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

March 17, 2009

SUPPORT BILL PASSAGE
WITH CHANGES

Representative Ken Ito, Chair
Committee on Water, Land & Ocean Resources
Hawaii State Capitol
415 South Beretania Street, Room 420
Honolulu, Hawaii 96813

Dear Representative Ito:

Attached is my testimony for Senate Bill 1350, S.D.2.

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: HSGTestimony@capitol.hawaii.gov

Re: Testimony in Support Senate Bill 1350, S.D. 2

We are in support of S. B. 1350, S.D. 2, however, we would like to request the following amendments:

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 making the foregoing amendments as they will go a long way in increasing the affordable housing in Kakaako and also create sorely needed construction jobs during this economic downturn.

HAWAIIAN DREDGING
CONSTRUCTION COMPANY

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

3/18/09

The Honorable Representative Ken Ito, Chairperson
Water, Land and Ocean Resources Committee

The Honorable Representative Rida Cabanilla, Chairperson
Housing Committee

Hawaii State Capitol, Room 325
415 South Beretania Street
Honolulu, Hawaii 96813

RE: SB 1350, SD 2 RELATING TO KAKAAKO—Wednesday, March 18, 2009, 9:00 AM, Room 325

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.

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...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

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

HOUSE COMMITTEE ON WATER, LAND, & OCEAN RESOURCES

AND

HOUSE COMMITTEE ON HOUSING

Wednesday, March 18, 2009

9:00 A.M.

State Capitol, Conference Room 325

S. B. 1350, S. D. 2 – RELATING TO KAKAAKO.

Purpose: Among other elements, this measure increases from 20% to 50% (60% after five years) the reserved housing requirement for a planned development on a lot of at least 80,000 square feet or greater in the Kakaako Community Development District, Mauka Area.

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

1. **Impact of the Increased Reserved Housing Requirement.** It is still 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 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.

2. **Definition of "Countable Floor Area" is Problematic** [see Page 2, Line 4-10]. 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.

3. **Definition of "floor area" is not needed** [See Page 2, line 10-22]. As the "countable floor area" is the value upon which the reserved housing requirement is based, this definition is not needed.

4. **The increased requirement should not apply to projects proposing industrial activities.** 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. 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.

5. **Definition of "Industrial Use"** [see Page 3, Line 3]. This definition is not needed and should be deleted.

6. **Definitions of "median income"** [see page 3, Line 5]. 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.

7. **Clarity is required for lots less than one acre** [see Page 5, Line 15]. The measure states that for properties of one acre (43,560 square feet) or less, the reserved housing requirements shall not be applicable. The HCDA's current reserved housing requirement applies to planned developments on lots of at least 20,000 square feet. This "gap" in the production of reserved housing units for development lots of between 20,000 and 43,560 square feet should be clarified so as to not create a loophole in the requirement.

8. **Moratorium on accepting planned development applications will inhibit economic activity** [see Page 13, Line 5]. 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 create economic activities rather than imposing a moratorium on development.

9. **Transfer of Excess Housing Credits** [see, Page 6, Line 8]. This subsection establishes a mechanism or a "bank" to transfer credits for any excess reserved housing units produced by a developer to another project site 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:

    a. Page 6, Line 15, 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.

    b. 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 in Kakaako [see Page 6, Line 12] runs contrary to the principle that planned developments should primarily be inclusionary and include both reserved and market units.

    c. 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.

    d. 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.

10. **Planned Development Applications** [see Page 13, Line 15]. This language allows the HCDA to accept a planned development permit application proposing multi-family dwelling units on <u>a lot less than one acre</u>. This section is inconsistent with the other parts of the measure which impose the increased reserved housing requirement on lots of at least 80,000 square feet so "one acre" should be changed to "80,000 square feet".

11. **Building Permits** [see Page 14, Line 1]. A "major development" that has a building permit pending on the effective date of the Act shall be subject to the statutes and rules in effect on the date of the building permit application. Clarification is needed on the application of this section since the term, "major development", is not defined in this measure.

12. **Retroactive application of this measure raises legal issues** [see Page 14, Line 7]. The language in this section and its application to the un-built portion of a "major development" within an approved master plan area implies that the provisions of this Act apply retroactively to the undeveloped portion of an approved master plan area. If so, this section raises the specter of a legal challenge as the applicant under an approved master plan has a vested and entitled permit.

Thank you for the opportunity to submit this testimony.

