HAWAII COMMUNITY DEVELOPMENT AUTHORITY

KAKAAKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
Executive Director

677 Ala Moana Boulevard
Suite 1001
Honolulu, Hawaii
96813

Telephone
(808) 587-2870

Facsimile
(808) 587-8150

E-Mail
contact@hcdaweb.org

Web site
www.hcdaweb.org

STATEMENT OF

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

BEFORE THE

SENATE COMMITTEE ON JUDICIARY AND GOVERNMENT OPERATIONS

Thursday, February 26, 2009

9:00 A.M.

State Capitol, Conference Room 016

S. B. 1350, S. D. 1 – RELATING TO KAKAAKO.

Purpose: Among other elements, this measure increases from 20% to 50% the reserved housing requirement for a planned development on a lot of at least 80,000 square feet in the Kakaako Community Development District, Mauka Area.

Position: The Hawaii Community Development Authority ("HCDA") acknowledges the severe shortage of reserved housing units in urban Honolulu and offers the following **comments** on the construction of the proposal:

1. **Stated Definition of Countable Floor Area is Problematic** [see Page 4, Line 7]. 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 15% 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.

2. **The increased requirement should not apply to projects proposing only industrial and commercial activities** [see Page 1, Line 10]. 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.

   Residential and industrial activities of any size or consequence are not generally seen as compatible uses. While this draft tries to exempt "industrial uses" from the "countable floor area [see Page 4, Line 6], it is still unclear whether the increased requirement applies to development proposing only commercial, industrial or resort 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.

   Therefore, we suggest that in the interest of clarity, the increased requirement apply only to developments proposing to develop multi-family dwelling units [see Page 6, Line 11].

3. **Definition of "industrial uses"** [see Page 5, Line 1]. The definition of industrial use should be deleted as it is not

necessary. Countable floor area, as mentioned earlier, should be based on residential floor area.

4. **Definition of "median income"** [see Page 5, Line 3]. This section includes a reference to "Section 8 housing assistance payment program". Current HCDA rules use area median income as the income benchmark and we suggest using the same language. Area median income is approximately $77,000 for a family of four.

5. **Moratorium on accepting planned development applications will inhibit economic activity** [see Page 18, Line 1]. This section prohibits the HCDA from accepting any applications for planned development projects on lots of at least 80,000 square feet 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 pursue economic activities rather than imposing a moratorium on development.

6. **Clarity on planned development applications for parcels 20,000 square feet to 43,599 square feet** [see Page 1, Line 12 and Page 18, Lines 11-19]. On Page 1 of this proposal, it is acknowledged that for planned development on lots of at least 20,000 square feet, the reserved housing requirement is 20%. However, on Page 18, it would appear that planned developments on lots between 20,000 square feet to 43,599 square feet are not allowed until the HCDA's rules are updated. As this specification contradicts the spirit and the intent of the proposal, the accuracy of this section should be reviewed.

7. **Clarity on planned development with multi-family dwelling units on a lot between 20,000 square feet and 43,500 square feet** [see Page 7, Line 11]. There is a potential gap for planned development between 43,600 square feet and 80,000 square feet. It should be made clear that for lots between 20,000 square feet and 79,799 square feet containing multi-family dwelling units, the reserved housing requirement is 20%.

In proposals seeking to increase the reserved housing percentage, it is important to recognize that the construction of reserved housing is typically undertaken by a "willing" developer who 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 from the Kakaako area or cause area landowners to "bank" rather than develop their lands while this mandate is in place. Please 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 provide comments on this proposal.

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

February 26, 2009

Honorable Senator Brian T. Taniguchi, Chair
Honorable Senator Dwight Y. Takamine, Vice Chair
Members of the Senate Committee on Judiciary and Government Operations
Hawaii State Capital
415 South Beretania Street
Honolulu, HI 96813

RE: **IN SUPPORT OF <u>SB 1350, SD1</u>**
Relating to Kakaako
Hearing: Thursday, February 26th, 2009, 9:00 a.m., Room 016

Dear Chair Taniguchi, Vice Chair Takamine and the Senate Committee on Judiciary and Government Operations:

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 <u>SB 1350, SD1</u> which increases the reserved housing requirement for a planned development on a lot of at least 80,000 square feet in the Kakaako community development district, mauka area.

