HB948

HAWAII COMMUNITY
DEVELOPMENT AUTHORITY

KAKAAKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
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STATEMENT OF

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

BEFORE THE

SENATE COMMITTEE ON EDUCATION AND HOUSING

AND

SENATE COMMITTEE ON WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS

Monday, March 23, 2009

3:15 P.M.

State Capitol, Conference Room 229

H. B. 948, H. D. 1 - RELATING TO KAKAAKO.

Purpose: Amongst other requirements, this proposal increases the reserved housing requirement for planned development on lots greater than three acres to twenty-five percent of floor space in the Kakaako Community Development District Mauka Area.

Position: The Hawaii Community Development Authority ("HCDA") agrees that the supply of affordable housing units in Honolulu is severely lacking; however, we offer the following comments and amendments with respect to the construction and specifications of this legislative proposal.

Current Planned Development Regulations. Existing planned development permits administered by the HCDA apply to lots of 10,000 square feet or more with a lot size of 80,000 square feet receiving the full benefits of a planned development. For consistency and maximum effect, the proposal should close any loophole created between lots of 80,000 square feet and three acres and subsequently for lots between 20,000 and 80,000 square feet as landowners could subdivide a three-acre lot in order to avoid the requirements of this measure.

Mixed-Use Projects in the Kakaako Mauka. To promote efficiency in urban design and appropriate density within the urban core, planned development projects on lots of at least 10,000 square feet within Kakaako Mauka allow a combination including residential, commercial and/or industrial uses (i.e., MUZ-R and MUZ-C). Single use commercial and industrial projects are not allowed on planned development lots, though single use residential is allowed.

The language suggests that the increased reserved housing requirement could apply to projects that only propose commercial and/or industrial uses as the definition of "development" is very broad [see Page 4, Line 17, and Page 7, Line 14]. Residential and industrial activities of any size or consequence are not generally seen as compatible uses. The legislation establishing the HCDA intended to both support the development of increased residential density in the urban core while maintaining or preserving existing industrial/commercial activities within specific areas of Kakaako. If this proposal is adopted in its current form, the critical need for reserved and market housing in urban Honolulu will likely drive land values up and preclude the maintenance or development of industrial activities and projects of any consequence. Also, placing reserved housing requirement on industrial development could inhibit new industrial development in Kakaako which runs contrary to the spirit and intent of HCDA's enabling statute. If the proposal, as an unintended consequence, does not seek to further inhibit the continuation of industrial activities within Kakaako Mauka, the proposal should be amended to exclude industrial development projects from the reserved housing requirement.

The twenty-five percent requirement applies to the "countable floor area" of a building and the proposed definition of countable floor area is problematic [see Page 4, Line 12]**.** In the proposal, basements, elevator shafts, corridors, and walkways (typically associated with circulation) are counted and included in the definition of "floor area". We suggest that the reserved housing requirement instead be based on the *residential* floor area of a development, excluding area used for parking, loading, common areas, basement, stairways, hallways, driveways and access ways, lanais or balconies of dwelling units that do not exceed fifteen percent of the total floor area of the appurtenant unit, attic areas with headroom of less than seven feet, covered rooftop areas, and rooftop machinery equipment and elevator housings on the top of buildings [see Page 5, Lines 1-10].

Transfer of Excess Housing Credits [see, Page 10, Line 14]**.** This subsection establishes a mechanism or a "bank" to transfer credits for any excess reserved housing units produced by a developer to another project in Kakaako via an exchange of cash. The provision is flawed and counter intuitive and should be deleted in its entirety for the following reasons.

1. Page 9, Line 21, Section (e) specifies that the "The authority shall not allow the developer of the planned development to make a cash payment to the authority in lieu of developing and making available the reserved housing floor area or units required under this section." This prohibition would contradict the proposal that a development may "substitute" payment to another developer for units that are "owed" by that developer.

2. Page 10, Line 19, Sections (1-7) proposes a rate schedule which runs contrary to conventional wisdom. Without including costs typically associated with land acquisition, construction costs are currently at $300 per square foot regardless of their status as primary or excess units. Setting a transfer of credit fee schedule that is substantially less than the construction cost of a residential unit does not make sense.

3. Even if the rate schedule were amended to more accurately reflect the real cost of construction, the proposed allowance that a developer be allowed to transfer any or all of the reserved housing requirement to another site runs contrary to the principle that planned developments should primarily be inclusionary and include both reserved and market units.

4. This provision only creates a market for a developer with excess units and does not in and of itself increase the supply of reserved housing units developed in Kakaako Mauka.

5. In addition to the reasons cited above, the logistics (staff and record keeping) of establishing such a transfer of credit "bank" would not be worth the effort.

Reference to Area Median Income and Median Income [see Page 6, Line 6 and Page 22, Line 1]**.** For consistency, references within the proposal should reference either area median income or median income. We further suggest that the definition of "median income" [see Page 6, Line 6] not include a reference for "Section 8 housing assistance payment program" as these income requirements are for those families in the lowest portion of the income range. The resulting qualifying income levels might result in housing that does not target work force housing. The housing intended to be produced by a willing developer in Kakaako is a mix of market and work force housing.

Moratorium on accepting applications for planned developments on a lot of at least three acres [see Page 22, Line 14]**.** This section prohibits the HCDA from accepting any applications for planned development or base zone development[1] projects on lots of at least three acres until rules are adopted. While it is clearly within the purview of the Legislature to establish any moratorium or prohibition on accepting applications for planned developments, this would appear to contradict conventional wisdom that during the existing "down" economy, development projects should be encouraged to create economic activities rather than imposing a moratorium on development.

Clarification Required on Increased Reserved Housing Requirement [see Page 7, Line 14].

