



HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY



KAKA'AKO  
KALAELOA

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STATEMENT OF

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

BEFORE THE

HOUSE COMMITTEES ON HUMAN SERVICES & HOUSING  
AND  
WATER, LAND, OCEAN RESOURCES & HAWAIIAN AFFAIRS

Thursday, March 13, 2008

9:00 A.M.

State Capitol, Conference Room 329

**S. B. 2294, S. D. 2 - RELATING TO KAKA'AKO.**

**Purpose:** Sets the reserved housing requirement for a planned development on at least one acre of land with a height of more than 45 feet or a floor area that equals or exceeds one and one-half times the lot area for development to 25%, even if the developer intends to construct only commercial, industrial, or resort uses. Establishes for planned developments on lots between 20,000 sq. ft. and less than one acre with multi-family dwelling units a reserved housing requirement of 20%. Also provides that the reserved housing requirement is constructed prior to or concurrent with the construction of the other uses of the development and deletes the fee alternative to producing the reserved housing. Provides that a developer of a major development who produces more reserved housing units than required by this section shall be entitled to a credit and may transfer same to another developer's major development.

**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, industrial or resort projects on one acre of land or greater which otherwise do not propose to include any housing units is problematic.** 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 introduce 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 specification must be deleted from the proposal.

**Definition of Planned Development.** Page 7, lines 2 – 5 establishes the 25% reserved housing requirement for planned development with a height of more than 45 feet or a floor area that equals or exceeds one and one-half times the lot area for the development. However, this definition of planned development is at odds with the definition provided on page 5, lines 17 – 21. In this section, planned development is defined as a development for which the authority approves a greater density or any other difference from the base zoning applicable to the lot.

It is significant to note that the proposed Mauka Area Plan and Rules call for increasing the FAR from 1.5 to 3.5 and the allowable height from 45 feet to 65 feet within the entire Kakaako Community Development District (irregardless of lot size). In addition, the proposed rules delete any reference to “planned development” and instead focus on lot size as a trigger. These changes are being proposed to encourage greater density and enhanced economics for small lot

development. However, the definitions contained in this proposal would appear to be in conflict with each other and the proposed rules.

**Mechanism to Transfer Excess Housing Credits in Kakaako.** While page 9, lines 1 - 20 establishes an incentive to transfer credits for any excess reserved housing units produced by a developer to another project in Kakaako via an exchange of cash, the HCDA believes that greater analysis needs to be undertaken before considering this matter further as the mechanism (i.e., staffing requirements and administration policies) and fiscal impact (i.e., is interest earned or the credit adjusted according to rising/falling building costs or interest rates or market prices) for banking these credits until a willing buyer can be found is not known at this time.

**HCDA Reserved Housing Plan.** However, given the severity of the shortage of affordable housing in the State of Hawaii, the HCDA is currently engaged in discussion with the various stakeholders to identify what enhancement to the HCDA reserved housing program should be pursued in the Kakaako Community Development District. Elements of this strategy include ensuring that:

- the existing 20% reserved housing requirement is delivered in Kakaako in the form of units and not cash in-lieu fees;
- the delivery of these units are concurrent with that of the market units;
- the HCDA explore opportunities to acquire land in Kakaako for the purpose of developing public benefit facilities and reserved housing units independent of any planned development; and

- any reserved housing units are appropriately maintained and offered in such a way that it is truly affordable to starter families.

**Summary.** Based on the foregoing reasons, the HCDA respectfully recommends that this measure does not advance in its current form.



**TESTIMONY BEFORE THE HOUSE COMMITTEES  
ON  
HUMAN SERVICES & HOUSING  
AND  
WATER, LAND, OCEAN RESOURCES & HAWAIIAN AFFAIRS**

**SENATE BILL 2294 SD 2  
BY  
STEVEN GOLDEN**

**THURSDAY, MARCH 13, 2008**

Chairs Shimabukuro and Ito and members of the Committees:

I am Steve Golden, Vice President of External Affairs for The Gas Company. Thank you for the opportunity to provide testimony on Senate Bill 2294 SD 2, relating to Kakaako.

The Gas Company is a public utility that owns and occupies a plot of land of approximately 2 acres with a roadway lot of a little less than 1 acre located at 515 Kamakee Street in the Kakaako mauka area. This site has been the major gas operations facility site for our utility system since 1936. As you are all aware, our part of Kakaako has changed from primarily a light industrial area to more of a residential area in recent years.

This bill would, among other things, require developers of major developments in Kakaako, with a height greater than 45 feet or a floor area that equals or exceeds 1.5 times the lot area for such development, to reserve at least 25% of the countable floor area for affordable housing. The percentage of countable floor area that must be dedicated to reserved housing is increased to 35% after December 31, 2017. This reserved housing requirement **applies even when the developer intends to construct only commercial or industrial uses on the lot.**

As a kama'aina company in its second century of providing gas energy solutions to the people and businesses of Hawaii, we are well aware of the severe lack of affordable housing in our community. However, The Gas Company **opposes** this bill for several reasons.

