TESTIMONY
SB 645, SD1

HAWAII COMMUNITY
DEVELOPMENT AUTHORITY

KAKAAKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
Executive Director

677 Ala Moana Boulevard
Suite 1001
Honolulu, Hawaii
96813

Telephone
(808) 587-2870

Facsimile
(808) 587-8150

E-Mail
contact@hcdaweb.org

Web site
www.hcdaweb.org

STATEMENT OF

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

BEFORE THE

SENATE COMMITTEE ON WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS

Wednesday, February 25, 2009

2:45 P.M.

State Capitol, Conference Room 229

S. B. 645, S. D. 1 – RELATING TO KAKAAKO.

Purpose: This proposal, as amended, increases the reserved housing requirement for planned developments on lots greater than 80,000 square feet to twenty-five percent of the residential floor space in the Kakaako Community Development District Mauka Area, and establishes a reserved housing requirement for planned developments on lots of between 20,000 to 80,000 square feet at twenty percent of the residential floor space in the Kakaako Community Development District Mauka Area.

Position: While the Hawaii Community Development Authority ("HCDA") agrees that the supply of affordable housing units in Honolulu is severely lacking; we offer the following comments.

Existing planned development permits administered by the HCDA apply to lots of 10,000 square feet or more with a lot size of 80,000 square feet receiving the full benefits of a planned development. The current reserved housing requirements apply to planned development projects with multi-family dwelling units on a development lot of at least 20,000 square feet. Since a landowner receives the maximum benefit of a planned development on a lot size of 80,000 square feet, we understand the rationale for the imposition of an increased reserved housing requirement to planned developments on a lot greater than 80,000 square feet.

However, 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.

Thank you for the opportunity to offer our comments on this proposal.

IRONWORKERS STABILIZATION FUND

Honorable Senator Clayton Hee, Chair
Members of the Senate Committee on Water, Land, Agriculture and Hawaiian Affairs
Hawaii State Capital
415 South Beretania Street
Honolulu, HI 96813

Arnold Wong

RE: <u>IN SUPPORT OF SB645 SD1, RELATING TO KAKAAKO</u>
Hearing: Wednesday, February 25, 2009

Dear Chair Hee, and the Senate Committee on Water, Land, Agriculture and Hawaiian Affairs:

The Ironworkers Stabilization Fund Local 625 SUPPORTS the passage of SB645 SD 1, which increases the reserved housing requirements for the Kakaako development district.

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 with the following changes:

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

5) Reinstate that all properties including commercial venture must meet the affordable housing requirements

Thank you for the opportunity to submit this testimony in support of SB645 with the proposed changes.

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

February 25. 2009 at 2:45 p.m.
Testimony / SB No. 645,SD1
Conference Room 229

To: Senator Clayton Hee
Water, Land, Agriculture & Hawaiian Affairs, Chair
Hawaii State Senate
WTLTestimony@Capitol.hawaii.gov

From: Marshall Hung, President of Marshall Realty, Inc. –
Affordable Housing Developer of 1247 Affordable For Sale and Rental Apartments since 1994 in Honolulu

Re: **2009 Kakaako Affordable Housing Legislation / Senate Bill No. 645, S.D.1**

Response to S.D.1 Amendments

With all due respect to Senator Norman Sakamoto, the 25% of the residential floor area change is a reversal from the 2008 Legislature hearings. To remove the commercial floor area is to cut in half the amount of affordable housing possibilities in Kakaako. It means that the 1976 Legislation for a 19,000 apartment neighborhood to house Hawaii's residents is being rejected. It means that there is still confusion about how the definition of "Reserved Housing" in the HCDA Rules has changed. It means that the affordable housing demographic changes over the last 35 years are not understood.

With the special category of 20,000 to 80,000 square feet, a loophole is created for all large landowners to subdivide down to 80,000 square feet to qualify for a 20% of unit's requirements.

This S.D. 1 version with its changes is the equivalent of having only 10% to 15% of all new construction in Kakaako being affordable housing. It means that there is no political will to solve the affordable housing shortage crisis.

Background

During the 2008 Session, Legislation was proposed to increase the affordable housing in the Kakaako Redevelopment Neighborhood by increasing the amount to equal 50% of all future development. Part of the purpose of this legislative bill was to remind the Legislature of the original intent of its 1976 Legislation, as recorded in the 1982 Rules of HCDA.