- The increased reserved housing request applies to lots three acres in size or greater, or lots less than three acres following a subdivision or consolidation that occurs after June 30, 2009 a lot that was three acres or more in size before July 1, 2009. While the language in this section attempts to close any loopholes between 20,000 and 130,679 square feet, we suggest that the increased request apply to lots greater than 80,000 square feet and that for lots from 20,000 to 80,000 square feet the requirement for reserved housing remains at twenty percent.

- The references to "base zone development" should be deleted. Under our current rules, base zone developments are not required to produce reserved housing. The inclusion of such language could create confusion that the reserved housing requirement applies to base zone developments when it is not the intent to do so.

- It is important to recognize that the construction of reserved housing is typically undertaken by a "willing" developer who

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[1] It should be noted that base zone development is for lots under 10,000 square feet. Applying a moratorium to base zone development would stifle, instead of encourage, small lot development.

must already underwrite increased risk in providing both market and reserved housing. This “willing” developer receives no subsidy or incentive from government. An increase in the reserved housing requirement may drive away some developers in the Kakaako area or cause area landowners to bank rather than develop their lands under this mandate. It is also important to note that it is the purchasers of the market units that will have to absorb the increased costs related to meeting this increased requirement and not the developer. This may cause these families who do not qualify for the reserved housing program to be further disenfranchised from entering into the housing market.

Thank you for the opportunity to offer our comments on this proposal.

KAMEHAMEHA SCHOOLS

TESTIMONY TO THE SENATE COMMITTEE ON EDUCATION & HOUSING
AND THE SENATE COMMITTEE ON WATER, LAND, AGRICULTURE, & HAWAIIAN AFFAIRS

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

Hearing Date: Monday, March 23, 2009
3:15 p.m., Conference Room 229

RE: HB 948 HD1 – Relating to Kaka`ako.

To: Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair
Members of the Committee on Education & Housing

Senator Clayton Hee, Chair
Senator Jill Tokuda, Vice Chair
Members of the Committee on Water, Land, Agriculture, & Hawaiian Affairs

Thank you for the opportunity to comment on HB No. 948 HD1.

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. Legislating a prescribed percentage of "affordable" units in specific districts or communities will not accomplish the desired result. To be truly effective, we must find ways to build low-to-gap group housing throughout our state. We believe that a range of strategies will help provide realistic options for many Hawaii residents. We want to engage in constructive dialog with you and key stakeholders and thank you for allowing us to highlight several key issues.

Address the Need for Housing Broadly.

The basis for mandating construction of affordable housing should be tied to market residential units constructed and should be considered on a statewide or at least island-wide basis. We would propose a statewide, coordinated effort to set a maximum level, such as 10 percent of residential units constructed with the opportunity for developers to donate land within the state (or island) in lieu of on-site construction. The governing agencies would have discretion to set the appropriate level depending on market conditions and other considerations. This will result in many more units of affordable housing across the state being built. And it will not inhibit, the way a higher mandated threshold might, construction in Kaka`ako.

Provide Meaningful Incentives - Facilitate Free Award of Development Credits and Trade Between Developers.

Credits for developing affordable housing should to be transferable between developers (across the state or the island) and credits should be granted on a pro-rata basis when developed for residents with a lower median income than required by law or when committed to a longer than statutory period. This will promote construction. Without these kinds of policies, developers find it economically infeasible to construct projects even when land is free or already paid for.

For example, we believe that units designed and offered to residents with income at 70 percent of the average median income should be given double the credits as those offered to residents at 140 percent of average median income. This type of a program serves two important needs: 1) it encourages developers to target more than just the 140% median income populace, thereby creating broader access to affordable housing units and 2) it helps target housing opportunities to greater at risk income categories.

Similarly, the state should be concerned with the preservation of existing affordable housing stock as much as creating new housing stock. Currently, most ordinances require new reserved housing units to remain in the affordable housing pool for a period of 10 years. Since a unit removed from the affordable housing pool exacerbates the need for new units to be constructed, investors and developers should be incentivized to preserve affordable units. One easy strategy is to give twice the credit for an affordable unit dedicated for a 20-year period than a unit dedicated for a 10-year period. Another option is to create legislation that allows owners of existing, older housing product to upgrade and then income restrict their units and sell credit to developers of new housing.

This provides the dual benefit of improving older housing stock that is increasingly in disrepair and preserving affordable housing stock for longer periods, thereby reducing the need to build replacement housing as redevelopment occurs in older communities.

Provide Flexibility.

In the Kaka`ako area, which is so close to many jobs in the Honolulu urban core, the HCDA should be given the flexibility to allow for fewer or even zero parking spaces per unit to lower costs. Some cities set maximum parking limits to encourage more people to use other mobility methods. Rental housing can also provide access to many who might not otherwise be able to afford home ownership.

While many jurisdictions recognize and provide credit for rental housing, they often punish developers of rental housing by establishing lower income threshold exist relative to "for sale" housing. This restricts adding viable units to the market. Across the island and the state such flexibility can promote the development of true affordable housing.

The worldwide economic turmoil has put Hawai`i in a precarious position financially. We commend the State Legislature for seeking ways to stimulate economic activity in our state that also provides housing options for more of our residents and families. Unfortunately, this measure will not accomplish that objective.

THE GAS COMPANY

Stephanie C. Ackerman
Vice President Public Policy & Communication
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March 20, 2009

Testimony for HB948 HD1 Relating to Kakaako.

Aloha Chair Sakamoto, Vice Chair Kidani and Members of the Committee on Education & Housing:

Aloha Chair Hee, Vice Chair Tokuda and Members of the Committee on Water, Land, Agriculture & Hawaiian Affairs:

My name is Stephanie Ackerman, Vice President Public Policy and Communications of The Gas Company. Thank you for the opportunity to provide comments on HB 948 HD1 Relating to Kakaako.