First, we believe that the onerous conditions on planned development proposed, in this bill, will negatively impact all of our utility customers. Our property is a utility asset, which means that it is held for the benefit of our ratepayers. This means that this legislation, which requires that 25% of any planned redevelopment of our property be used for reserved housing, affects not one property owner, but all of our over 35,000 utility customers.

Second, The Gas Company believes that this bill will be counterproductive to the goal of timely redevelopment of Kakaako mauka and creation of affordable housing in the vicinity. We recognize that the highest and best use of our Kamakee St. property may lie in residential development, rather than use as a gas utility distribution facility and that there may come a time when we will have to move to a neighborhood which is more compatible with our light industrial operations. However, we are concerned that the conditions imposed by the bill would severely diminish the value of our Kamakee property making it uneconomic to move to an alternate site. The result is that the site cannot be developed further; thereby making no contribution towards meeting the State's housing needs.

Third, HCDA already has initiated its planning process for the area, which comprehensively considers parks, transportation, land use and an overall urban design, including reserved housing. We believe that if any changes are to be considered they are more appropriately addressed comprehensively in HCDA's plans and processes rather than through legislation.

Thank you for allowing The Gas Company to present these comments.



General Growth Properties, Inc.

Representative Ken Ito, Chair  
House Committee on Water, Land, Ocean Resources & Hawaiian Affairs

Representative Maile Shimabukuro, Chair  
House Committee on Human Services & Housing

Thursday, March 13, 2008; 9:00 am  
Conference Room 329

**RE: SB 2294 SD2 Relating to Kakaako - Testimony in Opposition**

Aloha Chairs Ito and Shimabukuro, Vice Chairs Karamatsu and Rhoads and  
Members of the Committees:

My name is Jan Yokota, Vice President- Development of the Hawaii Region  
for General Growth Properties. General Growth Properties **opposes SB 2294 SD2.**

The purpose of SB 2294 SD2 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 for lots one acre or more in size.  
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.

The Hawaii Community Development Authority (HCDA) currently requires  
that a planned development containing multi-family dwelling units on a lot of at least  
20,000 square feet set aside a minimum of twenty percent of the total number of  
dwelling units as "reserved housing units" for sale or rental. Meeting the current  
20% reserved housing requirement is challenging for developers, even in good  
economic times. To support the construction of reserved housing that exceeds this  
requirement, we propose the creation of incentives that would work towards  
minimizing the high development costs involved. Such incentives may include tax  
credits, tax exemptions, density bonuses and expedited permitting processes.

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Landowners and developers would be entitled to receive these incentives if they build more reserved housing units than is required by HCDA. In addition, while the HCDA rules currently allow developers to fulfill the reserved housing requirement offsite, but within Kakaako, statutory language to facilitate this option would also help to increase the supply of reserved housing in Kakaako.

Finally, we respectfully request that the reserved housing requirement not be applied to commercial, industrial and resort projects. Adding such a requirement to these projects may make these projects financially infeasible.

In summary, while General Growth Properties agrees that there is a significant need for affordable housing, we believe that the creation of incentives that would work towards minimizing the high development costs is the key to facilitating the development of affordable housing. Therefore, we strongly urge the committee to defer action on SB 2294 SD2 to allow an opportunity to work collaboratively with you on these incentives. Thank you.



COMMITTEE ON HUMAN SERVICES & HOUSING

Rep. Maile S.L. Shimabukuro, Chair

Rep. Karl Rhoads, Vice Chair

COMMITTEE ON WATER, LAND, OCEAN RESOURCES & HAWAIIAN  
AFFAIRS

Rep. Ken Ito, Chair

Rep. Jon Riki Karamatsu, Vice Chair

**March 13, 2008, Committee Hearing**

**Conference Room 329**

**9:00AM**

**Senate Bill 2294 S.D.2**

**Relating to Kaka'ako**

Chair Shimabukuro, Chair Ito and Committee Members:

I am providing comment on Senate Bill 2294 S.D.2.

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.

Inclusion of small properties in this bill will kill the incentives to come up with these solutions. Central Kaka'ako will deteriorate further and eventually the small businesses will have to close up shop.

So, please be careful. If SB2294 SD2 is to be amended, please be sure that small properties are excluded.

Thank you,

Dexter Okada



# CENTRAL PACIFIC BANK

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March 12, 2008

Representative Maile S. L. Shimabukuro  
Chair –House Committee on Human Services & Housing

Representative Ken Ito  
Chair-House Committee on Water, Land, Ocean Resources & Hawaiian Affairs

Sent via email: [HShtestimony@capitol.hawaii.gov](mailto:HShtestimony@capitol.hawaii.gov)

Re: **SB 2294 SD 2, Relating to Kakaako (In Support)**  
Hearing Date: March 13, 2008

Dear Chairs Shimabukuro and Ito:

I am Blenn Fujimoto, Vice Chairman of Central Pacific Bank, testifying in support of SB 2294, SD2.