This 1976 law was visionary. The intention was to transform Kakaako's blighted, industrially polluted areas and create high density infrastructure that could accommodate apartment-type neighborhoods and house 60,000 Hawaii residents in 19,000 apartments. With wise foresight, 75% of the 19,000 units were to be affordable for Hawaii residents. And 20% were to be public housing with governmental restricted occupancy.

Did we achieve this in Kakaako? Unfortunately, the answer is no.

The Housing Shortage

Instead, Hawaii has an affordable housing shortage that has been measured by State officials as approximately 30,000 housing units.

In Kakaako, only 2,000 affordable units have been built during the last 30 years. The majority of the 2,000 affordable units are on State owned land and developed by the State government. During the same period, the private sector developed 5,000 luxury units. If Hawaii's government does not mandate legislation to increase affordable apartments in Kakaako, this vital Redevelopment Neighborhood will primarily be for the wealthy and non-residents. When the economy improves in the future, luxury condominium demand will resurge for non-resident, second home buyers.

Luxury Buyers

This non-resident population can afford higher prices than Hawaii's middle-class whom have an income price threshold equal to $100,000 per annum (for household of four). These second home purchasers desire luxury-size living units – 1,000 to 3,000 square feet – and will pay monthly maintenance fees ranging between $400 to $1,000. Generally, they will not rent their second homes because rental income is not important to them. Their price range is $500,000 to $3,000,000 for Kakaako condominiums.

Kakaako's Mission

As mentioned above, the founding mission in 1976 was to generate 19,000 living units of which 14,250 (75%) were to be affordable for Hawaii's residents who were to be the intended beneficiaries of the hundreds of millions of State dollars invested in preparing Kakaako to be this live-work-play community ($500 million invested including infrastructure, pollution remediation, park development, and the UH medical school campus). Three thousand eight hundred (3,800) (20%) public housing apartments were to be built as well.

Kakaako's Potential

Kakaako's make-over was designed to transform a key part of Honolulu and provide new level of urban living for Hawaii's residents. This transformative potential has become more important than ever for the following reasons, as documented in the literature of the field:

- The housing shortage crisis is increasing because new construction has been building for the wealthy, second home demand instead of for our own residents.

- Kakaako's high-density infrastructure was envisioned, and intended to support high-rise apartment buildings which provide the most economical living units given their economies of scale. This enables the production of the largest quantity of households to help the greatest number of residents/people.

- Urban apartment living has become desirable for the 20 to 40 year old population.
- A majority of 20 to 30 year old Hawaii residents prefer an "urban lifestyle" to a slower paced lifestyle.
- A higher percentage of college graduates would be attracted to live in Honolulu, and be able to afford it.
- With newly added supply in Kakaako, sales prices and rental amounts would decrease in nearby, older apartment neighborhoods, thus providing increased low-income apartments availability.
- Our older senior citizens now require the option of living in neighborhoods where convenience, easy walking, and little vehicle usage is possible.

Profits

Generally speaking, most landowners and developers, if left unregulated, will seek to make the higher profits from luxury residential and commercial developments in Kakaako. Not surprisingly, many of them opposed the 2008 legislation requiring a 50% affordable housing component. They seek to maximize their profits. Only wise legislation in Kakaako can intervene and correct the imbalance between our own residents and the wealthier buyer/investor.

The Housing Ladder

Significantly, the current HCDA definition for "reserved housing" is equivalent to the Federal Government's census income level for affordable housing in Honolulu. HCDA has modified its definition to include both lower income and medium income housing. Given this expansion of income levels and the change to Hawaii's middle class demographics, many people get confused about the definition of affordable housing and how the "market ladder" for housing works.

Consider this: In a state with 1.5 million population that averages three individuals per household, there needs to be 500,000 residential units. The older, wealthier people generally occupy more land with large single family homes located in the better geographical locations. The older, less wealthy folks occupy homes on smaller parcels of land, often sharing their land with others and living in low density apartment buildings sited in less desirable geographical locations. Lower income households generally can only afford homes on smaller parcels located in third tier locations or high density apartment buildings.

Generally speaking, new buildings in the same neighborhood with similar living space will attract higher prices and rental amounts than older buildings. Lower income groups will occupy the fifty year old buildings, and medium income groups will occupy the five year old buildings. This generally describes the "ladder" of housing, and how market forces work.

