



KAMEHAMEHA SCHOOLS

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

By
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Hearing Date: Wednesday, March 12, 2008
9:00 a.m., Conference Room 229

Tuesday, March 11, 2008

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

RE: House Bill No. 2732, H.D.1 - Relating to Kaka`ako.

Thank you for the opportunity to comment on H.B. No. 2732, H.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. This Bill selects out and significantly changes a single element of those plans without deliberation over or



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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, a companion to this Bill, 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.

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