The Gas Company owns and occupies a plot of land of just under three acres at 515 Kamakee Street in the Kakaako mauka area. This site has been our major operations facility for our gas utility business since 1936. This location in metropolitan Honolulu allows us quick access to service our gas customers especially in time sensitive situations and in the event of emergencies.

Since 9/11, as a public utility operating in the United States, we have had to make periodic modifications to our property due to security requirements imposed on us by the U.S. Homeland Security, the U.S. Department of Transportation, and other regulatory agencies.

The proposed statute, if applied to The Gas Company, could severely impact our ability to comply with these requirements as well as maintain urgent safe service to our customers.

The Gas Company appreciates the language that has been added to HB948 HD1 in Section 2 §206E- (a) under “Community service use” (7) which recognizes the public utility obligation.

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

SERVCO PACIFIC INC.

2850 Pukoloa Street · Suite 300 · Honolulu, Hawaii 96819 · Telephone: (808) 564-1300 · Facsimile: (808) 523-3937 · www.servco.com

March 20, 2009

To: The Honorable Norman Sakamoto, Chair, and Committee Members
Committee on Education and Housing

The Honorable Clayton Hee, Chair, and Committee Members
Committee on Water, Land, Agriculture, and Hawaiian Affairs

From: Carol K. Lam/Senior Vice President
Servco Pacific Inc.
2850 Pukoloa Street, Suite 300, Honolulu, Hawaii 96819

Hearing Date: Monday, March 23, 2009 3:15pm

In Opposition to HB 948 HD1, Relating To Kaka'ako

On behalf of Servco Pacific Inc. ("***Servco***"), I submit the following comments in opposition to the adoption of HB 948 HD1 (the "***Bill***").

Servco shares your concern with the shortage of affordable housing in Hawaii. As a landowner and business owner within the Kaka'ako Redevelopment District, we believe affordable housing is a critical issue requiring implementation of prudent and realistic policies, and fair reserved or affordable housing conditions to facilitate development of such housing units. We are committed to working with government agencies to find viable solutions.

The Bill as amended proposes to change the existing reserved housing requirements within the Kaka'ako Redevelopment District by increasing the reserved housing requirement from 20% of the total residential units to 25% of the countable floor area of a development. The countable floor area will include commercial, industrial and resort uses. This change unfairly singles out and imposes on developments within the Kaka'ako Redevelopment District a reserved or affordable housing requirement which is not applicable to anywhere else within the State of Hawaii.

In addition, the Bill does not adequately address the economic viability of construction of reserved housing by the private sector. Kaka'ako is already challenged with high development costs and inflated land prices. If it is not economically viable, the landowners in the Kaka'ako Redevelopment District will not construct reserved housing units in this uncertain environment. This Bill will be a serious deterrent to redevelopment efforts in Kaka'ako and will be contrary to the State of Hawaii's long-term goal of fostering redevelopment, and providing an appropriate reserved housing component in the Kaka'ako District.

The lack of affordable housing and the means of addressing this issue in the current Hawaii marketplace need to be more thoroughly examined. Mandating arbitrary formulas is not the answer. The options and alternatives must be tested in the real world. This is especially critical in light of our local, national and global economic recession. In Servco's view it will require a fair and equitable contribution and involvement from many different stakeholders. The landowners, the housing developers, construction lenders, contractors, government, and the public must all work collectively to increase the supply of reserved or affordable housing units in the State of Hawaii. Unfortunately the current bill, HB 948 HD1, does not accomplish this.

Thank you for allowing us to share our concerns about this Bill with you.

General Growth Properties, Inc.

Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair
Senate Committee on Education & Housing

Senator Clayton Hee, Chair
Senator Jill Tokuda, Vice Chair
Senate Committee on Water, Land, Agriculture & Hawaiian Affairs

Monday, March 23, 2009; 3:15 p.m.
Conference Room 229

RE: HB 948 HD1 Relating to Kaka`ako - Testimony in Opposition

Aloha Chairs Sakamoto and Hee, Vice Chairs Kidani and Tokuda and Members of the Committees:

My name is Jan Yokota, Vice President- Development of the Hawai`i Region for General Growth Properties ("GGP"). GGP **opposes HB 948 HD1 as currently written and proposes amendments for your consideration.**

HB 948 HD1 increases the reserved housing requirement for a development in the Kaka`ako community development district, mauka area, for lots 3 acres or more in area to 25% of the countable floor area of the development. It is our understanding that one of the reasons for the bill was the concern by some with the number of luxury residential high-rise buildings in Kaka`ako as compared with the number of affordable housing projects.

GGP acquired the Ward properties in 2002, which did not include any residential components or luxury high-rise buildings. GGP's portfolio primarily consisted of retail properties at that time, but subsequently GGP also began to develop master planned communities with the acquisition of The Rouse Company and the Howard Hughes Corporation in 2004. GGP embarked on a plan to develop the Ward properties as a mixed use, master planned community, in place of the retail and commercial uses that are now on the property. Through the Ward Neighborhood Master Plan, residential projects will be an essential part of the development planned for GGP's sixty acres in Kaka`ako.

GGP is committed to building the reserved housing that is currently required under the HCDA rules, and agrees that there is a significant need for affordable housing in Hawai`i in general. However, HB 948 HD1, as currently written, does not facilitate the development of reserved housing in Kaka`ako. Instead, the bill places unrealistic economic burdens upon developers in today's economic climate, where there is very limited funding available to finance development projects.

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The Ward Neighborhood Master Plan also includes significant open spaces, public plazas, and gathering places for the community. Although projects could be developed on a piecemeal basis, GGP believes that there will be greater benefits to the community if the area is developed with a long term vision for a true neighborhood organized around public open spaces and gathering places.

