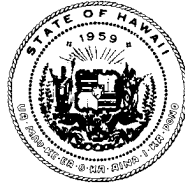


SB1119

Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the
SENATE COMMITTEE ON EDUCATION AND HOUSING

February 9, 2009 1:15 p.m.
Room 225, State Capitol

In consideration of
S.B. 1119
RELATING TO AFFORDABLE HOUSING.

The Hawaii Housing Finance and Development Corporation **supports S.B.1119**, which authorizes the HHFDC to transfer development rights and credits to enhance affordable housing development. We believe that this would be an important incentive for affordable housing development.

Thank you for the opportunity to testify.



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAOKO
KALAELOA

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STATEMENT OF

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

BEFORE THE

SENATE COMMITTEE ON EDUCATION AND HOUSING

Monday, February 9, 2009

1:15 P.M.

State Capitol, Conference Room 225

S. B. 1119 – RELATING TO AFFORDABLE HOUSING.

Purpose: This measure provides incentives for the production of affordable housing by authorizing the Hawaii Housing Finance and Development Corporation and the Hawaii Community Development Authority (“HCDA”) to transfer development rights and credits; requires conditions to be established by rule.

Position: While the HCDA supports the intent of this proposal, we offer comments with respect to the viability of a Transfer of Development Rights (“TDR”) mechanism being effective in the Kakaako Community Development District.

A TDR program allows development rights to be transferred among willing landowners. The concept of a transferring development rights suggests that property rights and the development of a property includes more than just the land and building. TDR contemplates that property rights, such as height and density, can be severed from the land and bought and sold among willing landowners. The selling landowner is referred to as the “sending site” and the buying landowner is referred to as the “receiving site”.

TDR programs create a market in “unwanted” and “wanted” development rights. Typically, the landowner of the sending site has transferrable development rights that he/she desires to sell and the landowner of the receiving site wishes to receive additional development rights above and beyond the area’s baseline zoning. The landowner of the selling site receives compensation for the development rights and a document is recorded as a covenant against the land noting the transfer of such development rights. Conversely, the landowner of the receiving site records a document as a covenant against the land noting the receipt of the development rights.

Developing affordable housing with the transferred development rights. The measure contemplates that affordable housing will be developed at the receiving site with the transferred development rights. This would require that the transfer of the development rights be conditioned on building affordable housing at the receiving site.

More, rather than less, administration and coordination is required for TDR programs. While the transfer of development rights to a receiving site for the purpose of building affordable housing is laudable, we offer the following comments regarding the administration of such a program:

- A single bank, rather than several banks, should be established as accounting for the credits could be difficult if several banks are established.
- The agency that has regulatory jurisdiction over the receiving site would have to agree to the transfer as the transfer of the development rights will likely create additional density and development over the baseline zoning.

- On the sending site side, property owners must be motivated to sell development rights.
- On the receiving site, there must be a demand for development rights or incentives must be created to encourage developers to buy such rights.
- The development rights must be treated as “currency” so the value of the currency must be established.

Lack of an Appropriate Sending Sites or District. The HCDA does not administer lands which might qualify as an appropriate sending site or district. Given the high value associated with land within the urban core of Honolulu, Kakaako would make an ideal “receiving” district. Developers would be motivated to receive greater density, height or other development rights.

The Kalaeloa Community Development District would also not qualify as a sending site or district. The objective for Kalaeloa is redevelopment of a former Naval Air Station and reinvention as a vital growing community and a center of excellence.

TDR programs require buy in from the affected communities. Communities in the receiving site/area may not be willing to accept higher densities, especially if they perceive higher density development as negatively affecting property values and the quality of life. If the TDR is intended to be used for affordable housing, the community might perceive that “projects” are being created. Public outreach, education, and other efforts will be needed to educate the affected communities about the pros and cons of a TDR program.

Similarly, the community must embrace and support the objective that the current level of development within the sending site or district is appropriate and that further activity should be shifted elsewhere. The lack of a known and accepted sending site or district would severely handicap the viability of this TDR bank.

While the HCDA understands the potential benefits for creating a TDR mechanism within the State of Hawaii, the location of the sending site or district needs to be identified and supported by the greater community before further action is taken.

Thank you for the opportunity to submit this testimony.



SB 1119 Relating to Affordable Housing
Senate Committee on Education and Housing

February 9, 2009
225

1:15 pm

Room

The Office of Hawaiian Affairs **support** the purpose and intent of SB 1119.

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. However, Hawaiian households would be willing to accept a multi-family dwelling if a single family dwelling was not available in their price range. Until then Hawaiians are more likely to be renters.

The pressure on government to provide solutions for more affordable rental and for sale units has not ceased. The purpose of this bill will provide an option to HHFDC and the HCDA agencies to keep the developments going forward. These agencies and developers need the tools to provide the inventory. Please provide the support.

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.

Mahalo nui loa for the opportunity to provide this testimony.



KAMEHAMEHA SCHOOLS

Testimony to the Senate Committee on Education and Housing
Hearing Date: Monday, February 9, 2009
1:15p.m. – Conference Room 225

Paul Quintiliani
Director, Commercial Assets Division
Kamehameha Schools

Thank you for the opportunity to comment on SB No. 1119.

Kamehameha Schools **supports 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.

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

Credits for developing affordable housing should to be transferrable 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.

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