Thank you for the opportunity to submit this testimony in support of <u>SB 1350, SD1</u>.

Sincerely,

W. Hong

William "Buzz" Hong
Executive Director

HAWAIIAN DREDGING
CONSTRUCTION COMPANY

P.O. Box 4088
Honolulu, HI 96812-4088
Phone: (808) 735-3211
Fax: (808) 735-7416

2/26/09

The Honorable Senator Brian Taniguchi, Chairperson
Judiciary and Government Operations Committee

Hawaii State Capitol, Room 016
415 South Beretania Street
Honolulu, Hawaii 96813

RE: SB 1350, SD 1 RELATING TO KAKAAKO—Thursday, Feb 26, 2009, 9:00 AM, Room 016

Dear Chair, Vice Chair, and Committee Members:

My name is Kirt Pruyn, and I am the Manager of Business Development & Community Relations for Hawaiian Dredging Construction Company. Founded in 1902, Hawaiian Dredging is Hawaii's largest and oldest full-service general contractor, currently employing over 700 employees.

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.

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.

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. We also built hundreds of affordable units in Kakaako and Makiki high-rises.

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... 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...and at a time when construction pricing was lower....

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

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

February 25, 2009

To: The Honorable Brian T. Taniguchi, Chair
and Committee Members
Committee on Judiciary and Government Operations

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

Hearing Date: Thursday, February 26, 2009, 9:00 am

In Opposition to SB 1350 SD1, Relating To Kakaako

On behalf of Servco Pacific Inc. ("*Servco*"), I submit the following testimony in opposition to the adoption of SB 1350 SD1(the "*Bill*").

The lack of affordable housing in Hawaii is a serious concern that we need to address. However, mandating an arbitrary formula -- while simple -- will not solve the problem. As an owner of property located within the Kaka'ako Redevelopment District, Servco supports a rational, reasonable, balanced, and fair reserved or affordable housing requirement to the development of residential lands in the State of Hawaii. As a third-generation family company, Servco is committed to working with government housing agencies to encourage such development.

The Bill as amended proposes to change the existing reserved housing requirements within the Kakaako Redevelopment District by increasing the reserved housing requirement from 20% of the total residential units to 50% of the countable floor area of a planned development. The countable floor area would include commercial and resort uses. This is a radical and unilateral change. Such a change would unfairly single out and impose on developments within the Kaka'ako Redevelopment District a reserved or affordable housing requirement which is not applicable anywhere else within the State of Hawaii.

More importantly, the Bill does not adequately address the economic viability factor. If it is not economically viable for the private sector to construct reserved housing units, such units will not be built. In addition, it puts an unfair burden on the private landowners in the Kaka'ako Redevelopment District, and will be a serious deterrent to redevelopment efforts in this area. This is contrary to the State's long-term goal of encouraging and supporting redevelopment, and will actually work against providing an appropriate reserved or affordable housing component in the Kaka'ako District.

We believe that the lack of affordable housing and the means of addressing this problem in the current Hawaii marketplace must be more thoroughly examined. Any options or alternatives being considered, must be tested in the real world. Today, 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 active participation from many different stakeholders. The landowners, the housing developers, construction lenders, contractors, government, and the public must work together to solve this problem. Unfortunately the current bill as amended, SB 1350 SD1, does not accomplish this and we urge you to oppose its adoption.

Thank you for allowing us to share our concerns with you.