HB 948 HD1, as currently written, does not allow GGP to move forward in this direction. GGP respectfully requests that **Section 9 of the bill be amended as follows**:

> SECTION 9. Development within any master plan area pursuant to a master plan approved by the Hawaii community development authority prior to July 1, 2009 ~~Any planned development permit or base zone permit application for any development that is pending on the effective date of this Act~~ shall not be subject to this Act or rules adopted pursuant to section 7 of this Act. The development shall be subject to the laws and rules in effect on the date of the master plan approval ~~permit application~~.

We appreciate your consideration of these amendments. Thank you for the opportunity to testify on this bill.

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<u>COMMITTEE ON EDUCATION AND HOUSING</u>
Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair

March 23, 2009, Committee Hearing
Conference Room 225
2:00PM
House Bill 948, HD1
Relating to Kaka'ako

Chair Sakamoto and Committee Members:

I am offering comment to House Bill 948 HD1.

I am Dexter Okada. As a disclosure, I am a member of the Hawaii Community Development Authority. But I am testifying as 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 am here also representing the Kaka'ako Business and Landowners Association, a group of small businesses and small landowners located in Central Kaka'ako.

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. Flexibility and creativity are keys to the revitalization. Inclusion of small businesses and 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. In our economy, we need more jobs not less.

HB948, HD1 states "…it is not the intent of the legislature to hamper the development of smaller landholdings …". This is achieved on page 7 by stating that the development lot has to be three acres or greater. But, as this bill moves through the legislature, there will probably be amendments. Please be careful of the unintended consequences of amendments. If amendments have to be made, please be sure that small properties and industrial and commercial use are excluded.

The problem is in the wording, so perhaps an easier way would be to exclude from the bill the Central Kaka'ako area. This area can be defined by Hawaii Community Development Authority's proposed Central Kaka'ako Small Business Precinct. The borders of this area are Cooke Street, Ilaniwai Street, Queen Street, Waimanu Street, Piikoi Street, Hopaka Street, and Waimanu Street.

The redevelopment of Kaka'ako is a difficult task and the housing problem is also a difficult. The solution has to be creative. The process has to be cooperative.

Thank you,
Dexter Okada
President
U. Okada & Co., Ltd.

CUNA MUTUAL GROUP

March 20, 2009

To: The Honorable Norman Sakamoto, Chair and Committee Members
Committee on Education and Housing
The Honorable Clayton Hee, Chair and Committee Members
Committee on Water, Land, Agriculture and Hawaiian Affairs

From: Daniel J. Larson
Director
MEMBERS Capital Advisors/CUNA Mutual Group
5910 Mineral Point Road
Madison, WI 53705
(Owner of 600 Kapiolani Boulevard, Honolulu, HI - TMK # 210460020000)

Bill Number: HB948 HD 1
Hearing Date: Monday, March 23, 2009, 3:15 pm

In Opposition to HB948 HD 1

On behalf of CUNA Mutual Group, owners of the property located within the Kakaako Redevelopment District at 600 Kapiolani Boulevard, Honolulu, HI (TMK # 210460020000), I submit the following comments in opposition to the adoption of HB948 HD 1 ("Bill").

While we recognize the need for affordable housing and we support finding workable solutions to create additional affordable housing, we feel strongly that the Bill will do just the opposite. The proposed changes, as currently proposed, will make it extremely difficult to build new housing projects in the Kakaako District.

Raising the reserve housing requirement to 25% of the floor area of every planned building on lots of 3 acres or larger will put properties within the Kakaako at a competitive disadvantage to other properties outside the Kakaako and will potentially stop many redevelopment efforts in the area. This is contrary to the State of Hawaii's long term goal of fostering redevelopment efforts in the Kakaako. We strongly urge you to keep the affordable housing requirement at 20% of the number of dwelling units.

CUNA Mutual Group urges the committee to defer action on HB948 HD 1 and instead examine other options that are more equitable to land owners and more effective in providing affordable housing.

Thank you for providing us with the opportunity to share our concerns about this Bill.

JN Group, Inc.

fka WHOLESALE MOTORS, INC. ESTABLISHED IN 1961
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JN Automotive Group
JN Chevrolet
JN Mazda
Audi of Hawaii
Ferrari of Hawaii
Maserati of Hawaii
Lamborghini Hawaii
Bentley Honolulu
JN Lotus
La Collezione Nicolai
JN Car and Truck Rentals
JN Leasing
JN Advertising
JN Development

March 17, 2009

To: Senator Norman Sakamoto, Chair and Committee Members
Committee on Education and Housing

Fax: 586-6659

Email: EDHTestimony@Capitol.hawaii.gov

From: Joseph P. Nicolai, President
JN Group, Inc.

Hearing Date: Monday, March 23, 2009 2:00 p.m.

Opposition to HB948 HD1, Relating to Kakaako

We own the ewa corner of Kapiolani Blvd. and Ward Avenue consisting of approximately 80,000 useable square feet. Initially, it was staged for a World Trade Center (WTC) Tower wrapped with automotive showrooms. Due to our proximity to HECO, Department of Homeland Security rules resulting from 9-11 for sensitive sites added unacceptable costs and customer inconvenience.

The property is now staged to be a condo tower wrapped with ten (10) automotive showrooms and the bottom four (4) levels commercial space with a sustainable design platform. First option on the condos will be for our employees, many of which are in the moderate income category. This would help achieve our goal of live, work, and play on site in a sustainable design development. This concept eliminates a minimum of 300 cars daily now traveling from home to work and more than 1,000 barrels annually of imported oil.

Our residential utility cost average in Hawaii is 28.27 cents per kilowatt hour, nearly three (3) times the national average of 10.31 cents per kilowatt hour. Based on prior utility expense data, utility expense in fifteen (15) years for a two (2) bedroom condo could be close to $1,000.00 monthly. What is the point of subsidizing housing if the occupant cannot pay the light bill? This is tantamount to building a roof and walls without a foundation.

