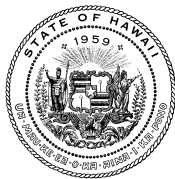


SB736



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

Testimony of
Linda L. Smith
Chairperson, Affordable Housing Regulatory Barriers Task Force

Before the
SENATE COMMITTEE ON EDUCATION AND HOUSING
Wednesday, February 4, 2009, 1:15 p.m.
Room 225, State Capitol

S.B. 736 RELATING TO AFFORDABLE HOUSING

Chair Sakamoto, Vice Chair Kidani, and members of the Committee, thank you for the opportunity to provide testimony in **support** of S.B. 736, Relating to Affordable Housing. This bill provides incentives to affordable housing developers to encourage and increase affordable housing development across the State.

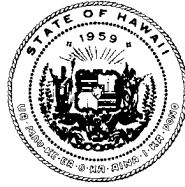
The Affordable Housing Regulatory Barriers Task Force recognized that exactions, impact fees, and connection fees are a regulatory burden to affordable housing and greatly increase the cost of an affordable unit for a renter or buyer. Regulatory burdens can potentially delay a project for up to seven years, which leads to a more expensive home. The Task Force finds that these types of delays can increase the cost of a home or rental unit by \$10,000 to \$50,000.

To address this problem the Task Force recommends that the State decrease costly fees placed on affordable housing projects. In addition, the State needs to create more incentives to spur affordable housing development, as proposed by Senate Bill 736.

This bill requires county agencies to provide incentives to affordable housing development, which may include density bonuses, height waivers, waiver of water and sewer fee connection charges, cluster zoning, reduction of parking requirements, greater design flexibility, procurement exemptions, waiver of public facilities set-asides and fees, waiving State wage requirements, priority infrastructure financing, and site flexibility.

In 2008, only 1.7% of Hawaii workers could afford to purchase a median priced home. Senate Bill 736 is one way that the State can help reverse this troubling statistic. Thank you for the opportunity to testify in support of this measure.

Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the
SENATE COMMITTEE ON EDUCATION AND HOUSING

February 4, 2009 1:15 p.m.
Room 225, State Capitol

In consideration of
S.B. 736
RELATING TO AFFORDABLE HOUSING.

The HHFDC supports the intent of S.B. 736. We support the concept of providing additional incentives for the development of affordable housing, given the shortage of such housing statewide.

Thank you for the opportunity to testify.

Testimony on SB736 Related to Affordable Housing

By Al Lardizabal, Director Government Relations
Laborers; International Union of North America Local 368

To the
Senate Committee on Education and Housing
Wednesday, February 4, 2009
1:15 p.m., Conference Room 225
State Capitol

Honorable Norman Sakamoto, Chair; Honorable Michelle Kidani, Vice
Chair and Members of the Committee:

SB736 provides for “Affordable housing incentives and infrastructure”.

We support the concept of incentives in building affordable housing however, the incentives in the bill seem to be skewed to developers and for profit organizations. They stand to gain from unfettered profits, reduced cost from the sacrifices of others, especially Hawaii workers whose wages will be depressed by this bill. The developers are not mandated to contribute to reducing the cost of affordable housing from their profits nor does the state indicate its willingness to forgo tax revenues from the sale of houses and business income taxes.

On the other hand, the counties are mandated to provide incentives to reduce certain physical and design parameters in housing developments (density, height etc.), water and sewer connection fees, set-asides etc. The loss of fees is a reduction in County revenues.¹ It also mandates the counties to waive state wage requirements which we believe refer to prevailing wages. This we cannot support and oppose it vehemently.

Affordable houses will be purchased by the middle class of workers who are fortunate because of their income, to qualify for mortgages and continue long-term payments. Construction workers live in a “feast or famine” vocation; there is no guarantee of continuity of work from day to day. It is

¹ Hawaii Constitution Article VIII. Transfer of Mandated Programs Section 5. “If any new program or increase in the level of services under an existing program shall be mandated to any of the political subdivisions by the Legislature, it shall provide that the State share in the cost.”

even more difficult to find work in this “perilous economy”. Depressing wages only adds to this peril.

Thank you for the opportunity to present this testimony.

1. Hawaii Constitution, Article VIII. Transfer of Mandated Programs. “If any new program or increase in the level of services under an existing program shall be mandated to any of the political subdivisions by the Legislature, it shall provide that the State share in the cost.”