IRONWORKERS STABILIZATION FUND

Honorable Representative Rida Cabanilla, Chair and Ken Ito, Chair
Members of the Committee on Housing and Water, Land, and Ocean Resources
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: IN SUPPORT OF SB1350 SD2, RELATING TO KAKAAKO
Hearing: Wednesday, March 18, 2009

Dear Chair Cabanilla & Chair Ito and the Committee on Housing and Water, Land, and Ocean Resources:

The Ironworkers Stabilization Fund Local 625 SUPPORTS the passage of SB645 SD 1, which will assist in creating new construction jobs in the Kakaako area.

In 1982, the Hawaii Community Development Authority (HCDA) created a redevelopment plan for Kakaako that called for a mixture of industrial, commercial, and residential land uses because of its strategic location in the primary urban core. The plan envisioned approximately 19,000 housing units of which three-fourths or roughly 15,000 would be affordable. The Authority predicted that this would largely satisfy the increase in housing that was projected in future years.

A compelling argument for affordable housing in Kakaako is that the State invested over $500 million of tax payer's dollars in converting this previously blighted area into valuable real estate through the improvement of infrastructure such as roadways, sewers and drainage systems.

We support this bill would like the following changes:

I) The 80,000 sq ft. exclusion should be reduced to an l-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, henceforth 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 SB1350.

94-497 Ukee Street *Waipahu, Hawaii 96797* *671-4344*

COMMITTEE ON HOUSING
Rep. Rida Cabanilla, Chair
Rep. Pono Chong, Vice Chair
COMMITTEE ON WATER, LAND, AND OCEAN RESOURCES
Rep. Ken Ito, Chair
Rep. Sharon E. Har, Vice Chair
March 18, 2009, Committee Hearing
Conference Room 325
9:00AM
Senate Bill 1350, SD2
Relating to Kaka'ako
Copies: 3

Chair Cabanilla, Chair Ito and Committee Members:

I am opposed to Senate Bill 1350 SD2 as written. But I do understand and support its intent.

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.

SB1350, SD2 on page 2 exempts only industrial use and on page 4 states that planned development on a lot of at least 80,000 square feet must provide at least fifty percent reserved housing. On page 5, it states that reserved housing is not required for properties one acre or less. So, if a group of small landowners get together to build an industrial condominium with two stories of offices, will they be required to provide reserved housing if their combined acreage is between 43,560 and 80,000 square feet?

So, please be careful of the unintended consequences. If SB1350, SD2 is to be amended, 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 as defined by Hawaii Community Development Authority.

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.

SERVCO PACIFIC INC.

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

March 17, 2009

To: The Honorable Ken Ito, Chair and Committee Members
Committee on Water, Land, & Ocean Resources

The Honorable Rida Cabanilla, Chair and Committee Members
Committee on Housing

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

Hearing Date: Wednesday, March 18, 2009 9:00 am

<u>In Opposition to SB 1350 SD2, Relating To Kakaako</u>

On behalf of Servco Pacific Inc. ("***Servco***"), I submit the following comments in opposition to the adoption of SB1350 SD2 (the "***Bill***").

The lack of affordable housing 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 condition to the development of residential lands in the State of Hawaii. As a third-generation family company, we are committed to working with government housing agencies to encourage such development.

The Bill as amended proposes to increase the reserved housing requirement within the Kaka'ako Redevelopment District from 20% of the total residential units to 50% of the countable floor area of every building of a planned development and increasing this requirement to 60% in five (5) years (including 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 a burden on the private landowners in the Kaka'ako Redevelopment District, and will be a serious deterrent to redevelopment efforts in the 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 SD2, does not accomplish this.

We urge you to oppose its adoption. Thank you for allowing us to share our concerns about this Bill with you.

March 18. 2009 at 9 a.m.
Testimony / SB 1350, S.D.2
Conference Room 325

To: Representative Ken Ito
Chair of Water Land and Ocean Resources
Hawaii State Capitol

Representative Rida Cabanilla
Chair of Housing
Hawaii State Capitol

Via: HSGTestimony@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, Senate Bill 1350, S.D. 2