The sustainable design platform for our Kakaako project deals with this foundational issue. As evidenced by the three (3) sustainable design projects we have completed, the last being our Airport Harley-Davidson facility, this is not pie in the sky theory. We have proven it can be done and are ready to do so on a much larger scale on our Kakaako property. However, we cannot do so if HB948 HD1 passes, simply because no one can afford to do both. Sustainable design helps cure the foundational issues Hawaii needs to deal with but it is expensive to implement — primarily because of scale.

If HB948 HD1 passes, our property value (and property taxes to C & C) would be reduced by at least 50%. We would have to reduce employment and limit our project to one new vehicle dealership with no employee housing and incorporate on a much smaller scale some sustainable design components.

If subsidized housing as set forth in HB948 HD1 is a viable remedy, the City and State has sufficient land inventory in Kakaako for development. As an example, there is 77,000 SF of well manicured open land available for low cost housing on City land at the corner of Kapiolani and Ward directly across the street from our property.

Why must small business sustainable design projects such as ours be destroyed simply because the City and State are unwilling to use their Kakaako land for subsidized housing?

JPN

JPN/clt

WATERHOUSE

March 20, 2009

Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair
Committee on Education and Housing
State Capitol, Room 225
Honolulu, HI 96813

RE: **HB948, HD1 Relating to Kakaako**

Dear Chair Sakamoto and Vice Chair Kidani and Members of the Committee:

As the President of Waterhouse, Inc., I am respectfully writing to voice our concern over **HB948, HD1** Relating to Kakaako. To be clear, we oppose any new, more onerous reserve housing requirements for Kakaako but **support this bill's recognition of small landowners who own lots of three-acres or less** by exempting them from the impact of this bill.

Waterhouse is a small land and business owner in Kakaako and has been for more than 35 years. We currently lease our Kakaako commercial real estate to over 50 businesses. We are also active members of the Kakaako Improvement Association. In short, we are and have been long-time stakeholders in Kakaako and we hope to one day redevelop our small property.

While we support affordable housing in Kakaako, we **oppose** any changes to the existing reserved housing requirements for small landowners on the grounds that the additional reserved housing requirement will do nothing more than effectively place a moratorium on redevelopment in Kakaako. As I hope you can appreciate, any redevelopment by a small landowner will be an enormous undertaking requiring great risk. There must be reasonable inducement to take on such risk. Without exempting small landowners who own three-acres of less, this bill would further erode what little inducement there already is for us to redevelop our property. The reality for the small landowner is that without sufficient incentive to redevelop, we will not risk the capital to do so and without redevelopment the State will not accomplish its desired affordable housing goals.

We respectfully urge the Committee to recognize the catastrophic impact any changes to the current redevelopment requirements would have on small landowners in Kakaako.

Respectfully submitted,

Scott Whiting

Scott D. Whiting
President

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3/23/09

The Honorable Senator Clayton Hee, Chairperson
Committee on Water, Land, Agriculture & Hawaiian Affairs

The Honorable Senator Norman Sakamoto, Chairperson
Committee on Education & Housing

The Honorable Senator Brian Taniguchi, Chairperson
Committee on Judiciary & Government Operations

Hawaii State Capitol, Room 229
415 South Beretania Street
Honolulu, Hawaii 96813

RE: HB 948, HD 1 RELATING TO KAKAAKO—Monday, March 23, 2009, 3:15 PM, Room 229

Dear Chairs, Vice Chairs, and Committee Members:

My name is Kirt Pruyn, and I am the Manager of Business Development & Community Relations for Hawaiian Dredging Construction Company.

SUPPORT FOR AFFORDABLE HOUSING & CONSTRUCTION JOBS

Hawaiian Dredging strongly supports increasing the supply of affordable housing in the State—including Kakaako. We employ hundreds of Hawaii's citizens, and we urge the increase in the supply of homes that are affordable to Hawaii's people.

We also need projects and jobs for our employees. Our industry—Hawaii's third largest—has been greatly impacted by this severe economic downturn. Thousands of workers have been laid off. Many projects have been sidelined. Financing has dried up.

<u>We believe that wise legislation on your part can make progress on both fronts—housing and jobs. It's a two for one….a classic win-win. There's a great opportunity here.</u>

DOWN CYCLES ARE THE TIME TO BUILD AFFORDABLE HOUSING

Down cycles can be an excellent time to build affordable homes because demand for expensive projects disappears. The last economic downturn lasted eight years from 1993 to 2001. During that difficult time, we built thousands of affordable homes in the Ewa plane for Shuler, Gentry, and others.

<u>We also built hundreds of affordable units in Kakaako and Makiki high-rises.</u>

A DEVELOPMENT SCENARIO

Consider this scenario: You are a developer or landowner in a down market…. Project opportunities have disappeared…. However, strong demand remains for affordable housing product…. In a Kakaako situation, you have a mandated percentage requirement to produce affordable housing whenever you undertake a project….

If you build it now…when nothing else is viable…and when construction costs are down… you satisfy your housing requirement for a future project that can be built when the market improves…. And this future project could earn a higher return because the land values would have risen, in part because the affordable housing preconditions would have already been met….

So…Phase 1: Build the affordable component now… Phase 2: Build the expensive project later.

DOWN CYCLE COULD LAST

It could be many years before the economy can recover. It took eight to ten years to recover from the Japanese Bubble downturn of the Nineties….and this downturn is possibly worse and certainly on a global scale.

KAKAAKO

For decades, the guiding principle of Kakaako has been live—work—play for our residents…. Let's see more local people living in Kakaako.

Mahalo for your time and concern.

