LATE TESTIMONY

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<u>Via Capitol Website</u>

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Senate Committee on Education and Housing
Friday, March 20, 2009 at 1:30 PM, CR 225

<u>Comments</u> to HB 363 HD2. Relating to Affordable Housing
(County affordable housing incentives)

Honorable Chair Norman Sakamoto, Vice Chair Michelle Kidani and Senate Committee on Education and Housing Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide **<u>comments</u>** regarding HB 363 HD2, which creates incentives for the development of affordable housing, but a the same time limits the incentives to the development of affordable rental units for tenants at or below median income levels, 40 percent of which units are for tenants with incomes 80 percent or below the median.

- LURF **<u>supports</u>** the creation of county incentives to create affordable housing incentives including density bonuses, height waivers, cluster zoning, greater design flexibility, waiving water and sewer connection fees, priority infrastructure financing, and site flexibility for affordable rental housing projects;
- However, LURF **<u>opposes</u>** limiting these incentives only to projects whose residents have incomes at or below one hundred per cent of the area median family income, of which forty percent are set aside for residents with incomes at or below eighty per cent of the area median family income; and
- LURF **<u>supports</u>** the proposed amendments which have been suggested on behalf of the state-wide Affordable Housing Barriers Task Force, which recognized that the affordable housing problem is based on an overall lack of supply of housing, and recommended incentives to stimulate and increase the overall supply of housing for all income levels. These <u>recommended revisions</u> include:
    - Clarifying that the incentives and waivers are for <u>all</u> affordable housing, not just rentals; and

- Deletion of the HD2 limitations on incentives – particularly limiting the incentives to affordable housing projects for households with incomes at or below one hundred percent of the median family income, and the HD2 proposed requirement to mandate that the counties set aside forty percent of affordable rental units for persons and families with incomes at or below eighty percent of the area median family income. The proposed HD2 definitions are inconsistent and in conflict with the current definition of "Affordable housing" in section 201H-57, Hawaii Revised Statutes (HRS) and Federal regulations and do not allow the counties the flexibility to determine their own affordable housing requirements;
- LURF supports the following revisions, proposed by the Task Force, which reads as follows:

> "Counties shall provide flexibility in public facility requirements to encourage the development of [~~any rental~~] affordable housing [~~project where at least a portion of the rental units are set aside for persons and families with incomes at or below one hundred forty per cent of the area median family income, of which twenty per cent are set aside for persons and families with incomes at or below eighty per cent of the area median family income.~~] as defined in section 201H-57."

Background. The lack of affordable housing remains a significant problem affecting Hawaii. Finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, and state and county agencies, and members of the housing industry and business community. For the past two years, LURF has participated in the **statewide Affordable Housing Regulatory Barriers Task Force**, which was comprised of representatives from all four counties, business, labor, developers, architects, nonprofit providers of services, the State, and members of the House and Senate Housing Committees, whose purpose was to identify, address and propose regulatory reform and solutions to remove the barriers to the production of affordable housing.

HB 363 HD2. The purpose of this bill is to provide fee waivers and other incentives for the development of affordable housing. The current version of the bill includes the following:

- Provides incentives for the development of affordable housing, that may include, but are not limited to: density bonuses, height waivers, cluster zoning, greater design flexibility, waiving water and sewer connection fees, priority infrastructure financing, and site flexibility; and
- Require the counties to provide flexibility in public facility requirements for rental housing projects, but limits such incentives to projects with units set aside for tenants with incomes at or below one hundred percent of the area median income, 40 percent of which units are set aside for tenants with incomes at or below 80 percent of the area median.

The House Committee on Housing and Water, Land, and Ocean Resources amended this bill by removing procurement exemptions as one of the incentives.

The House Committee on Finance amended HB 363 by: (1) Changing its effective date to July 1, 2020, to encourage further discussion; and (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

<u>LURF's Position</u>. Recent analysis shows that regulations and conditions placed on developers can potentially delay a project for over seven years. This delay in time leads to a level of uncertainty for the housing industry, adds cost to the total development project, jeopardizes funding streams for affordable housing projects, and ultimately results in a more expensive home for the homebuyer or renter. Additionally the state has recognized that impact fees, connection fees and other conditions imposed on developers during these trying times could increase the cost of a home or rental by $10,000 to $50,000.

Therefore, LURF

- **<u>Supports</u>** providing more incentives for the development of affordable housing ;
- **<u>Opposes</u>** the HD2 amendment of the income requirements from <u>one hundred forty percent</u> to <u>one hundred percent</u> of the area median family income. The HD2 revision to <u>one hundred percent</u> is **inconsistent** with the current definition of "affordable housing" in section 201H-57 , HRS and Federal regulations; and
- **<u>Opposes</u>** increasing the reserved housing set aside from twenty per cent to forty per cent, as these set asides should be left for the counties to decide.
- Respectfully **<u>recommends amendments</u>** to the current version of HB 363 HD2 **to clarify that the incentives and waivers are for <u>all</u> affordable housing, rather than just rental housing projects**.
- Respectfully **<u>recommends amendments</u> to include affordable rental housing projects for households with incomes at or below one hundred forty per cent (140%) of the median family income**, in accordance with the current definition of section 201H-57, HRS and Federal regulations.
- Also, respectfully **<u>recommends amendments</u> to retain the original version of the bill, which sets aside twenty per cent (20%) of housing for families with incomes at or below one hundred forty per cent.** Due to the unique characteristics of each county and the varying needs, it should be left up to the counties to decide what percentage of units should be designated for residents in the low-or moderate-income ranges.

Thank you for the opportunity to express our comments**.**