Subsidy Programs

In our experience, government subsidy programs that intend to help "special groups" (like lower-income groups versus medium-income) usually disrupt the "fairness" of the housing market. This is to say that the harder working household with a higher income can be disqualified (essentially penalized) from new construction housing sponsored by the government. Admittedly, markets are not perfect. When federal government low-income financing is available, especially during a housing shortage crisis, it does make sense to build this specialized inventory of housing.

Taxpayer's Investment

So far, our State has invested around $500 million for the industrial pollution cleanup, high-density infrastructure, parks and medical school anchor. Hawaii's taxpayers are the rightful beneficiaries of this investment, not over-zealous landowners and their wealthy clientele. Regrettably, since the Cayetano Administration in the nineties and the deaths of past community leaders (who envisioned and created the Kakaako Authority), HCDA has lost its way.

What Happened to HCDA

Currently, the State will retain ownership to the air rights above 45 feet or 1.5 building density. However, such air rights ownership is now about to be transferred by land entitlements through a Master Plan approved by HCDA in January 2009 to General Growth Properties. Perhaps the 2009 Legislature has a final chance to prevent this objectionable taking from Hawaii's residents and taxpayers. The other major landowner, Kamehameha Schools is presently following the same Master Plan approval process with HCDA.

Please be reminded that 1976 Legislation fairly protected land rights below 45 feet or new buildings construction below 1.5 times the land area – and excluded lands below 20,000 square feet from any government obligations. With the above cited land entitlements and neighborhood improvements by the State, all Kakaako landowners have seen their valuations rise from $35 to at least $100 per square foot since 1976.

Kakaako is Honolulu's only Redevelopment Neighborhood. For landowners to seek greater profits by (1) ignoring Kakaako's founding legacy and (2) after participating in Honolulu's only Redevelopment Neighborhood and benefiting therefrom, seems brashly disingenuous.

Increased Housing and Construction Jobs Now

With appropriate legislation, new affordable housing projects can start construction now and take advantage of the unceasing demand for such product, lowered construction costs, and abundance of labor. Needed housing and needed construction jobs would result.

Such legislation would compel landowners to value a percentage of their lands at $100 per square foot instead of the higher amount that the past economic boom allowed. Without such corrective legislation passed by you, we predict TEN years of ZERO new construction in Kakaako, except for State-financed projects.

Mahalo for your attention and consideration.

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

February 23, 2009

SUPPORT BILL PASSAGE
WITH AMENDMENTS

Senator Clayton Hee, Chair
Committee on Water, Land,
Agriculture & Hawaiian Affairs
Hawaii State Capitol
415 South Beretania Street, Room 228
Honolulu, Hawaii 96813

Dear Senator Hee:

Attached is my testimony for Senate Bill 645, S.D.1.

Mahalo for your consideration and support for more affordable housing in Kakaako and for creating jobs in the construction industry to help counteract jobs being lost due to the current economic downturn.

Best Regards and Aloha,

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

Attachment

February 25, 2009

Testimony for Senate Bill 645, S.D. 1

While Senate Bill 645, S.D. 1 is intended to produce more affordable housing in Kakaako, it has too many loopholes to be effective in fulfilling its intent.

The loopholes are as follows:

1) It carves out commercial, industrial and resort uses from the reserved housing requirement which was in Section 1 of the original Bill. It needs to be reinstated to result in much better balancing of uses between commercial, industrial, resort and residential developments in Kakaako.

2) It carves out Section 206E(f) of the original Bill 645 which provides transfer of excess housing credits to another Kakaako project to satisfy the reserved housing unit requirement. This section provided a strong incentive for developers to build affordable housing in Kakaako, hence, it should be reinstated.

3) It changed the land area for the 25% of floor area to be constructed for reserved housing units from 3 acres to 80,000 square feet. This should be changed to 1 acre in order to produce more reserved housing units relative to the land area.

4) Alternative substitutions in satisfying the affordable housing requirement outside of Kakaako should <u>not</u> be allowed for the following reasons:

   a) Kakaako is located in the primary urban core that makes it compatible for high-rise and high density housing projects that are attractive to local residents who work in Downtown Honolulu;

   b) Kakaako has the infrastructure capacity already in place to support high-rise and higher density housing projects, which allows for development activity to occur faster to help create sorely needed construction jobs; and

   c) Kakaako has larger parcels of land that are either underdeveloped or vacant and are readily available to accommodate large high-rise and high density housing projects that provide the best economies of scale for cost efficiency which is necessary to produce affordable housing.