February 26. 2009 at 9 a.m.
Testimony / SB No. 1350,SD1
Conference Room 016

To: Senator Brian Taniguchi
Judiciary and Government Operations, Chair
Hawaii State Senate
JGOTestimony@Capitol.hawaii.gov

From: Marshall Hung, President of Marshall Realty, Inc. –
Affordable Housing Developer of 1200+ Affordable For Sale and Rental Apartments in Honolulu since 1994

Re: **2009 Kakaako Affordable Housing Legislation / Senate Bill No. 1350, SD1**

We are in Support of Senate Bill 1350, S.D.1 with the increase to 50%. With approximately 30% of the Mauka Kakaako lands built out, the 50% increase of affordable housing is needed for the remaining 70% of lands. With the present 2,000 affordable housing apartments representing 13% of the original 15,000 apartments planned for Hawaii residents, this increase to 50% would be much needed help for our City. Keeping in mind, that most of the 2000 built affordable housing units in Kakaako have been developed on State owned lands and not because of requirements by HCDA. At 50%, the floor area calculations project 5,000 more affordable housing apartments in Kakaako, which would bring the total to 7,000 apartments.

Why does the Legislature want to make three categories? One for the two major landowners, one for small landowners of 20,000 sq. ft. and below, and now one for landowners of 20,000 to less than 80,000 sq. ft. If there is to be lower requirements for lands between 20,000 to less than 80,000 square feet, it should be 20% of residential units and 10% of commercial floor space. These large lands if at a 50% of floor area requirement represent approximately 1,000 affordable housing apartments. The lowering to 20% for residential and 10% for commercial will mean a reduction down to approximately 400 affordable housing apartments from these lands. To only include residential and exclude any commercial construction will probably mean to loose at least 200 affordable housing apartments.

If there is to be this lower requirement for lands less than 80,000 sq. ft., the following clarification is needed: "Any contiguous land parcel of 80,000 square feet or more as of January 1, 2009, if subdivided to a smaller land size must remain required to comply with the 50% affordable housing requirement of this Legislation. For lands that are smaller than 80,000 square feet and have an existing special agreement with HCDA to be treated as an 80,000 plus square feet parcel, this 50% affordable housing requirement will be applicable. For lands that are larger than 80,000 square feet and have an existing special agreement with HCDA to be treated as a smaller square feet parcel, this 50% affordable housing requirement will not be applicable."

From our reading of this Bill, the General Growth Properties January 2009 Master Plan approval by HCDA needs to be trumped by the Legislature. This Master Plan approval means that approximately 30% of the Mauka Kakaako lands could be excluded from this

Legislation. If the Legislature does not address this legal loophole created by HCDA in 2009, General Growth's lands will only be required to build approximately 7% (20% of residential units) of their new development floor area as affordable housing. Despite the attached two letters from the Legislature to not approve General Growth Properties' Master Plan, HCDA went ahead and gave its approval.

Some additional well thought items from HB 1227 (which has not been scheduled for a hearing) that should be included in the final legislation are:

1) No in-lieu of cash payment to insure the actual construction of affordable housing.

2) A concurrent construction condition for the affordable housing component to insure the actual construction.

3) 50% of the affordable housing units to not have any shared appreciation for HCDA because no monetary subsidies are being provided from the State government. Only central air/curtain wall buildings that provide short-term affordable housing for selected, lucky families need equity sharing for the profits of the resales of these "false" affordable products. Equity sharing on apartments that are not within luxury residential buildings discourages private financing and equity investment. This greatly limits the private sector from developing affordable housing apartments.

4) A five year limit is provided on plan and permit approvals to insure actual construction in a timely manner.

5) Section 12 of HB 1227 addresses the General Growth Properties' January 2009 Master Plan approval by stating, "This Act shall apply to the unbuilt portion of a major development within the area of an approved Master Plan which was pending on the effective date of this Act."

With the economic recession starting in Hawaii, affordable housing construction in the Urban Core of Honolulu needs to be started. Commercial and luxury residential buildings will not be feasible for five to ten years because of the economic recession. Hawaii needs these construction jobs from affordable housing projects as an economic stimulus.

Mahalo for reading our testimony and enforcing the 1976 Kakaako Legislation.