The Senate
The Twenty-Fifth Legislature
Committee on Education and Housing
February 4, 2009, 1:15 p.m.
Conference Room 225

Statement of the Hawaii Carpenters Union on S.B. 736, Relating to
Affordable Housing

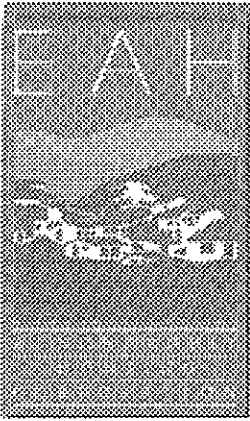
The Hawaii Carpenters Union is opposed to the passage of S.B. 736 in its current form. While the Bill may a) impose unfunded mandates on Counties; b) repeat certain options already available in section 201H; c) and dilute incentives to build lower income rental housing, it is the "...procurement exemptions and waiving state wage requirements..." that are most clearly objectionable.

The Bill discussion focuses on the generally understood entitlement, permitting, and certain fees that affect the development process for affordable housing. However, inserted among the incentives are provisions that would weaken two public policies that are simply not in the same category. This Bill is inconsistent to fundamental Hawaii public policy: Procurement to police the spending of, and return on our tax dollars. State wage requirements to provide a "level playing field" for Hawaii contractors bidding on public works.

We must guess that the Bill means state prevailing wage requirements, because as written it may call for the waiver of minimum wage, overtime, or any other "wage requirements". Prevailing wage law is long established in Hawaii, preventing the depression of wages by the use of government resources. On the other hand, if housing is not government assisted, neither prevailing wages nor procurement would apply under current law.

We urge legislators not to cut wages, safety and training, in the name of social good for the same working and poor households. Do not inadvertently counter entire bodies of procurement and prevailing wage law as this Bill does in its current form.

Thank you for your consideration of our testimony.



February 3, 2009

Senator Norman Sakamoto, Chair
Senate Committee on Education and Housing
State Capitol, Room 230
Honolulu, Hawaii 96813

Subject: S.B. No. 736; Hearing February 4, 2009; Testimony in Support

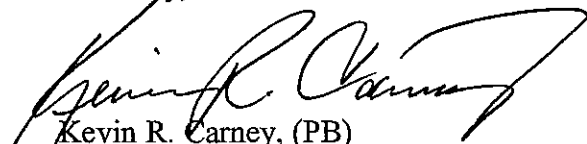
Dear Senator Sakamoto and Members of the Senate Committee on Education and Housing:

EAH Housing strongly supports S.B. No. 736 and its intent to provide incentives for the development of affordable housing that serves those with incomes at or below 140% of the area median income (AMI) as defined by HUD. EAH Housing is a non-profit public benefit corporation dedicated to developing, managing, promoting and preserving affordable rental housing. We primarily serve those whose incomes are at or below 60% of the AMI.

We applaud the introducers of this bill for recognizing the need for more affordable housing and for taking the initiative to introduce incentives to encourage developers and investors to produce more affordable housing. We all recognize that we are in very tough economic times where the need for affordable housing will be increasing. As an example, EAH opened the waiting list for one bedroom rental units at Kukui Tower in Chinatown only last week. Within 48 hours we had over 900 applications! Unfortunately, we only have available approximately 24 apartments per year. As the need increases we will need to think of other ways to increase production in addition to these incentives.

Thank you for this opportunity to submit our thoughts.

Sincerely,



Kevin R. Carney, (PB)
Vice President, Hawaii



KAMEHAMEHA SCHOOLS

Testimony to the Senate Committee on Education and Housing
Hearing Date: Wednesday, February 4, 2009
1:15p.m. – Conference Room 225

Kirk O. Belsby
Vice President for Endowment
Kamehameha Schools

Thank you for the opportunity to comment on SB No. 736.

Kamehameha Schools supports 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 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.

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.

567 South King Street • Honolulu, Hawai'i 96813-3036 • Phone 808-523-6200

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Provide Meaningful Incentives - Facilitate Free Award of Development Credits and Trade Between Developers.

Credits for developing affordable housing should to be transferrable 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.

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 an 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.

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Housing Hawaii
Advocating Creating Maintaining Affordable Housing

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& Company, LLC

Director – Brian

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Hawaii

Director – Kirk

Caldwell, City and
County of Honolulu

Director – Kamaile

Sombelon, Lokahi
Pacific

Executive Director

Nani Medeiros

February 4, 2009

The Honorable Norman Sakamoto, Chair
House Committee on Education and Housing
Hawaii State Capitol, Room 230
Honolulu, HI 96813

Dear Chair Sakamoto and Members:

RE: SB 736, RELATING TO AFFORDABLE HOUSING

I am Nani Medeiros, Executive Director of Housing Hawaii, testifying in support of Senate Bill 736, Relating to Affordable Housing. This bill provides incentives for the development of affordable housing.