5) 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 reserved 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 considering these proposed changes and reinstatements to Senate Bill 645, S.D. 1 as they will go a long way in being much more effective to produce <u>more</u> affordable housing in <u>Kakaako</u>.

Committee on Water, Land, Agriculture, and Hawaiian Affairs
Senator Clayton Hee, Chair
Senator Jill N. Tokuda, Vice Chair

February 25, 2009, Committee Hearing
Conference Room 229
2:45PM

Senate Bill 645, SD1
Relating to Kaka'ako

Chair Hee and Committee Members:

I am opposed to the passage of Senate Bill 645, SD1 as it is currently written because of two inconsistencies.

I am Dexter Okada. As a disclosure, I am a member of the Hawaii Community Development Authority(HCDA). But I am testifying as the president of U. Okada & Co., Ltd., a third generation small family business that has been located on Queen Street in Kaka'ako for over fifty years and as a representative of the Kaka'ako Business and Landowners Association.

In the original SB645, Section 1 says "It is not the intent of the legislature, however, to place a disproportionate burden on small businesses in the area…". In SB645, SD1 this wording is deleted but it is assumed that the wording of "greater than 80,000 square feet" is the replacement wording. The first inconsistency is where Section 1 of SB645,SD1 refers to planned developments for residential use that are greater than 80,000 square feet. But Section 2 on page 5 lines 3-4 refers to planned development of lots 10,000 square feet or more. 10,000 should be 80,000.

In the original SB645, Section 1 included commercial, industrial, and resort uses. In SB645, SD1, Section 1 refers to only residential developments so as not "…to place a disproportionate burden on small businesses in the area…". The second inconsistency is where Section 1of SB645, SD1 refers to planned development with "multi-family dwelling units" on lots between 20,000 and 80,000 square feet. But in Section 2 page 8 lines 6-7 "multi-family dwelling units" is omitted. "multi-family dwelling units" should be inserted.

I would like to thank the Senators in this Committee and in the previous committee for their concern for the small businesses and property owners in Central Kaka'ako.

Thank you,

Dexter Okada

WATERHOUSE

February 24, 2009

Senator Clayton Hee, Chair
Senator Jill N. Tokuda, Vice Chair
Committee on Water, Land, Agriculture and Hawaiian Affairs
State Capitol, Room 229
Honolulu, HI 96813

RE: **SB 645, SD1, Relating to Kakaako**

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

As the President of Waterhouse, Inc., I am respectfully writing to voice our **opposition to SB 645, SD1** 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 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.

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

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

SERVCO PACIFIC INC.

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

February 24, 2009

To: The Honorable 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: Wednesday, February 25, 2009 2:45 pm

In Opposition to SB 645 SD1, Relating To Kakaako

On behalf of Servco Pacific Inc. ("*Servco*"), I submit the following comments in opposition to the adoption of SB No. 645 SD1 (the "*Bill*").

The lack of affordable housing is an important issue which needs to be addressed, and there is no easy or simple solution. We believe that 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 and we are committed to working with government housing agencies to encourage such development.

The Bill proposes to change the existing reserved housing requirements within the Kakaako Redevelopment District by increasing the reserved housing requirement from 20% of the total residential units to 25% of the residential floor area of a planned development. This is a significant and unilateral change. This requirement arbitrarily increases to 35% after December 31, 2017. Such changes unfairly single out and impose on developments within the Kaka`ako Redevelopment District a reserved or affordable housing requirement which is not applicable to anywhere else within the State of Hawaii.

In addition, the bill does not adequately address the economic viability of the private sector actually being able to construct reserved housing units. If it is not economically viable, these reserved housing units will not be built. By placing the burden on the private landowners in the Kaka`ako Redevelopment District, redevelopment efforts in the area could come to a standstill. 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 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. This is especially vital in light of our local, national and global economic recession. In Servco's view it will require a fair and equitable contribution and involvement from many different stakeholders. The landowners, the housing developers, construction lenders, contractors, government, and the public must all work together to solve this problem. Unfortunately the current bill, SB 645 SD1, does not accomplish this.

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

General Growth Properties, Inc.