Like its companion bill, HB 2732, HD 1, 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.

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 A. Fujimoto', with a long horizontal line extending to the right.

Blenn A. Fujimoto  
Vice Chairman

Email: [blenn.fujimoto@centralpacificbank.com](mailto:blenn.fujimoto@centralpacificbank.com)



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March 12, 2008

Representative Maile Shimabukuro, Chair  
Committee on Human Services & Housing  
Hawaii State Capitol  
415 South Beretania Street Room 406  
Honolulu, Hawaii 96813

Representative Ken Ito, Chair  
Committee on Water, Land, Ocean  
Resources & Hawaiian Affairs  
Hawaii State Capitol  
415 South Beretania Street, Room 420  
Honolulu, Hawaii 96813

In Support of Senate Bill 2294, SD2  
Via Email: [hshtestimony@capitol.hawaii.gov](mailto:hshtestimony@capitol.hawaii.gov)

Dear Representatives Shimabukuro and Ito:

As a member of the Hawaii real estate community who has worked with first time homebuyers for over 35 years, I have seen the decrease of affordable housing inventory for our growing population. As more of our children graduate from high school, colleges or go off to the mainland, an alarming number of them are finding they are unable to stay in or return to Hawaii due to the rising and unattainable cost of housing, I am in support of SB 2294.

As many others in the community, I too believe that the Redevelopment Authority of Kakaako has failed the people of Hawaii. Legislative history records that Kakaako was to have 19,000 apartments for Hawaii residents. Seventy-five percent (75%) were to be affordable. There are only approximately 2,000 affordable housing apartments in Kakaako as of 2008 with an estimated 50% of the lands fully developed.

This reduced the 25% requirement for HB2294, SD2 hopefully results in 3,000 more affordable housing units (reserved housing) for all of Kakaako. Much of this hope will then be dependent on HCDA completing the infrastructure installation for the remainder of Kakaako.

Thank you for your consideration.

Respectfully yours,

Norman M. Noguchi  
President & COO

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March 12, 2008

Representative Maile Shimabukuro, Chair  
Committee on Human Services & Housing  
Hawaii State Capitol  
415 South Beretania Street, Rm. 406  
Honolulu, Hawaii 96813

Representative Ken Ito, Chair  
Committee on Water, Land, Ocean  
Resources & Hawaiian Affairs  
Hawaii State Capitol  
415 South Beretania Street, Rm. 420  
Honolulu, Hawaii 96813

***In Support of Senate Bill 2294, SD2***  
***Via email: [hshtestimony@capitol.hawaii.gov](mailto:hshtestimony@capitol.hawaii.gov)***

Dear Representatives Shimabukuro and Ito:

As a member of affordable housing development companies that have built approximately 1,200 apartments occupied by renters and owners over the last fifteen years for Honolulu residents, we support SB 2294.

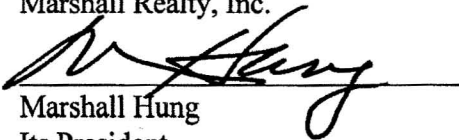
In our professional opinion, the Redevelopment Authority for Kakaako has failed the people of Hawaii. Legislative history records that Kakaako was to have 19,000 apartments for Hawaii residents. Seventy-five percent (75%) were to be affordable. There are only approximately 2,000 affordable housing apartments in Kakaako as of 2008 with an estimated 50% of the lands fully developed.

This reduced 25% requirement for HB 2294, SD2, hopefully results in 3,000 more affordable housing units (reserved housing) for all of Kakaako. Much of this hope will then be dependent on HCDA completing the infrastructure installation for the remainder of Kakaako.

Mahalo for helping the residents of Hawaii.

Respectfully yours,

Marshall Realty, Inc.

  
Marshall Hung  
Its President

**KENNETH T. MATSUURA**  
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Honolulu, Hawaii 96817  
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March 12, 2008

**SUPPORT BILL PASSAGE**

Representative Maile Shimabukuro, Chair  
Committee on Human Services & Housing  
House of Representatives  
Hawaii State Capitol  
415 South Beretania Street, Room 406  
Honolulu, Hawaii 96813

Dear Representative Shimabukuro:

Attached are my testimonies for Senate Bills 2293 and 2294.

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

Best Regards and Aloha,

A handwritten signature in black ink, appearing to read 'Ken', written over a horizontal line.

Kenneth T. Matsuura  
Resident of Hawaii from Birth

Attachments

## **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 current requirements for reserve housing have 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.