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

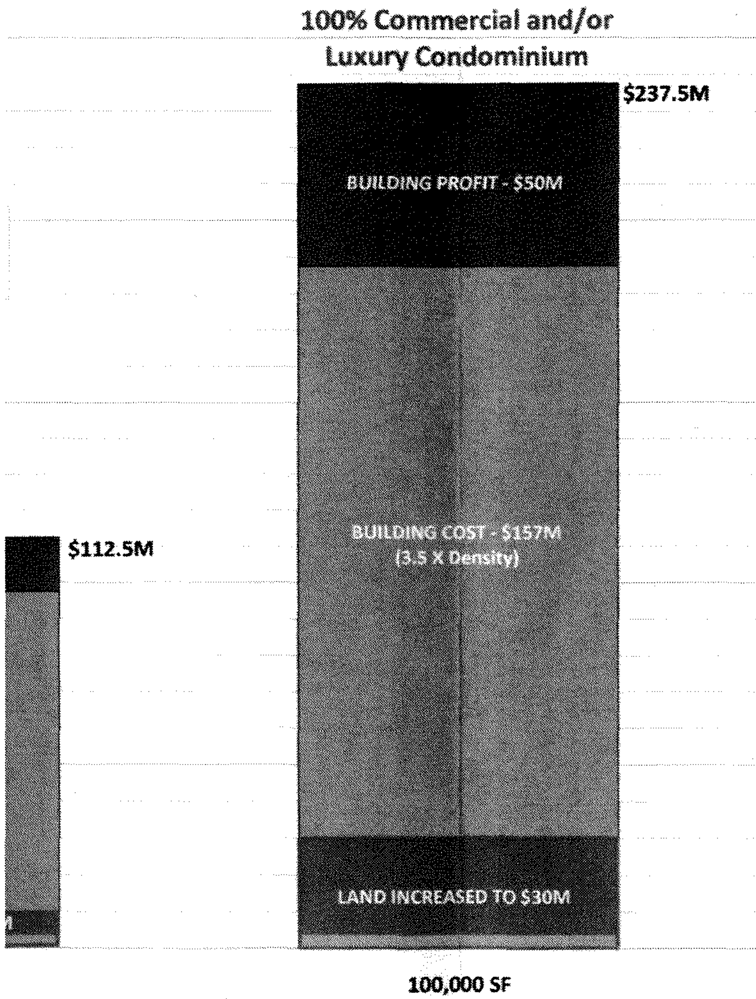
If the Legislature does not have the political will to enforce the percentage increase on the Large Landowners from 20,000 sq. ft. to 80,000 sq. ft. (or 20,000 sq. ft. to 3 acres) it will mean that approximately 60% to 75% of all Mauka Kakaako lands will have no new affordable housing developments. All 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.

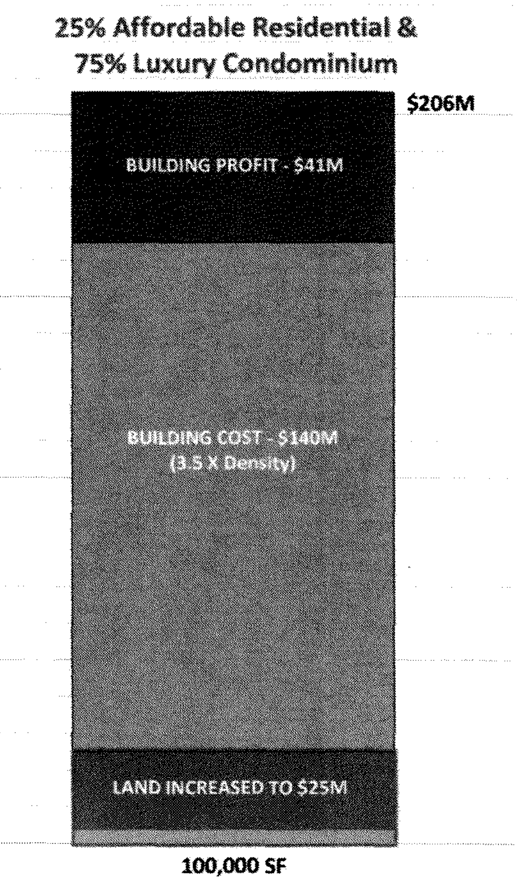
We pray that the Legislature utilizes Kakaako as the economic stimulus for the hard times ahead. Land, sewage treatment, garbage disposal and water are becoming finite in Honolulu. Should not at least 50% of the State Government's Redevelopment Neighborhood (Kakaako) be occupied by resident families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

Mahalo for your attention.

ↄ Development with
ty... Same Size Land Area...
'erent Profits.
nercial/Luxury)



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



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.

CUNA MUTUAL GROUP

March 17, 2009

To: The Honorable Ken Ito, Chair and Committee Members
Committee on Water, Land and Ocean Resources

The Honorable Rita Cabanilla, Chair and Committee Members
Committee on Housing

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)

Hearing Date: March 18, 2009 9:00 am

In Opposition to SB 1350 SD 2

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 SB 1350 SD 2 ("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.