CALVIN K.Y. SAY
SPEAKER

HOUSE OF REPRESENTATIVES

STATE OF HAWAII
STATE CAPITOL
HONOLULU, HAWAII 96813

Fax: 7-8150

GGP WC
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January 13, 2009

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HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

Mr. Jonathan W.Y. Lai, Chair
Hawaii Community Development Authority
677 Ala Moana Boulevard, Suite 1001
Honolulu, Hawaii 96813

Re: General Growth Properties, Inc., Ward Neighborhood Master Plan

Dear Chair Lai:

I request that the Hawaii Community Development Authority vote to disapprove the Ward Neighborhood Master Plan Application of General Growth Properties, Inc. This testimony reflects my personal position and not that of the House of Representatives.

My objection is based on the inadequacy of the affordable housing requirement to be imposed on General Growth Properties under the proposed Master Plan. Under the Authority's rules, if the proposed Master Plan is approved, the area encompassed by the Plan will be subject to the development rules in existence at the time of approval. The existing rules for Kakaako Mauka impose an affordable housing assessment on only residential developments. I feel that a broader assessment is necessary for the public benefit.

The Legislature will again consider a bill to increase the affordable housing assessment and extend the assessment to non-residential developments. During the Regular Session of 2008, the Legislature came very close to passing such a bill. I am confident of a positive outcome this year. The bill is intended to encourage the residency of families with different incomes in Kakaako and to receive more affordable housing in return for the State's infrastructure investment that benefited Kakaako landowners.

If General Growth Properties' proposed Master Plan is approved before the enactment of the bill, then General Growth Properties in effect will be exempt from the increased affordable housing assessment. I do not feel that General Growth Properties should be exempt.

Thank you for your consideration of this testimony.

Sincerely,

Calvin K.Y. Say

Calvin K.Y. Say
Speaker

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HAWAII COMMUNITY DEVELOPMENT AUTHORITY

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The Senate

STATE CAPITOL
HONOLULU, HAWAII 96813

January 13, 2009

Chairman Jonathan W.Y. Lai &
Members of the Hawai'i Community Development Authority
677 Ala Moana Blvd., Suite 1001
Honolulu, Hawai'i 96813

Dear Chairman Lai & Members of the Hawai'i Community Development Authority:

We are concerned about the decision-making action scheduled by the Hawai'i Community Development Authority (HCDA) at its January 14, 2009 meeting on the Master Plan application for General Growth Properties, Inc. (GGP), pursuant to HCDA's existing Mauka Area Plan and Rules.

So there can be no misunderstanding, we recommend denial of GGP's Master Plan Application subject to an opportunity for a thorough review of the Supplemental Environmental Impact Statement Process (SEIS) which, according to the HCDA report to the Hawai'i State Legislature dated 12-20-08, which is anticipated not to be completed before February 1, 2009 (p.6).

We urge denial of the GGP master plan application for the following reasons:

1. According to the HCDA report submitted to the Hawai'i State Legislature (12-30-08), the Draft SEIS for HCDA's updated Mauka Area Plan is not anticipated to be completed by 2-01-09. As a result, the public comment/review process for changes to the Mauka Area Plan will be nullified with respect to conflicting GGP Master Plan proposals that presently exist. The fact that HCDA asserts that other means of comment have been established, such as a website etc., although helpful, does not help the general public to make meaningful comments without the completed SEIS.

   Furthermore, any board actions in the absence of a review of the final SEIS for the Mauka Area Plan may be misconstrued or incomplete and, as a result, misunderstood.

2. The local Hawai'i and mainstream national media have publicly disclosed the serious near-bankrupt financial situation of GGP. The HCDA has not provided any assurances to the general public that GGP is able to follow-thru and complete the Master Plan. In addition, we understand that HCDA has not requested nor reviewed any financial statements regarding GGP, that would afford HCDA and the State of

Hawai'i the confidence that the collapse of the national economy will not injure nor add to the already dismal Hawai'i economy.

3. Please be advised that the Senate Committees on Water, Land, Agriculture and Hawaiian Affairs and on Economic Development and Technology intend to jointly schedule and hold a public hearing on this matter. And finally (for now);

4. The general public and the Hawai'i State Legislature are now reviewing the City and County of Honolulu's Draft Environmental Impact Statement for its Mass Transit System. We understand that the City's DEIS routing and infrastructure impacts on surrounding properties will affect several of the areas included in GGP's Master Plan application. In light of the City administration's 30-day extension (to February 7, 2009) for comments on its DEIS, it would be prudent to examine changes in Kaka'ako proposed by City transit planners and reactions to City proposals before taking action on GGP's Master Plan.