With so many challenges and obstacles to housing development in the State of Hawaii, there is a need for targeted, concrete incentives to engage more affordable housing development in the State. These incentives may take the form of tax exemptions, expedited permit reviews, project based incentives, and policies that provide more predictability in the field of housing development.

Project based incentives in exchange for affordable housing development include: density bonuses, height bonuses/waivers, cluster zoning, waiving sewer and water connection fees, tax credits, reduction of parking requirements, an expedited permit review, greater design flexibility, procurement exemptions, and targeted infrastructure financing.

This bill provides the much needed predictability that developers of affordable housing need. The effects of this bill will also likely reduce the cost of the unit to the consumer. Regulations and requirements in Hawaii can add up to \$200,000 on to a unit. While developing more affordable housing is one part of the solution to Hawaii's housing crisis, what we must also do is set policies that make homes more affordable. Regulatory relief is not the silver bullet. But, it is a critical component of the solution, and carries extreme appeal in an era of great change, leadership, and economic challenges.

We recommend deleting the provision that permits waiving of state wage requirements. Thank you for the opportunity to testify.

Nani Medeiros
Executive Director

Housing Hawaii, 841 Bishop Street, Suite 2208, Honolulu, HI 96813

Phone: 808-469-7774

Email: housinghawaii@hawaii.rr.com

www.housinghawaii.org



HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO

ENTRY PACIFIC DESIGN CENTER, STE. 215A • 560 N. NIMITZ HIGHWAY, #50 • HONOLULU, HAWAII 96817
(808) 524-2249 • FAX (808) 524-6893

February 4, 2009

Honorable Senator Norman Sakamoto, Chair
Honorable Senator Michelle Kidani, Vice Chair
Members of the Senate Committee on Education and Housing
Hawaii State Capital
415 South Beretania Street
Honolulu, HI 96813

RE: **IN OPPOSITION OF SB 736**
RELATING TO AFFORDABLE HOUSING
Hearing: Wednesday, February 4, 2009, 1:15 p.m.

Dear Chair Sakamoto, Vice Chair Kidani and the Senate Committee on Education and Housing:

For the Record my name is Buzz Hong the Executive Director for the Hawaii Building & Construction Trades Council, AFL-CIO. Our Council is comprised of 16-construction unions and a membership of 26,000 statewide.

The Council is in favor of incentives in building affordable housing however, we OPPOSE any mandate for counties to waive state wage requirements or prevailing wages, and thus OPPOSE the passing of SB736.

Hawaii workers' wages will be affected by this bill during an economic state where it is difficult to find work and there is no guarantee of work stability.

Thank you for the opportunity to submit this testimony in opposition of SB736.

Sincerely,

W. Hong dg
William "Buzz" Hong
Executive Director

WBH/dg

COLAN MORIWAKI
President
Bricklayers & Ceramic Tile Setters
Local 1 & Plasterers/Cement
Masons Local 630

JOSEPH O'DONNELL
Vice President
Iron Workers Local 626

AMIEEN T. K. KIM
Financial Secretary
International Brotherhood of
Electrical Workers Local 1186

ARTHUR TOLENTINO
Treasurer
Sheet Metal Workers I.A. Local 293

ALCOLM K. AHLO
Sergeant-At-Arms
Carpet, Linoleum, & Soft Tile
Local 1296

REGINALD CASTANARES
Secretary
Painters & Fillers Local 675

MAHDEUS TOMEI
Elevator Constructors Local 126

JOSEPH BAZEMORE
Drywall, Tapers, & Finishers
Local 1944

CHARLTON TAGGERE
Painters, Architectural Metal &
Glassworkers Local Union 1889

WILLIAM CHONG
Roofers, Waterproofers & Allied
Workers United Union of Roofers
Local 221

DAVID AYCOCK
Carpenters, Ironship Builders
Local 627

JOHN KINNEY
District Council 50
Painters & Allied Trades
Local 1791

JOHN MAHOE
Structural Engineers Local 3

JOHN SEBRESOS
International Assoc. of
Insulators & Frost Insulators
Local Workers Local 132