

To: Representative Rida Cabanilla & Representative Ken Ito, Chair
Committee on Housing Chair Com. on Water, Land & Ocean Resources,
Hawaii State Representatives
HSGtestimony@Capitol.hawaii.gov

From: Marshall Hung, President of Marshall Realty, Inc. –
Affordable Housing Developer of:
1133 Waimanu Street (282 Units in Kakaako),
1450 Young Street (245 Units in Makiki),
1448 Young Street (200 Units in Makiki),
215 N. King Street (251 Units in Iwilei), and
Country Club Village 6 (269 Units in Salt Lake)

Re: **2009 Kakaako Affordable Housing Legislation / House Bill Nos. 1186 & 1188**

The introduction of the 2008 Kakaako Legislation to increase the affordable apartments in the Kakaako Redevelopment Neighborhood to 50% was to remind the Legislature of the original intent of its 1976 Legislation, as recorded in the 1982 Rules of HCDA. To remember the visionary purpose of the State Government, which was to change this blighted neighborhood by cleaning the industrial pollution in the land and install high density infrastructure for an apartment neighborhood to house 60,000 Hawaii residents. Seventy-five percent (75%) of the 19,000 apartments were to be affordable for Hawaii residents. Twenty percent (20%) were to be public housing, government restricted occupancy. With the demographic changes of Hawaii's middle class and HCDA's modifications of its "Reserved Housing" definition to include both lower income and medium income housing, HCDA's Reserved Housing definition now is equivalent to the Federal Government's census income levels for affordable housing in Honolulu.

Today's housing crisis in Hawaii is mainly a shortage or supply issue from the past three decades. In general, if a 1.5 million population State averages three persons per household, there needs to be 500,000 residential units. The older and wealthier population, generally occupy more land and large single family homes located in the better geographical locations. The older and less wealthy occupy homes on smaller parcels of land and many share their land with others and live in low density apartment buildings located in the second tier geographical locations. The lower income households generally can only afford homes on smaller parcels located in the third tier locations or the apartment buildings with high density. In general, new buildings in the same neighborhood with similar living space will attract a higher price and rent amount than older buildings. In general, the fifty year old buildings will be occupied by the lower income groups and the five year old buildings by the medium income groups. This generally describes the "ladder" of housing and how the market forces work. Government subsidy programs target special groups with good intent, but most of the time disrupts the "fairness" of the housing market. Be it understood, that markets are not perfect and that federal government low-income financing makes it stupid not to build this special group inventory when there is a shortage crisis.

Hawaii's housing shortage has been measured by the State Government as 30,000 housing units. In Kakaako, there have been built approximately 2,000 affordable apartment units and 5,000 luxury apartment units built over the last 30 years. This quantity of luxury units is because of a big demand that will grow greater when the economy gets better from the non-resident, second home purchaser. These non-residents can afford higher prices than Hawaii's medium class income threshold of \$100,000 per annum for a household of four. These second home purchasers desire luxury-size living units of 1,200 to 3,000 square feet and will pay maintenance fees of \$400 to \$1,000 per month for additional services. They generally will not rent their living units, because rental income is not important. Shame on HCDA and the State Government for only 2,000 affordable apartments for Hawaii residents being built over a 30 year period in Kakaako.

Kakaako was planned to take Honolulu to a new urban living level for Hawaii's residents. It has become more important than ever for the following reasons:

- 1) The housing shortage crisis is increasing because new construction has been building for the wealthy, second home demand instead of Hawaii's residents,
- 2) Urban apartment housing has become desirable for the 20 to 40 years old generation,
- 3) Most 20 to 30 year old Hawaii residents prefer the Urban Life style to the slower pace life style,
- 4) A higher percentage of college graduates could be attracted to live in Honolulu,
- 5) Sales prices and rental amounts need to go lower in the surrounding older apartment building neighborhoods because of added new supply and thus provide more low-income apartment availability,
- 6) Senior citizens need the option of living in a neighborhood of convenience with easy walking and little auto usage,
- 7) The high-density infrastructure in Kakaako can support high-rise apartment buildings, which is the most economical living unit to develop and thereby help the largest quantity of households.

Landowners and Developers left unregulated want to make the higher profits from luxury residential and commercial developments in Kakaako. We are saddened to see the landowners oppose the 2008 Legislation for a 50% requirement for affordable housing. It is much less than the original 75% legislation intent of 1976 and still left 50% of their lands and new developments to maximize their profits.