For these reasons we respectfully request the HCDA deny the Master Plan Application for General Growth Properties Incorporated until the HCDA completes its Draft SEIS process with a thorough review and opportunity for comment by all interested parties, including the Hawai'i State Legislature.

Respectfully,

Russell S. Kokubun, Vice President of the Senate

Clayton Hee, Senate Committee on Water, Land, Agriculture and Hawaiian Affairs Chair

Carol Fukunaga, Senate Committee on Economic Development and Technology Chair

Brickwood Galuteria, Senator 12th District

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

February 24, 2009

SUPPORT BILL PASSAGE
WITH AMENDMENTS

Senator Brian Taniguchi, Chair
Committee on Judiciary and Government Operations
Hawaii State Senate
415 South Beretania Street, Room 219
Honolulu, Hawaii 96813

Dear Senator Taniguchi:

Attached is my testimony for Senate Bill 1350, S.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

Re: **Testimony for Senate Bill No. 1350, SD1**

While I fully support Senate Bill 1350, SD1, I would like to propose the following amendments to make the Bill more effective in providing more affordable housing units in Kakaako:

1) To reinstate the land area to one acre in Section 1 of the original Senate Bill 1350 for the reserved housing requirements to apply as a planned development. This will produce more reserved housing units relative to the land area.

2) No cash-in-lieu payment to HCDA to satisfy the affordable housing requirement should be allowed. We need affordable housing to be built to fulfill the requirement as the local residents need the affordable housing and not the cash which may not ultimately and directly be used for affordable housing.

3) Alternative substitutions in satisfying the affordable housing requirement outside of Kakaako should not be allowed for the following reasons:
   a) Kakaako is located in the primary urban core that makes it compatible for high-rise and high density housing projects that are attractive to local residents who work in Downtown Honolulu;
   b) Kakaako has the infrastructure capacity already in place to support high-rise and higher density housing projects, which allows for development activity to occur faster to help create sorely needed construction jobs; and
   c) Kakaako has larger parcels of land that are either underdeveloped or vacant and are readily available to accommodate large high-rise and high density housing projects that provide the best economies of scale for cost efficiency which is necessary to produce affordable housing.

4) All Master Plan approvals granted by HCDA, like the General Growth Properties Master Plan approval granted in January 2009 by HCDA, needs to comply with the increased affordable housing requirements in Kakaako. This can be accomplished by having any legislation that becomes law clearly state that, "The Act shall apply to the unbuilt portion of a major master plan which was pending as of the effective date of this Act."

5) To add a provision like in Senate Bill 645, Section 2, 206 E(f) that provides for transfer of excess housing credits to another Kakaako project to satisfy the reserved housing unit requirement. This provision provides a strong incentive for developers to build affordable housing units in Kakaako.

Mahalo for considering these proposed amendments to Senate Bill 1350, S.D.1 as they will go a long way in providing more affordable housing in Kakaako.

February 25, 2009

MOMI CAZIMERO
222 Kawaiku'i Place
Honolulu, HI 96821
Ph: 808.373.2427
Cell: 808.282.5803
Email: momi.cazimero@hawaiiantel.net

Senator Brian Taniguchi
Hawaii State Capitol
415 South Beretania Street, Room 016
Honolulu, HI 96813

Subject: In Support of Senate Bill No. 1350 S.D.1
Hearing: Wednesday, February 26, 2008, 9:00am
Via email: JGOTestimony@capitol.hawaii.gov

Senate Bill No. 1350, S.D.1 is inadequate in meeting the stated goals of the original Kaka'ako Plan.