This Bill unfairly singles out the Kakaako Redevelopment District and creates significantly more stringent requirements than anywhere else within Honolulu or the State of Hawaii. Raising the reserve housing requirement to 50% of the countable floor area (not including industrial use) of every planned building on lots larger than 80,000 square feet will put properties within the Kakaako at a competitive disadvantage to other properties outside the Kakaako. It will also potentially stop many redevelopment efforts in the area. We also object to the provision that makes the reserved housing requirement increase to 60% of the countable floor area after 5 years. 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%.

CUNA Mutual Group strongly urges the committee to defer action on SB1350 SD 2 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.

WATERHOUSE

March 16, 2009

Representative Rida Cabanilla, Chair
Representative Pono Chong, Vice Chair
Committee on Housing

Representative Ken Ito, Chair
Representative Sharon E. Har, Vice Chair
Committee on Water, Land & Ocean Resources
State Capitol, Room 325
Honolulu, HI 96813

RE: **SB1350 SD2, Relating to Kakaako**

Dear Chairs Cabanilla and Ito, and Vice Chairs Chong and Har and Members of the Committees:

As the President of Waterhouse, Inc., I am respectfully writing to voice our **opposition to SB 1350 SD2** Relating to Kakaako.

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** this bill 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. This bill would further erode what little inducement there already is for us to redevelop our property. We support affordable housing in Kakaako, but there must be a reasonable balance. 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.

In spite of these realities, should the Committee elect to move this bill forward, we respectfully ask that the bill be amended so that landowners who own **three-acres** or less are not subject to these more stringent requirements.

670 Queen Street ■ Suite 200 ■ Honolulu, Hawaii 96813-5111 ■ Ph: (808) 592-4800 ■ Fax: (808) 592-4820

At a time when the Federal Government is passing legislation authorizing the spending of hundreds of billions of dollars to stimulate the economy, this bill represents a significant step away from stimulus. Now is not the time for the legislature to provide disincentives to private development, particularly to small landowners.

We respectfully urge the Committee to recognize the catastrophic impact this bill would have on small landowners in Kakaako by either rejecting the bill entirely or exempting owners who own lots that are three-acres or less.

Respectfully submitted,

Scott D. Whiting
President

General Growth Properties, Inc.

Representative Ken Ito, Chair
Representative Sharon Har, Vice Chair
House Committee on Water, Land & Ocean Resources

Representative Rida Cabanilla, Chair
Representative Pono Chong, Vice Chair
House Committee on Housing

Wednesday, March 18, 2009; 9:00 a.m.
Conference Room 325

RE: SB 1350 SD 2 Relating to Kaka`ako - Testimony in Opposition

Aloha Chairs Ito and Cabanilla, Vice Chairs Har and Chong 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 SB 1350 SD2** as currently written and proposes amendments for your consideration.

The purpose of SB 1350 SD 2 is to increase the reserved housing requirement for a planned development on a lot of at least 80,000 square feet in the mauka area of the Kaka'ako community development district. 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, SB 1350 SD2, 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.

Limited Partnership
1585 Kapiolani Blvd. Ste 800
Honolulu, Hawaii 96814
Development Design & Construction
Hawaii Region
Phone 808 – 946-2811
Fax 808 – 946-2216
www.ggp.com

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.

SB 1350 SD2, as currently written, does not allow GGP to move forward in this direction. GGP respectfully requests that **Section 9 be deleted in its entirety** from the bill, and that **Section 8 of the bill be amended as follows**:

> SECTION 8. <u>Development within any master plan area pursuant to a master plan approved by the Hawaii community development authority prior to July 1, 2009</u> ~~Any major development subject to this Act for which the building permit application is pending on the effective date of this Act~~, shall not be subject to this Act or rules adopted pursuant to section 5 of this Act. Such ~~a major~~ development shall be subject to the statutes and rules in effect on the date of the <u>respective approval</u> ~~building permit application~~.

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

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Honolulu, Hawaii 96814
Development Design
& Construction
Hawaii Region
Phone 808 – 946-2811
Fax 808 – 946-2216
www.ggp.com

JN Group, Inc.

fka WHOLESALE MOTORS, INC. ESTABLISHED IN 1961
2999 N. Nimitz Highway Honolulu, Hawaii 96819-1903
Phone: 808.831.2500 Fax: 808.831.2594 www.jnautomotive.com

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JN Development

March 17, 2009

To: The Honorable Ken Ito, Chair and Committee Members
Committee on Water, Land, & Ocean Resources

The Honorable Rida Cabanilla, Chair and Committee Members
Committee on Housing

Fax: 586-9496

Email: HSGtestimony@capitol.hawaii.gov

Senate Bill: **<u>SB 1350 SD 2, Relating to Kakaako</u>**

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

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 SB 1350 SD 2 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 SB 1350 SD 2 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 SB 1350 SD 2 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