We pray that the 2009 Legislature accepts its responsibility to correct the Kakaako Authority, HCDA, with an affordable housing requirement that equates to be a high enough percentage of all future development, so that landowners will be forced to take advantage of the slow economic times to fulfill their affordable housing requirements. With correct legislation, it becomes possible for new construction projects to start because of the shortage crises, lowering construction costs and the abundance of labor during these bad economic times. It would mean that Landowners would have to value a

percentage of their lands at approximately \$100 per square foot instead of the higher amounts that the past economic boom brought. Without this corrective Legislation, we predict 10 years of no new construction in Kakaako, except for State Government financed construction.

The 2009 Legislature has both the moral and legal rights to require 75% of all development to be affordable housing based on the 1982 Kakaako Rules signed by Chairman Kenneth Brown with the support of most of Hawaii's community and political leaders. Hawaii's State Government has invested approximately \$500 million for the industrial pollution cleanup, high density infrastructure, parks and medical school anchor to date for Hawaii's taxpayers. But since the Cayetano Administration in the 1990's and deaths of the past community leaders who created the Kakaako Authority, the landowners with their developers and lobbyists have secretly taken control of HCDA and manipulated this governing authority. At present the State Government still has ownership to the air rights above 45 feet or 1.5 building density. However, the air rights ownership for the two major landowners are now about to be transferred by land entitlements through a Master Plan approval from HCDA. It appears that the 2009 Legislature has one last chance to prevent this taking from Hawaii's residents and taxpayers.

To our knowledge, there are two Senate Bills and three House Bills attempting to preserve the affordable housing for Hawaii residents in Kakaako at the beginning of this 2009 Legislative session. It is evident that lobbyists and developer friends of the small and large landowners have influenced some of these Bills. If this Legislation includes an exclusion increase for landowners for three acres of land, it is the equivalent of saying that all Mauka Kakaako Lands should not be subject to this Legislation. Please be reminded that the 1976 Legislation fairly protected land rights below 45 feet or new building construction below 1.5 times the land area, and excluded lands below 20,000 square feet from any government obligations. With these land entitlements and neighborhood improvements by the State Government, all landowners in Kakaako have had their valuations increase from approximately \$35 to at least \$100 per square foot since 1976. For landowners to want more profits after agreeing and participating in Honolulu's only Redevelopment Neighborhood is very disingenuous. From our reading, House Bill 1227 introduced by Speaker Calvin Say is the best of the five Legislative Bills for Hawaii's taxpayers and residents. It is the most comprehensive, free of the landowner lobbyists' influence and addresses the General Growth Properties January 2009 master plan approval by HCDA.



KAMEHAMEHA SCHOOLS

February 10, 2009

TESTIMONY TO THE HOUSE COMMITTEE ON HOUSING AND THE HOUSE COMMITTEE ON WATER, LAND, & OCEAN RESOURCE

By

Sydney W.C.K. Keli'ipuleole
Endowment/ Residential Assets Division
Kamehameha Schools

RE: HB 1186 – RELATING TO HOUSING DEVELOPMENT.

To: Rep. Rida Cabanilla, Chair
Rep. Pono Chong, Vice Chair
Members of the Committee on Housing

Rep. Ken Ito, Chair
Rep. Sharon E. Har, Vice Chair
Members of the Committee on Water, Land, & Ocean Resources

Thank you for the opportunity to comment on HB No. 1186, which eliminates the payment of “in lieu fees” for reserved housing units associated with projects constructed in Kaka‘ako that are under the jurisdiction of the Hawai‘i Community Development Authority.

Kamehameha Schools respectfully opposes this measure.

Kamehameha Schools broadly supports the increasing availability of affordable housing throughout Hawai‘i. We believe that the housing crisis in Hawai‘i is real and requires immediate action. We also believe it is critically important to implement policies that will result in the construction of new affordable units (or retention of existing supply) and not have the unintended and ironic consequence of inhibiting construction altogether.

Our overarching comment is that provisions in statute, rules and policies concerning affordable housing must be viewed collectively for their contribution to an overall effective policy that promotes actual development of affordable housing. To achieve this desired outcome, we believe that a range of tools and strategies are needed.

