

SB1350



SB 1350 Relating to Kakaako

Senate Committee on Education and Housing
Committee on Water, Land, Agriculture, and Hawaiian Affairs

February 13, 2009
225

1:30 pm

Room

The Office of Hawaiian Affairs **supports** the purpose and intent of SB1350.

The growing affordable housing problem is one of the most critical issues faced by our communities, especially our Native Hawaiian communities. This issue seems to have many of our families struggling to find adequate housing and to make ends meet.

OHA recognizes housing is the highest cost item for our families and more needs to be done to address the affordable housing issue or our families will continue to move down the economic and social ladder.

Urban cores need the affordable units because the jobs are there and until neighborhoods are built, instead of subdivisions, families need to be where the jobs are.

Policies addressing the need to develop and create partners to do affordable rentals and affordable for sale units timely in the urban cores need to be adopted.

OHA also advocates a commitment to reestablishing the relationship between the art of building and the making of community, through citizen-based participatory planning and design.

Mahalo nui loa for the opportunity to provide this testimony.



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAAKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
Executive Director

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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

Friday, February 13, 2009

1:30 P.M.

State Capitol, Conference Room 225

S. B. 1350 – 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 one acre 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 **comments** on the construction of the proposal:

1. **Definition of Countable Floor Area is Problematic** [see Page 4, Line 8]. 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 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.

3. **Conflicting Definitions of "median income"** [see Page 5, Line 1 and Page 17, Line 1]. The measure includes both "median income" and "area median income" to describe the eligible income amount. For consistency purposes, area median income, as based on U.S. Department of Housing and Urban Development guidelines should be used.

4. **Moratorium on accepting planned development applications will inhibit economic activity** [see Page 17, Line 18]. This section prohibits the HCDA from accepting any applications for planned development projects on lots of at least one acre 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.

5. **Clarity on planned development applications for parcels 20,000 square feet to 43,599 square feet** [see Page 2, Lines 6-9 and Page 18, Lines 7-15]. On Page 2 of this proposal, it is acknowledged that 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 development on lots 20,000 square feet to 43,599 square feet is not allowed until the HCDA’s rules are updated.

This section would appear to prohibit the HCDA from processing planned development applications for parcels 20,000 square feet to 43,599 square feet. As the proposal does not seek to increase the amount of the reserved housing requirement, this moratorium should be deleted.

Thank you for the opportunity to submit this testimony.

To: Senator Norman Sakamoto
Education and Housing Chair
Hawaii State Senate
EDHTestimony@Capitol.hawaii.gov

To: Senator Clayton Hee
Water, Land, Agricultural & Hawaiian Affairs Chair
Hawaii State Senate

To: Senator Brian Taniguchi
Judiciary & Government Operations Chair
Hawaii State Senate

From: Marshall Hung, President of Marshall Realty, Inc. –
Affordable Housing Developer of: 1133 Waimanu Street (282 Units in Kakaako);
1450 Young Street (245 Units in Makiki); 1448 Young Street (200 Units in
Makiki); 215 N. King Street (251 Units in Iwilei), and Country Club Village 6
(269 Units in Salt Lake)

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

We are in **Support of Senate Bill 1350** and applaud Senator Taniguchi for 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. At 50%, the floor area calculations project 5,000 more affordable housing apartments in Kakaako, which would bring the total to 7,000 apartments.

With 80% of Honolulu's working households having incomes between \$20,000 to \$100,000 per annum, it would mean that 50% of the remaining development in Mauka Kakaako would be for these working households. The landowners would have free entitlements for 50% of their lands and future buildings to make as large profits as they desire from commercial and luxury residential developments.

From our reading of the Bill, there needs to be three additional changes. They are:

- 1) 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.

- 2) The substitution of affordable housing in other neighborhoods outside of Kakaako needs to be eliminated from this Bill. With the State Government and community deciding in 1976 to create a Redevelopment Neighborhood for 19,000 residential apartments with 75% being affordable and 20% being government restricted occupancy for the low income, the 2009 Legislature must enforce the purpose that the Redevelopment Neighborhood was created for and complete their \$500 million dollar neighborhood change to date expenditures by funding the additional infrastructure money to fulfill the Kakaako vision.

All State Governments make neighborhood redevelopment decisions for many large tax payer investments with the purpose of the "greater good." They decide on where to locate convention centers, airports, schools, and other Redevelopment Neighborhoods for a specific community purposes. It takes much effort and time to locate, zone, infrastructure ready and build these neighborhood changes. Kakaako took a decade of politics prior to 1976 to become a Redevelopment Neighborhood for high density apartments. It took from 1976 to 1982 for Chairman Kenneth Brown and the community leaders to plan and document the 19,000 apartment neighborhood for Kakaako. HCDA has its documented mandate, but since the Cayetano Administration, the landowners and their lobbyists have been able to influence and confuse the succeeding generations.