Senator Clayton Hee, Chair
Senator Jill Tokuda, Vice Chair
Senate Committee on Water, Land, Agriculture & Hawaiian Affairs

Wednesday, February 25, 2009; 2:45 p.m.
Conference Room 229

RE: SB 645 SD1 Relating to Kaka`ako - Testimony in Opposition

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

My name is Jan Yokota, Vice President- Development of the Hawai`i Region for General Growth Properties. General Growth Properties **opposes SB 645 SD1.**

The purpose of SB 645 SD1 is to increase the reserved housing requirement for planned developments in the Kaka`ako community development district that are greater than 80,000 square feet to twenty-five per cent of the residential floor area.

General Growth agrees that there is a significant need for affordable housing in Hawai`i. However, the bill does not facilitate the development of reserved housing in Kaka`ako. In today's market, development projects are extremely difficult to build as a result of high land and construction costs and the limited availability of financing. Therefore, it is essential that the State, counties and developers work together to formulate a workable program to provide reserved housing.

The Hawai`i Community Development Authority (HCDA) currently requires that a planned development containing multi-family dwelling units on a lot of at least 20,000 square feet set aside a minimum of twenty percent of the total number of dwelling units as "reserved housing units" for sale or rental. Meeting the current 20% reserved housing requirement is challenging for developers, even in good economic times. To support the construction of reserved housing that exceeds this requirement, we propose the creation of incentives that would work towards minimizing the high development costs involved. Such incentives may include density and height bonuses, relaxed parking requirements and expedited permitting processes. Landowners and developers would be entitled to receive these incentives if they build more reserved housing units than is required by HCDA.

In summary, while General Growth Properties agrees that there is a significant need for affordable housing, we believe that the creation of incentives that would work towards minimizing the high development costs is the key to facilitating the development of affordable housing. Therefore, we strongly urge the committee to defer action on SB 645 SD1 to allow an opportunity to work collaboratively with you on these incentives. Thank you.

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

HAWAIIAN DREDGING
CONSTRUCTION COMPANY

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

2/24/09

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

Hawaii State Capitol, Room 229
415 South Beretania Street
Honolulu, Hawaii 96813

RE: SB 645, SD 1 RELATING TO KAKAAKO—Wednesday, Feb 25, 2009, 2:45 PM, Room 229

Dear Chair, Vice Chair, and Committee Members:

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

SUPPORT FOR AFFORDABLE HOUSING & CONSTRUCTION JOBS

Hawaiian Dredging strongly supports increasing the supply of affordable housing in the State—including Kakaako. We employ hundreds of Hawaii's citizens, and we urge the increase in the supply of homes that are affordable to Hawaii's people.

We also need projects and jobs for our employees. Our industry—Hawaii's third largest—has been greatly impacted by this severe economic downturn. Thousands of workers have been laid off. Many projects have been sidelined. Financing has dried up.

We believe that wise legislation on your part can make progress on both fronts—housing and jobs. It's a two for one....a classic win-win. There's a great opportunity here.

DOWN CYCLES ARE THE TIME TO BUILD AFFORDABLE HOUSING

Down cycles can be an excellent time to build affordable homes because demand for expensive projects disappears. The last economic downturn lasted eight years from 1993 to 2001. During that difficult time, we built thousands of affordable homes in the Ewa plane for Shuler, Gentry, and others. We also built hundreds of affordable units in Kakaako and Makiki high-rises.

A DEVELOPMENT SCENARIO

Consider this scenario: You are a developer or landowner in a down market.... Project opportunities have disappeared.... However, strong demand remains for affordable housing product.... In a Kakaako situation, you have a mandated percentage requirement to produce affordable housing whenever you undertake a project....

If you build it now...when nothing else is viable... you satisfy your housing requirement for a future project that can be built when the market improves.... And this future project could earn a higher return because the land values would have risen, in part because the affordable housing preconditions would have already been met...and at a time when construction pricing was lower....

So...Phase 1: Build the affordable component now... Phase 2: Build the expensive project later.

DOWN CYCLE COULD LAST

It could be many years before the economy can recover. It took eight to ten years to recover from the Japanese Bubble downturn of the Nineties....and this downturn is possibly worse and certainly on a global scale.

KAKAAKO

For decades, the guiding principle of Kakaako has been live—work—play for our residents.... Let's see more local people living in Kakaako.

Mahalo for your time and concern.

Aloha,

Kirt Pruyn
Manager, Business Development & Community Relations
808-735-7411

TESTIMONY
SB 645, SD1
(END)