe that greater analysis needs to be undertaken before enactment as this process has county, if not statewide implications. My conclusion is based upon three points.

- Experience suggests that development costs related to an affordable housing unit in Kakaako (featuring land costs \geq \$300/sq. ft. and rising construction costs) are approximately \$200/sq. ft. for finished units. Given this development costs, the dollar credits illustrated in the proposal are not likely to serve as a sufficient incentive which spurs development.
- A bank would have to be established to exchange the credits being offered. The logistics for establishing and operating this process will likely require greater analysis before it could be enacted.
- Finally, the transfer mechanism may have impacts which go outside of the Kakaako Community Development District. These county wide impacts relating to the use of any credits created in Kakaako, but utilized within the jurisdiction of the City & County of Honolulu would also have to be understood.

Thank you for the opportunity to provide these written comments and objections.