Many of these landowners (hired employees, consultants or new owners of companies) are new comers to Hawaii. Many did not know that the Kakaako Lands are subject to the Legislature's enforcement of Redevelopment Authority with a specific purpose to fulfill based upon a 1976 Legislature creation. Even the local companies have a second or third generation of owners that do not want to be reminded that Kakaako does not have the free entitlements for the air rights over forty-five feet. Kakaako is a four decade process for high density affordable apartment housing. The replacement of the Kakaako neighborhood will take too long and is too complex to accomplish because Hawaii's housing crisis is upon us.

- 3) The land area size exclusion should remain at 20,000 square feet. To increase the exclusion to one acre will mean that all mid-rise buildings on an acre of land or less will not be required to have any affordable housing. This increase of land size will mean a loss of 600 to 800 affordable housing apartments in Kakaako.

In 2009, if a landowner owns 20,000 square feet in Kakaako, their land is worth at least \$2 million because of the State's \$500 million investment. There is no "greater good" reason to increase the land size exclusion to over 20,000 square feet. There are only self-deserving reasons of landowners for this increase.

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

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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
Speaker



The Senate

STATE CAPITOL
HONOLULU, HAWAII 96813

January 13, 2009

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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.

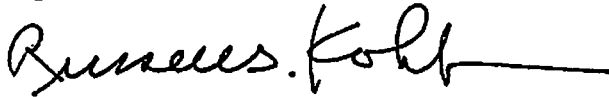
2. The local Hawai'i and mainstream national media have publicly disclosed the serious near-bankrupt financial situation of GGP. The HCDA has not provided any assurances to the general public that GGP is able to follow-thru and complete the Master Plan. In addition, we understand that HCDA has not requested 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



WATERHOUSE

February 9, 2009

Senator Clayton Hee, Chair
Senator Jill N. Tokuda, Vice Chair
Committee on Water, Land, Agriculture, and Hawaiian Affairs
State Capitol, Room 225
Honolulu, HI 96813

RE: SB1350, Relating to Kakaako

Dear Chair Hee, Vice Chair Tokuda and Members of the Committee:

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

At a time when the Federal Government is considering the passage of 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.

Senator Clayton Hee, Chair
Senator Jill N. Tokuda, Vice Chair
February 9, 2009

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,

A handwritten signature in black ink, appearing to read "Scott D. Whiting". The signature is fluid and cursive, with a long horizontal stroke at the end.

Scott D. Whiting
President



KAMEHAMEHA SCHOOLS

February 12, 2009

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

By

Paul Quintiliani, Director
Endowment/Commercial Assets Division
Kamehameha Schools

Hearing Date: Friday, February 13, 2009
1:30 p.m., Conference Room 225

RE: SB 1350 - RELATING TO KAKA`AKO.

TO: Senator Norman Sakamoto, Chair
Members of the Committee on Education and Housing
Senator Clayton Hee, Chair
Members of the Committee on Water, Land, Agriculture, and
Hawaiian Affairs

Thank you for the opportunity to comment on SB 1350.

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

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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.

February 12, 2009

Senator Norman Sakamoto, Chair
Members of the Committee on Education and Housing
Senator Clayton Hee, Chair
Members of the Committee on Water, Land, Agriculture, and Hawaiian Affairs

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.

February 12, 2009

Senator Norman Sakamoto, Chair
Members of the Committee on Education and Housing
Senator Clayton Hee, Chair
Members of the Committee on Water, Land, Agriculture, and Hawaiian Affairs

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.



SERVCO PACIFIC INC.

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

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

Senator 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: Friday, February 13, 2009 1:30pm

In Opposition to SB 1350, Relating To Kakaako

On behalf of Servco Pacific Inc. ("**Servco**"), I submit the following comments in **opposition** to the adoption of SB No. 1350 (the "**Bill**").

The lack of affordable housing is an important issue that needs to be addressed. As a third-generation family company, we are committed to working with government housing agencies to encourage the development of more affordable housing.

There is no easy or simple solution. We believe that mandating an arbitrary formula -- while simple -- will not solve the problem. In fact, such mandates may unnecessarily delay the time that a workable solution is achieved.

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. But this Bill is unfair and unworkable.

It represents a radical change in the existing reserved housing requirements within the Kakaako Redevelopment District established by the state agency (the Hawaii Community Development Authority) created by the Legislature to govern development within the Kaka'ako Redevelopment District. A change from a requirement that 20% of the total residential units be reserved housing units to a requirement that 50% of the countable floor area of every building of a planned development, except community or special facility uses, be set aside for reserved housing is a significant 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 to other developments anywhere else within the State of Hawaii.