Aloha,

Kirt Pruyn
Manager, Business Development & Community Relations
808-735-7411

IRONWORKERS STABILIZATION FUND

Honorable Senator Norman Sakamoto, Chair; Clayton Hee, Chair & Brian Taniguchi, Chair
Members of the Senate Committee on Education and Housing; Water, Land, Agriculture and Hawaiian Affairs; Judiciary and Government Operations
Hawaii State Capital
415 South Beretania Street
Honolulu, HI 96813

RE: IN SUPPORT OF HB948 HD1, RELATING TO KAKAAKO
Hearing: Monday, March 23, 2009

Dear Chairs Sakamoto, Hee, & Taniguchi and the Senate Committees on Water, Land, Agriculture and Hawaiian Affairs; Education and Housing; Judiciary and Government Affairs:

The Ironworkers Stabilization Fund Local 625 SUPPORTS with amendments the passage of HB948 HD 1, which increases the reserved housing requirements for the Kakaako development district.

We believe this bill will assist the economy through the increase of construction in Hawaii and especially the Kakaako district. It is our belief that during these tough economic times that nobody will buy luxury condos, however; affordable housing is a sector that everyone needs.

Additionally we support this bill with the following changes:

I) The 80,000 sq ft. exclusion should be reduced to an I-acre exclusion from the increase in affordable housing requirements because landowners or developers can subdivide their larger land parcels below the 3-acre threshold to circumvent the increased affordable housing requirement;

2) Alternative substitutions in satisfying the affordable housing requirement outside of Kakaako should not be allowed;

3) All Master Plan approvals granted by HCDA, like the General Growth Properties Master Plan by HCDA, needs to comply with the increased affordable housing requirements in Kakaako;

4) Provide for Housing Credits for any additional affordable housing above the minimum; and

Thank you for the opportunity to submit this testimony in support of HB948 HD1 with the proposed changes.

HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO
GENTRY PACIFIC DESIGN CENTER, STE. 215A • 560 N. NIMITZ HIGHWAY, #50 • HONOLULU, HAWAII 96817
(808) 524-2249 • FAX (808) 524-6893

March 22, 2009

Honorable Senator Norman Sakamoto, Chair
Honorable Senator Michelle Kidani, Vice Chair
Members of the Senate Committee on Education and Housing
Honorable Senator Clayton Hee, Chair
Honorable Senator Jill N. Tokuda, Vice Chair
Members of the Senate Committee on Water, Land, Agriculture, and Hawaiian Affairs
Hawaii State Capital
415 South Beretania Street
Honolulu, HI 96813

RE: **IN SUPPORT OF HB 948, HD1**
RELATING TO KAKAAKO
Hearing: Monday, March 23, 2009, 3:15 p.m., Room 229

Dear Chair Sakamoto, Vice Chair Kidani and the Senate Committee on Education and Housing, Chair Hee, Vice Chair Tokuda and the Senatte Committee on Water, Land, Agriculture, and Hawaiian Affairs:

For the Record my name is Buzz Hong the Executive Director for the Hawaii Building & Construction Trades Council, AFL-CIO. Our Council is comprised of 16-construction unions and a membership of 26,000 statewide.

The Council SUPPORTS the passage of HB 948, HD1 that increases the reserved housing requirement for a development in the Kakaako community development district, mauka area, for lots 3 acres or more in area to 25% of the countable floor area of the development.

Thank you for the opportunity to submit this testimony in support of HB 948, HD1.

Sincerely,

W. Hong/dg

William "Buzz" Hong
Executive Director

WBH/dg

To: Senator Norman Sakamoto
Chair of Education and Housing
Hawaii State Capitol

Via: EDHTestimony@capitol.hawaii.gov

From: Marshall Hung, President of Marshall Realty, Inc.
Momi Cazimero
Ken Matsuura

Re: In Support of Increasing of Affordable Housing in Kakaako, House Bill 948, H.D. 1

Economic Recession Ahead

Never has it been more critical for Hawaii's political leaders to be proactive in creating new construction jobs.

Over the last 30 years (1982 - 2009) the State government invested more than $500 million in the Kakaako Redevelopment Neighborhood Plan that is now "shovel ready." This transformed a once blighted area into a high-density infrastructure neighborhood for new high-density buildings. In this economic downturn, the Legislature has a moral and legal obligation to validate the taxpayer's investment in carrying out the Kakaako Plan.

Percentage Increase of Affordable Housing

The current 20% of residential unit requirement for "public housing" and 75% affordable housing policy of the 1976 Legislation have produced only 2,000 affordable housing units with most of this housing being developed on State owned land by the State Government. Unfortunately, HCDA and the Legislature did not deliver on the intent of the Redevelopment of Kakaako by fostering development of affordable housing by private landowners who benefited from the taxpayer's investment. While a specific timeframe was not established, characteristically redevelopment plans are not expected to stretch beyond 30 years. Furthermore, unless the current Kakaako Legislation directs the necessary increase of affordable housing, without loopholes, it is likely that the redevelopment of Kakaako will sit idle for the next ten years.

Financing During this Recession

Government financing, corporate financing such as Disney and Private financing for Affordable Housing are the only probable sources of capital available for new construction in Hawaii. Lack of market demand and decreasing real estate valuations will not encourage developments of hotels, time shares, retail, office, industrial and luxury apartments. However, Hawaii banks will still provide financing for urban core affordable housing because of its unmet demand. Public financing can develop rental housing for the 60% to 80% of median households. However, the State Government funds should be leveraged with the Federal/State tax credit programs with private sector funding during this economic recession. Private financing can develop for sale and rentals for the 100% to 140% of median income households. Fortunately for the construction industry, Kakaako is an urban core neighborhood that is "shovel ready" with a strong market demand for affordable housing.

