February 11. 2009 at 9:00 a.m.
Testimony / HB No.1186 and HB No. 1188

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.

Linda Lingle
GOVERNOR

KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING
HOUSE COMMITTEE ON WATER, LAND & OCEAN RESOURCES

February 11, 2009, 9:00 a.m.
Room 325, State Capitol

In consideration of
H.B. 1188
RELATING TO AFFORDABLE HOUSING.

The HHFDC has the following comments on H.B. 1188, which amends sections 46-14.5 and 201H-57, Hawaii Revised Statutes, by amending income limits downward to 80 percent of area median income as determined by the U.S. Department of Housing and Urban Development.

Each housing project is different in terms of type of structure (e.g., single family, low-rise or high-rise development), location, availability of infrastructure like sewer and water, and other factors. Therefore, when government assists with the development of housing projects, we need to treat each project on a case-by-case basis. The income requirements set forth in H.B. 1188 may have the unintended consequence of rendering potential housing projects economically infeasible to develop.

Thank you for the opportunity to testify.

OFFICE OF HAWAIIAN AFFAIRS

Legislative Testimony

HB 1188 Relating to Affordable Housing

House Committee on Housing

Committee on Water, land, & Ocean Resources

February 11, 2009 9:00 am Room 325

The Office of Hawaiian Affairs **supports** the purpose and intent of HB 1188.

The Hawaii Housing Policy Study Update, 2006 confirmed while most Hawaiians looking to move would prefer to buy their next home, most may face significant challenges because of their relatively low income per household member which is in the 80% and below of the area median family income.

There is a disconnect between the time there is an increase in their income places them ineligible for public housing and being able to find an affordable rental in the private market place. There are an insufficient number of affordable rentals to meet the needs of this group and more time is needed to be able to make decisions on the different types of changes that will affect the family when looking for a place to rent.

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. In this example, the framework is giving the family in the 80% and below of the area median family income more options for housing if they are built.

Mahalo nui loa for the opportunity to provide this testimony.