

SCR87



**Senate Committees on Education and Housing and Transportation, International
and Intergovernmental Affairs
March 30, 2009
State Capitol, Room 225**

Subject: Senate Concurrent Resolution No. 87 urging the Hawaii Housing Finance and Development Corporation to convene a task force to review state and county affordable housing approval requirements and procedures

Senators Sakamoto and Hee, Vice Chairs Kidani and Tokuda, and members of the committee:

My name is Jim Tollefson, President of the Chamber of Commerce of Hawaii. The Chamber of Commerce of Hawaii works on behalf of its members and the entire business community to:

- Improve the state's economic climate
- Help businesses thrive

In August 2007, Hawaii accepted the invitation by the United States Department of Housing and Urban Development to join the National Call to Action for Affordable Housing through Regulatory Reform. The NCA presented an opportunity for government to collaborate with other states, counties, municipalities, and private sector organizations to knock down the regulatory barriers imposed by governments in hopes of building more affordable housing.

The task force also reviewed nine housing studies commissioned by the State and counties between 1991 and 2006. The studies revealed common themes, and frequently identical recommendations, that have recurred over the past fifteen years. Some of the recommendations are summarized below:

- Nine studies recommended streamlining the regulatory process and creating development incentives for housing production.
- Eight studies recommended setting mandatory time frames for regulatory reviews and eliminating the duplication of services and reviews between the State and County levels.
- Eight studies recommended changing the functions of the Land Use Commission from a project specific zoning agency to a policy oriented body with broad and long range planning objectives.
- Eight studies recommended creating a single point of contact or clearinghouse for housing development, such as Community Economic Revitalization Teams (CERTs) to provide a single point of access to State and Federal programs in rural areas, and having housing expediter positions to steer affordable housing projects through the county entitlement process.
- Seven studies recommended allowing developers to pay a fee and, in turn, receive an expedited review by private consultants hired to provide third party review for the State or Counties.

- Six studies recommended providing adequate resources including funding and staffing to State and County agencies that are responsible for reviewing applications that assist with affordable housing or homelessness as well as giving priority review for affordable housing applications.

The Task Force was the latest in a series of attempts by policy makers to develop meaningful laws to address the need for more affordable housing in Hawaii. While these past efforts examined the structural problems of how the various government processes prevent or slow the delivery of affordable housing units, none of them identified the specific problem.

The underlying problem in the State and all of its counties is the continuing critical shortage of affordable housing. As a matter of policy, the Legislature should recognize that the cyclical housing problems in the State are a function of the overall lack of supply of housing in general.

For many years, government has attempted to address the need for housing by imposing affordable housing requirements on private developers seeking zone changes to permit large residential developments. These requirements have been contained in Unilateral Agreements executed and recorded by the developer/landowner and made a part of zone changes.

However, the Legislature realized that there are segments of the housing market that cannot be accommodated by the private sector developers. What is needed is a comprehensive approach to address the existing and future housing needs for the residents of the State.

We strongly recommend that if the legislature chooses to initiate another Task Force on Affordable housing, the legislation clearly identify the problem as the overall lack of supply of housing units in all segments of the market.

The housing market can be grouped into the following three basic segments with the associated “tools” listed that would increase the overall supply in the particular market segment:

1. Public Assisted Housing (Rentals)

The Public Assistance group is defined as household with annual income of 60% and below of the HUD median income for a family of four. This group requires significant public financial assistance in building and/or operating housing units

a. Tools

- i. .5% Real Property Tax—The recent City Charter Amendment allows for the .5% of the annual real property taxes in the City and County of Honolulu to be used for affordable housing to those in the 50% and below income group;
- ii. Direct subsidies, grants and appropriations;
- iii. Low Income Federal Tax Credits;
- iv. Other?

2. Affordable/Workforce Housing (For Sale and Rentals)

The Affordable/Workforce Housing group is defined as households with annual income between 61% and 80% for rentals and between 81% and 140% for sale of the HUD median income for a family of four.

- a. Tools
 - i. Inclusionary zoning (i.e. 30% of the units priced at affordable);
 - ii. Target and construct infrastructure capacity in areas where the City identifies for growth;
 - iii. Incentives:
 - 1. Permitting—discretionary versus ministerial approvals
 - 2. Density bonus to off-set affordable/workforce units
 - 3. Other?

3. Market Housing (For Sale and Rentals)

The Market Housing group is defined as households with annual income above 141% of the HUD median income for a family of four.

- b. Tools
 - i. Target and construct infrastructure capacity in areas where the City identifies for growth;
 - ii. Target communities for more market units if more than 30% of the total units in the area are priced for affordable/workforce households
 - iii. Incentives:
 - 1. Permitting—discretionary versus ministerial approvals
 - 2. Other?

The overall goal of the proposed legislation should be to increase the supply of housing for all income levels. This can be done by stimulating the market in certain areas to provide more incentives to build targeted housing product types. This approach allows the policy makers to focus on increasing unit counts in the various product types as opposed to trying to “regulate” the market.

It provides a different approach to increasing the supply of housing in Hawaii by reducing the uncertainty in the development of the targeted product types and allow for a variety of delivery options depending on market conditions. It also allows the market conditions to dictate supply of product type.

We appreciate the opportunity to express our views on this matter.

From: [Lela M. Hubbard](#)
To: [EDH Testimony](#)
Subject: Support for SCR 87
Date: Saturday, March 28, 2009 11:45:56 AM

Aloha, Chair Sakamoto and Vice Chair Kidani of EDH and Chair Hee and Vice Chair Tokuda of WTL.

Na Koa Ikaika, an ohana group that supports human and Hawaiian rights, congratulates you on this sensible and much needed streamlining of the process for producing affordable housing, a dire need in Hawaii. Perhaps the time saved by having a standardized form will translate into a lower cost for consumers.

Lela M. Hubbard
Na Koa Ikaika