February 10, 2009

Rep. Rida Cabanilla, Chair
Rep. Pono Chong, Vice Chair
Members of the Committee on Housing

Rep. Ken Ito, Chair
Rep. Sharon E. Har, Vice Chair
Members of the Committee on Water, Land, & Ocean Resources

The laudable goal of HB No. 1186 is to provide more affordable housing in the Kaka'ako District. While we support the desire to have more affordable units built directly by developers of market housing, it is counter productive to remove one of the tools the HCDA can use to get more affordable housing project constructed. For example, the proposed Halekauwila Place affordable housing project had substantial challenges securing necessary financing to proceed. If the HCDA had a war chest of funds through in lieu payments, this project could have preceded quicker without the need for the HCDA to provide favorable financing. Similarly, there may be instances where the HCDA would be better served to accept land within the District in lieu of new housing construction, particularly in adverse economic environments where no new housing is being constructed.

We appreciate the opportunity to express our views on this measure.



Sierra Club Hawai'i Chapter

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HOUSE COMMITTEE ON AGRICULTURE
HOUSE COMMITTEE ON TOURISM, CULTURE, & INTERNATIONAL AFFAIRS
February 11, 2009, 9:00 A.M.

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 1186

Chair Cabanilla, Chair Ito, and members of the Committees:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, submits the following testimony in support of HB 1186, eliminating the Hawai'i community development authority's cash-in-lieu option for meeting reserved housing requirements.

In the Sierra Club's experience, the cash-in-lieu process -- while well-intentioned -- has not increased the availability of affordable housing. It would be far preferable to receive actually built homes, rather than hoping the State will apply the money received into affordable housing projects.

Thank you for the opportunity to testify.



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



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KALAELOA

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STATEMENT OF
ANTHONY J. H. CHING, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
BEFORE THE
HOUSE COMMITTEE ON HOUSING
AND
HOUSE COMMITTEE ON WATER, LAND, & OCEAN RESOURCES
Wednesday, February 11, 2009
9:00 A.M.
State Capitol, Conference Room 309

H. B. 1186 - RELATING TO HOUSING DEVELOPMENT.

Purpose: Eliminates the option for the Hawaii Community Development Authority ("HCDA") to accept a "cash-in-lieu" payment from a developer instead of their deliverance of any number of required reserved housing units.

Position: The HCDA supports both the intent and passage of this proposal to ensure that critically needed reserved housing units and not cash-in-lieu fees are produced in the Kakaako Community Development District, but offers the following comments and proposed amendment.

The HCDA's reserved housing program has always included a cash-in-lieu option. This option allows the developer to satisfy its reserved housing requirement by making a payment according to a rate schedule determined by the Authority's administrative rules. During previous downturns in the economy or lack of construction in Kakaako, the Authority has sometimes utilized the cash-in-lieu option to stimulate economic development in the area. The monies collected as cash-in-lieu payments have been used, in part, by the HCDA to develop its own affordable and reserved housing units within Kakaako.

However, given that the need for reserved housing units at this time far outweighs the need to encourage further economic development in Kakaako, I understand and agree with the rationale that the cash-in-lieu option should be eliminated. However, if the Legislature decides to remove the cash-in-lieu option,

I suggest that the cash-in-lieu option be retained for the limited purpose of accounting for any fractional unit that could result after calculating the percentage requirement against residential floor space or total number of units developed. This limited cash-in-lieu option should also be set at a rate which more accurately reflects the cost of providing a unit in the Kakaako Community Development District (e.g., construction costs of \$300 a square foot).

Thank you for the opportunity to offer comments and amendment in support of the passage of this proposal.



HB 1186 Relating to Housing Development
House Committee on Housing
Committee on Water, Land, & Ocean Resources

February 11, 2009
Room 325

9:00 am

The Office of Hawaiian Affairs supports the purpose and intent of HB 1186.

The growing affordable housing problem is one of the most critical issues faced by our communities, especially our Native Hawaiian communities. This issue seems to have many of our families struggling to find adequate housing and to make ends meet.

The continued increased pressure on government to provide financing assistance and reduce government barriers for the development of affordable housing has not ceased. The demand for affordable housing has not ceased. The partnerships created by government with non profit and for profit developers to keep our affordable housing inventory in a position to meet the demand reasonably need to address the "how to" versus "we cannot do it". However, to make cash payments in lieu of providing reserved housing does not create the inventory needed.

We recognize that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability, and environmental health be sustained without a coherent and supportive physical framework. This bill may assist the counties to providing a much needed changed framework.

Mahalo nui loa for the opportunity to provide this testimony and request your support.