In addition it puts a burden on the private landowners in the Kaka'ako Redevelopment District, and could potentially stop ongoing redevelopment efforts in the area. This is contrary to the State's long-term goal of fostering redevelopment, and providing an appropriate reserved or affordable housing component into the Kaka'ako District.

We believe that this issue and the means of addressing it in the current Hawaii marketplace must be more thoroughly examined and the options and alternatives critically tested in the real world. In Servco's view it will require a fair and equitable contribution from many different stakeholders involved with this problem -- the landowners, the housing developers, construction lenders, contractors, government, and the public. It is unfair to burden one group, or side, with the cost and issue of solving this problem. Unfortunately that is exactly what the current bill, SB 1350, would do.

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



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

2/13/09

The Honorable Senator Norman Sakamoto, Chairperson
Education and Housing Committee

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

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

Hawaii State Capitol, Room 225
415 South Beretania Street
Honolulu, Hawaii 96813

RE: SB 1350 RELATING TO KAKAAKO—Friday, Feb 13, 2009, 1:30 PM, Room 225

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. Founded in 1902, Hawaiian Dredging is Hawaii's largest and oldest full-service general contractor, currently employing over 700 employees.

Hawaiian Dredging supports increasing the supply of affordable housing in the State, including Kakaako. We support such housing both as a corporate citizen and as a general contractor.

AS A CORPORATE CITIZEN

Hawaiian Dredging employs hundreds of Hawaii's citizens, and we urge the increase in the supply of homes that are affordable to Hawaii's people. As informed legislators, you know how critical Hawaii's housing environment has become.

AS A GENERAL CONTRACTOR

We urge passing legislation that would employ our people in building new projects. The construction industry is Hawaii's third largest industry—and it is in crisis...locally and nationally. Private sector projects are disappearing as financing disappears.... Our industry is crippled, and the situation is worsening, especially among high-end projects which were financed by large mainland financial institutions.

DOWN CYCLES ARE THE TIME TO BUILD AFFORDABLE HOUSING

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.

Down economic cycles can offer great opportunities for building homes for our local people because demand for expensive projects disappears.

Additionally, if affordable product is built in a down cycle...when other projects are dead ...such construction can satisfy the affordable housing requirements for future projects that can earn a higher return for the developer and landowner. Build the affordable now (Phase 1) ...and then build the expensive project later (Phase 2).

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 Pruy
Manager, Business Development & Community Relations
808-735-7411



February 12, 2009

MOMI CAZIMERO

222 Kawaiku'i Place

Honolulu, HI 96821

Ph: 808.373.2427

Cell: 808.282.5803

Email: momi.cazimero@hawaiiintel.net

Senator Brian Taniguchi
Hawaii State Capitol
415 South Beretania Street, Room 225
Honolulu, HI 96813

Subject: Senate Bill No. 1350

Via email: EDHTestimony@capitol.hawaii.gov

I **support** Senate Bill No. 1350 with three recommendations:

1. That HCDA not allow substitutions of the affordable housing requirement outside of Kaka'ako because of the state's investment and because it is in a primary urban core;
2. That HCDA not permit payment in lieu of affordable housing in Kaka'ako; and
3. That all un-built lands in Kaka'ako be made to comply with affordable housing legislation now pending in the 2009 Legislature.

My testimony will develop the reasons for these recommendations and establish the relevance to the following issues:

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

The Kaka'ako Redevelopment Plan

In 1982 the Hawai'i Community Development Authority (HCDA) created a Redevelopment Plan for Kaka'ako. The State's commitment to transforming a blighted area was both visionary and geographically strategic.

The committee was chaired by Kenneth F. Brown, a man whose love for Hawai'i was instilled with a commitment to the future well being of its people. A committee of dedicated citizens and business people infused their values into a comprehensive plan that has yet to meet its promise.

Understanding the potential of expansion of the business hub once confined to Bishop Street, and having experienced the nearing capacity of high-density residential units in Makiki, the State took over Kaka'ako which was once under the jurisdiction of the City and County of

Honolulu. Kaka'ako is the only Redevelopment area in Honolulu. That designation, as in all redevelopment projects, required a significant investment predicated on very bold and ambitious outcomes.

"Redevelopment" of this once blighted area meant that everything had to be upgraded to accommodate the increase of density from 45 feet to 400 feet. The sewer treatment plant, water system and power grid in the surrounding neighborhoods required upgrades to the source of the utility. Parks, roadways, landscaping, environmental cleanups, including the state of the art John A. Burns School of Medicine also improved the area. This incurred a sizable debt service and equity investment by Hawaii's State Government.

HCDA was created specifically to accomplish the goals of the Kaka'ako Plan. HCDA office and personnel expenses are also part of the infrastructure costs. The legislature continues to fund this with tax payers' dollars.