My testimony will develop the foundation and background of The Kaka'ako Plan and conclude with my recommended changes to Senate Bill 1350, S.D. 1:

1. The Kaka'ako Redevelopment Plan
2. Fair Return on Taxpayer's Investment; and
3. Sustaining a Balanced Future.

The Kaka'ako Redevelopment Plan: Fair Return on Taxpayer's Investment

In 1982, the Hawaii Community Development Authority (HCDA) created a Redevelopment Plan for Kaka'ako. The State invested over $500 million to transform a blighted area. The Kaka'ako Plan called for 19,000 housing units, 15,000 of which would be affordable.

Because the utilities were upgraded to increase the density from 45 ft. to 400 ft., high-rise, middle-class residential units must be built to accommodate the working class that will need affordable housing. In addition, property values soared from $30.00 per square foot to $100.00 per square foot with State infrastructure improvements, and up to $300.00 per square foot due to market demand.

Sustaining a Balanced (and Stable) Future

I want a stable future for Hawai'i. And if we were not facing the extreme downturn that has immobilized us, I would still be advocating for the passage of this bill. In Hawaii we have the military, which is a wartime economy. Tourism is a peacetime economy, and one that depends on discretionary income of visitors. We need a more stable and predictable economic driver.

The right development in Kaka'ako is critical to the economy of Hawai'i because it is in Honolulu's urban core. The UH John A. Burns School of Medicine is at the hub of the third leg that can build toward our economic future in medical research and life sciences.

Eighty percent of Honolulu's working households earn between $20,000 and $100,000 per annum; with researchers and scientists earning $50,000 to $100,000 per annum.

We must provide affordable housing if we want to attract and retain our brightest. As a comparative example, to keep housing affordable for recruits, Mayo has subsidized apartments located near their facility. This is part of their recruitment package. It makes logical and good economic sense to remain competitive by providing affordable residential units in Kaka'ako.

Kaka'ako is pivotal – especially at this time when every decision must make a lasting contribution to our State's economy. With the mandate of the Kaka'ako Plan we have had 30 years of infrastructure building to accommodate work force housing for the 21st Century. We cannot prolong the political debate and we must not throw away this opportunity to help lead our state out of this severe downturn.

Most of us can recall the economic challenges Hawai'i faced when the "Japanese Bubble" burst. Only affordable housing was built in those 7 years which is why this is the right time to invest in today's needs for our future growth.

Recommended Changes to Senate Bill 1350, S.D. 1

These are the changes I recommend to Senate Bill 1350, S.D. 1 to make the Bill effective in fulfilling the original intent of the Kaka'ako Plan.

1) To reinstate the land area to one acre in Section 1 of the original Senate Bill 1350 for the reserved housing requirements to apply as a planned development. This will produce more reserved housing units relative to the land area.

2) No cash-in-lieu payment to HCDA to satisfy the affordable housing requirement should be allowed. We need affordable housing to be built to fulfill the requirement as the local residents need the affordable housing and not the cash which may not ultimately and directly be used for affordable housing.

3) Alternative substitutions in satisfying the affordable housing requirement outside of Kaka'ako should not be allowed for the following reasons:
    a) Kaka'ako is located in the primary urban core that makes it compatible for high-rise and high density housing projects that are attractive to local residents who work in Downtown Honolulu;
    b) Kaka'ako has the infrastructure capacity already in place to support high-rise and higher density housing projects, which allows for development activity to occur faster to help create sorely needed construction jobs; and
    c) Kaka'ako has larger parcels of land that are either underdeveloped or vacant and are readily available to accommodate large high-rise and high density housing projects that provide the best economies of scale for cost efficiency which is necessary to produce affordable housing.

4) All Master Plan approvals granted by HCDA, like the General Growth Properties Master Plan approval granted in January 2009 by HCDA, needs to comply with the increased affordable housing requirements in Kaka'ako. This can be accomplished by having any legislation that becomes law clearly state that, "The Act shall apply to the unbuilt portion of a major master plan which was pending as of the effective date of this Act."

5) To add a provision like in Senate Bill 645, Section 2, 206 E(f) that provides for transfer of excess housing credits to another Kaka'ako project to satisfy the reserved housing unit requirement. This provision provides a strong incentive for developers to build affordable housing units in Kaka'ako.

Thank you for your consideration.
Aloha