Feasibility of New Affordable Projects

In the 2008 Legislature session, a graph was presented to illustrate the large cost and profit differences between the luxury residential/commercial high-rise and affordable high-rise buildings. (Attached is a PDF formatted copy for your review.) The luxury product with its central air system, luxury product finishes and many amenities add up to approximately $500 per square foot. The affordable product with its more basic finishes, smaller room sizes and fewer amenities are approximately $300 per square foot. With the drop of private construction projects in Hawaii, construction costs are decreasing. Today, if landowners issued RFP's to sell a parcel of land in Kakaako at $100 per square foot, the major high-rise developers from Hawaii and probably a few from California would consider purchasing those lands to develop affordable housing that can meet the HCDA requirements in Kakaako.

Fulfilling Requirements plus Creating Jobs and Opportunities

If the foregoing actions are taken now by the ***Major Landowners*** (KS and GGP) they can fulfill their affordable housing requirement. This will free the remainder of their lands, and position them for better economic times, when they can return to luxury residential and commercial projects that can generate higher returns.

Large Landowners (i.e. over 20,000 sq. ft.) in Kakaako can sell their lands at $100 per square foot to affordable housing developers and participate with them in selling the excess affordable housing credits to luxury residential or commercial developers or to the ***Major Landowners*** (GGP and Kamehameha Schools) to meet their respective HCDA requirements.

The redevelopment of Kakaako cannot afford to sit idle through this economic recession - when it can create construction jobs that are sorely needed at this time. Nobody wins, if everybody loses.

If the affordable housing legislation is passed at a 50% requirement 30 new construction projects will be the optimum possible for development. Each new construction project has the potential of creating 300 construction jobs for 18 months. (See attached PDF formatted chart.) The chart also shows that if the requirement is reduced to 25%, the new construction possible optimum is reduced in half to 15.

If the General Growth Master Plan approved by HCDA lands is exempted from compliance with the new legislation, the new construction project count is further reduced to 12. If the Legislature exempts ***Large Landowners*** (i.e. over 20,000 square feet) by their land size from complying with the increased requirements, the new construction project count could drop to 8. With this optimum amount at 8, actual construction will be 5 new developments or 1,250 affordable housing apartments from the remaining private landowners because of the inherent hurdles for all new development in Honolulu.

Big Picture Conclusions

If the Legislature does not have the political will to enforce the percentage increase on the Large Landowners from 20,000 sq. ft. to 80,000 sq. ft. (or 20,000 sq. ft. to 3 acres) it will mean that approximately 60% to 75% of all Mauka Kakaako lands will have no new affordable housing developments. All of these Large Landowners will repeat what occurred over the last 30 years in Kakaako. These carve-outs for Large Landowners create loopholes for subdividing down the land square footage to lessen the percentage requirement for affordable housing. The selfish interests of a few will have trumped the "betterment of the community."

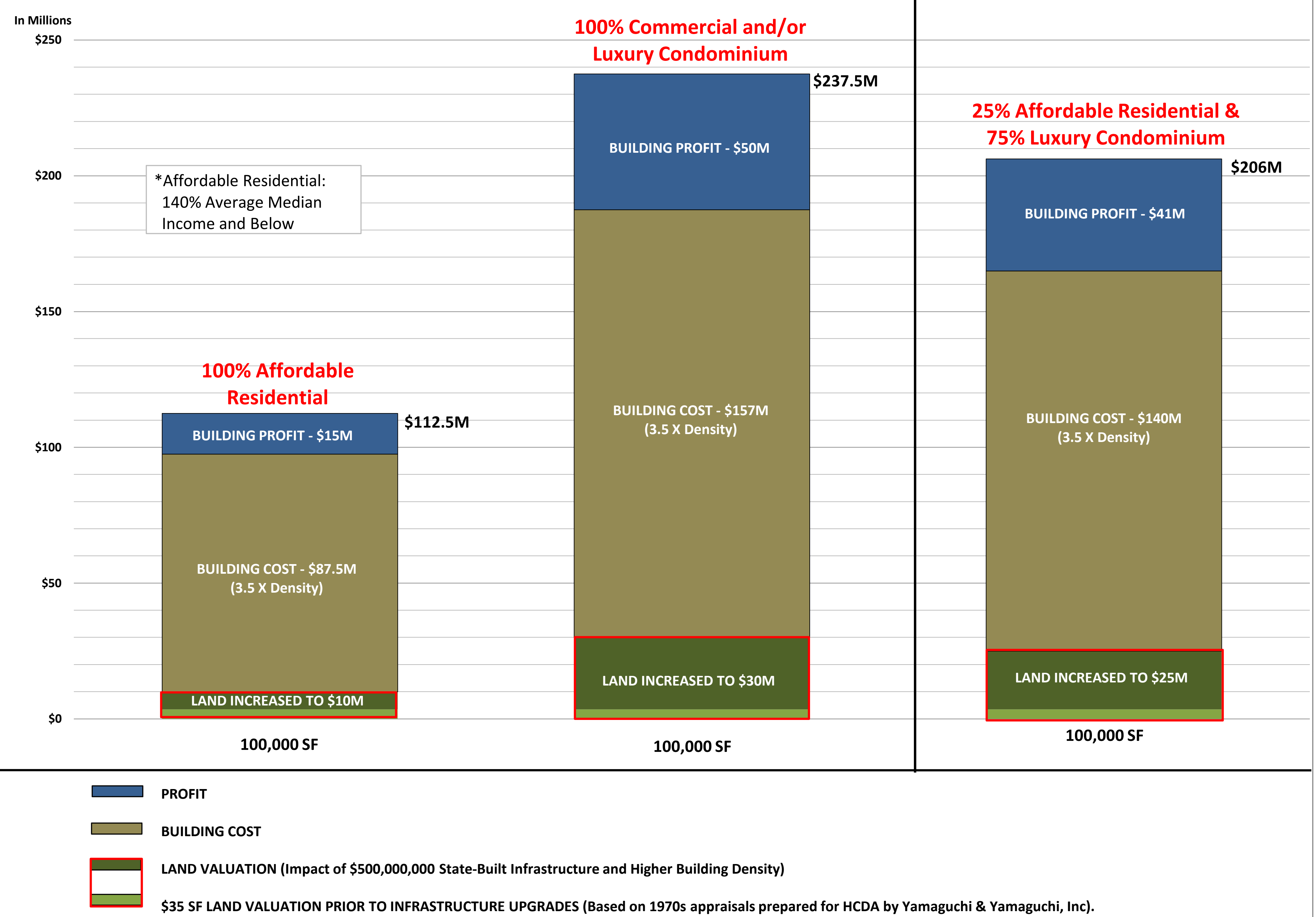
If the Legislature does not have the political will to increase the percentage amount in 10 years by a higher amount (i.e. 25% to 35% after 10 years), there is no incentive to motivate new development during this economic recession. Construction job loss increasing from 9,000 unemployed in 2009 to 20,000 in five years is at risk.