Fair Return on Taxpayers' Investment

The Kaka'ako plan envisioned approximately 19,000 housing units of which three-fourths, or about 15,000 would be affordable. The plan anticipated this would largely satisfy the increased need in housing. The housing crisis continues in the Kaka'ako urban core and has fallen significantly short of the projection because of priorities that targeted profits over people.

This is not fair to the taxpayers whose dollars were siphoned off and redirected to retail and luxury developments. The increase in property value 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. While the return on the taxpayer's investment was miniscule, developers of luxury condos and commercial projects enjoyed significant profits. What's wrong with this picture?

The state's investment of \$500 million has been disputed as "overstated". I take refuge in President Barack Obama's defense against critics of the Stimulus Plan "that we not substitute perfectionism for essentiality."

Sustaining a Balanced Future

In September, 2007, the Hawai'i 2050 Sustainability Plan was unveiled after more than a year of community gatherings of the State Sustainability Task Force. A nine-member panel of public and private high school students were invited to participate in this "civic engagement" discussion. They were asked who among them saw themselves living in Hawaii at age 35. Not one hand went up. Paul Iona, a Kamehameha student said he thought he would leave the islands but one day return. "Its actually a really sad idea," he said, "to think that our youth are already thinking 'Oh, I can't live here; there's not enough affordable housing; the high cost of living is making it impossible.' " The students saw the handwriting in Hawaii's future and for them that future lacked hope.

The reason I am advocating for Kaka'ako is because I want a future that offers hope for our young people. I want Hawaii to be their place of choice to live, work and play; to one day lead; and also contribute toward building a sound future.

Sustainability is “continuity”. And the continuity I pray for is the spirit of the *keiki o ka 'aina*, whose love for Hawaii will preserve and perpetuate our Aloha Spirit. It is the love of our *'aina* and the concept of *'ahupua'a* that weaves and strengthens the relationships between people and our land that is instilled into our consciousness. It was that same spirit that provided the foundation that led Kenny Brown and the committee to shape the 1982 Kaka'ako Plan. It was NOT a plan that focused on profit over people.

Conclusion

The Kaka'ako Plan ensured that the people's tax dollars would clear the blighted area and provide residents with affordable housing and expanded business opportunities. Don't let that vision fade away.

In previous testimony on the General Growth Properties Master Plan I asked that the un-built lands in Kaka'ako be made to comply with any affordable housing legislation passed in this session. It was opined that that might not be legal.

My question is: What is legal about taking land and money from our residents with an intent to build housing for them and instead build luxury condos they cannot afford and retail that ends up on credit cards? If not illegal, it definitely is not fair.

I am proud to say in the last session I was part of the effort to restore the intent in the Kaka'ako Plan to build affordable housing. I remain determined because it is the right thing to do. I hope you too will find it in your heart to find a way to *kokua* our people.

Aloha

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February 12, 2009

SUPPORT BILL PASSAGE
WITH 3 AMENDMENTS

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

Dear Senator Sakamoto:

Attached is my testimony for Senate Bill No. 1350.

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,

A handwritten signature in black ink, appearing to read 'Ken Matsuura', written over a horizontal line.

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

Attachment

Testimony for Senate Bill 1350

We applaud Senator Taniguchi for introducing this Bill. Senate Bill No. 1350 has the strong potential to produce a “win-win” for the greater community and for the local residents of Hawaii.

The first “win” is that the Bill helps to produce much more affordable housing for the local residents and the local workforce which is in critical short supply. Government alone cannot increase the needed supply to meet the overwhelming demand for affordable housing for those with incomes of 140% and below the median income in Hawaii. Government does not have unlimited resources, hence, can barely satisfy the 80% to 60% of median income and below households. This leaves a supply gap for those households from 80% of median income and above. Hence, private landowners and developers need to participate and/or contribute toward increasing the supply of affordable housing.

The second “win” is that the Bill helps to produce much more affordable housing in Kakaako which is a very attractive location for local residents and for workforce housing because it is in the primary urban core and close to Downtown Honolulu. Kakaako also has the infrastructure capacity to support high-rise/high density housing projects which allows for development and construction activity to occur quickly. Hence, with a high demand by local residents for affordable housing in Kakaako and the potential for faster development and construction activity, this Senate Bill 1350 will not only help to fulfill the affordable housing demand, but will also help to create jobs in the construction industry to counteract the jobs being lost due to the current economic downturn.

In order to insure that this “win-win” potential can be realized to its greatest extent, there are three areas in S. B. No. 1350 that need to be addressed and amended. They are as follows:

- 1) 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.
- 2) 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 quickly; 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.

- 3) 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.”

Mahalo for making this S. B. No. 1350 a “win-win” proposition by providing more affordable housing in Kakaako for the local residents of Hawaii and by creating jobs in the construction industry to help counteract the current economic downturn.