We pray that the Legislature utilizes Kakaako as the economic stimulus for the hard times ahead. Land, sewage treatment, garbage disposal and water are becoming finite in Honolulu. Should not at least 50% of the State Government's Redevelopment Neighborhood (Kakaako) be occupied by resident families that make $100,000 and less? This group represents 80% of all working families in 2008.

Mahalo for your attention.

Comparison of a Kaka'ako Development with Same Size Building Density... Same Size Land Area... Different Costs... and Different Profits.
(100% Affordable* vs 100% Commercial/Luxury)

Impact of 25% Affordable Residential.* Graph Depicts Concept of Proposed Bills - SB #2294 and HB #2732.



Disclosure: These graphs illustrate the importance of the State of Hawaii's infrastructure expenditures and upgrades. The graphs represent concepts that suggest the proportions applicable for developments which could vary with market conditions.

Mauka - Kaka‘ako Affordable Housing Estimations / Possible Optimum / 60 - 70% Probable Actual Development

March 11, 2009

Landowners	**20%** Of Residential Units	**20%** of Residential Floor Area	**25%** of Residential Floor Area	**25%** of Commercial Floor Area	**50%** of Residential/Commercial Floor Area
1) **SMALL** 20,000 SqFt and Less	(Excluded)	(Excluded)	(Excluded)	(Excluded)	(Excluded)
2) **LARGE** 20,000 SqFt to Less than 80,000 SqFt	250 Apartments (1 bldg.)	300 Apartments (1 bldgs.)	375 Apartments* (2 bldgs.)	375 Apartments* (2 bldgs.)	1,500 Apartments (6 bldgs.)
3) **MAJOR (Only 2)** 40 to 50 Acres	1,000 Apartments (4 bldgs.)	1,200 Apartments (5 bldgs.)	1,500 Apartments* (6 bldgs.)	1,500 Apartments* (6 bldgs.)	6,000 Apartments (24 bldgs.)
TOTAL	**1,250** Residential Units	**1,500** Residential Units	**1,875** Residential Units	**1,875** Residential Units	**7,500** Residential Units

Footnote:
*Assuming half of landowner developments are residential projects.

KENNETH T. MATSUURA
215 N. King Street, Suite 1000
Honolulu, Hawaii 96817
Phone (808) 526-2027 Fax (808) 526-2066

March 20, 2009

SUPPORT BILL PASSAGE
WITH CHANGES

Senator Norman Sakamoto
Chair, Housing and Education
Hawaii State Capitol
415 South Beretania Street, Room 230
Honolulu, Hawaii 96813

Dear Senator Sakamoto:

Attached is my testimony in support of House Bill 948, H.D.1.

Mahalo for your consideration and support for more affordable housing in Kakaako and for creating jobs in the construction industry to help counteract jobs being lost due to the current economic downturn.

Best Regards and Aloha,

Kenneth T. Matsuura
Hawaii Resident for more
Affordable Housing in Kakaako

Attachment

Via: EDHTestimony@capitol.hawaii.gov

Re: Testimony in Support House Bill 948, H.D. 1

We support this Bill, however, we would like to request that this Bill be modified to *mirror* Senate Bill 1350, S.D.2 which was sent to the House on crossover with the following amendments to Senate Bill 1350, S.D. 2:

1) Section 1 (b) on page 4, should be amended as follows: "The countable floor area of each planned development shall be developed as and made available for reserved housing units as follows:

Reserved Housing	Land Area
0%	0 - 19,999 square feet
20%	20,000 - 39,999 square feet
25%	40,000 - 79,999 square feet
30%	80,000 - 99,999 square feet
35%	100,000 - 199,999 square feet
40%	120,000 - 120,999 square feet

provided that after ten years from the effective date of Act ____, Session Laws of Hawaii 2009, each percentage shall be increased by five percent unless the legislature determines that there is adequate reserved housing in Kakaako. A project that has a building permit and obtains its certificate of occupancy prior to twelve years after the effective date of this Act shall use the percentage that is not increased. The developer of.... "

2) Section 1 (c) on page 5 should be changed as follows: "For properties of less than 20,000 square feet the reserved housing requirements shall not be applicable."

3) Section 1 (d) should be deleted on page 5 and should be changed as follows: "The authority shall not allow the developer of the planned development to make a cash payment to the authority in lieu of developing and making available the reserved housing floor area or units required under this section; provided that this subsection shall not apply if fractional units are created."

4) Section 6 (a) delete 80,000 square feet and change to 20,000 square feet or more.

5) Section 6 (b) delete 80,000 square feet and change to 20,000 square feet.

Mahalo for considering this request as it would simplify matters if House Bill 948, H.D.1 and Senate Bill 1350, S.D.2 as amended would mirror each other to facilitate agreement between the House and Senate on a Bill that could pass. Also, this amended Senate Bill 1350, S.D.2 will go a long way to increase affordable housing in high demand Kakaako and create sorely needed construction jobs during this downturn in the economy.