

**TESTIMONY**  
**SCR 92**  
**LATE**



# LATE TESTIMONY

Anthony Ching  
Comments

HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY

STATEMENT OF

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



BEFORE THE

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

Linda Lingle  
Governor

Wednesday, March 10, 2010

1.25 P.M.

C. Scott Bradley  
Chairperson

State Capitol, Conference Room 225

**SCR 92- REQUESTING A REPORT TO THE LEGISLATURE  
REVIEWING WORKFORCE HOUSING IN KAKAAKO  
MAUKA.**

Anthony J. H. Ching  
Executive Director

**Purpose:** Given that the availability and affordability of workforce housing are considered important to the people of the State, the Legislature requests the Hawaii Community Development Authority ("HCDA") to research the need for workforce housing in the Kakaako area and to submit a report prior to the convening of the 2011 Regular Session.

**Position:** The HCDA takes no position, but offers the following comments to the proposal in its current form. Chapter 206E, adopted in 1976, created the HCDA and established the Kakaako Community Development District. In 1982, HCDA adopted the Plan and Rules ("Rules") for the Mauka Area of Kakaako that includes incentives for "Reserved Housing" in privately developed mixed-use projects. Reserved Housing units are provided by developers of planned development projects in exchange for HCDA's approval of additional building height and floor area for such projects. The prices or rents for Reserved Housing units are set at levels to be affordable to moderate income households (the "gap group") or to those individuals or families with incomes between 100 to 140% of the area median income. The HCDA equates the term "Reserved Housing" as being synonymous with "workforce" housing. See Exhibit A for a summary of Reserved Housing units constructed in Kakaako since 1982.

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The Departments of Business, Economic Development & Tourism (“DBEDT”) and Labor & Industrial Relations (“DLIR”) currently address the issue of workforce housing. DBEDT’s Mission Statement “targets creating workforce housing units in high-quality living environments”. DLIR has a Workforce Development Division and supports a Workforce Development Council (“WDC”). The WDC was created in 1997 pursuant to the requirements of the Workforce Investment Act (Public Law 105-220) under the auspices of the U.S. Department of Labor.

As the issue of Reserved/Workforce Housing is an issue which is not confined to the Kakaako Community Development District and as the DBEDT and DLIR currently have responsibilities and program in this area, the resolution might be amended to have these agencies also participate in the research and analysis specified in the resolution with the HCDA providing data on the situation within the Kakaako Community Development Districts.

Thank you for the opportunity to comment on this proposal.

Exhibit A – Reserved Housing units constructed in Kakaako since 1982

Kakaako Housing Overview

November 24, 2009

**Exhibit A – RESIDENTIAL UNITS DEVELOPED IN KAKA'AKO SINCE 1982****LATE TESTIMONY**

ALL PROJECTS		Market Units	Affordable Units (low-income)	Reserved Units (moderate-income)	Total Affordable & Reserved Units	Total Units
Completed Projects						
	One Waterfront Towers	307			0	307
	Royal Capitol Plaza	269		28**	28	297
HCDA/HHFDC	Kamake'e Vista		227		227	227
HCDA/HHFDC	Pohulani (Elderly)		263		263	263
HCDA/LIHTC	Na Lei Hulu Kupuna (Elderly)		76		76	76
	Imperial Plaza	221			0	221
	Nauru Tower*	304			0	304
HCDA/HHFDC	Kauhale Kaka'ako		268		268	268
HCDA/LIHTC	Honuakaha Housing Complex	93	151		151	244
	One Archer Lane	331			0	331
	Hawaiki Tower*	417			0	417
	1133 Waimanu			282**	282	282
	Hokua (waiver)	248			0	248
	Ko'olani*	370			0	370
	Moana Pacific (waiver)	706			0	706
	909 Kapiolani (waiver)	227			0	227
	Keola La'i	289		63	63	352
<b>SUBTOTAL COMPLETED PROJECTS</b>		<b>3,782</b>	<b>985</b>	<b>373</b>	<b>1,358</b>	<b>5,140</b>
<b>% SUBTOTAL COMPLETED PROJECTS</b>		<b>74.6%</b>			<b>26.4%</b>	<b>100%</b>
Approved Current & Future Projects						
	Moana Vista	396		124	124	520
	Ward Village Shops	170				170
	404 Piikoi Phase IV	277		64	64	341
<b>SUBTOTAL CURRENT &amp; FUTURE</b>		<b>843</b>	<b>0</b>	<b>188</b>	<b>188</b>	<b>1,031</b>
<b>% SUBTOTAL CURRENT &amp; FUTURE</b>		<b>81.8%</b>			<b>18.2%</b>	<b>100%</b>
<b>TOTAL</b>		<b>4,625</b>	<b>985</b>	<b>561</b>	<b>1,546</b>	<b>6,171</b>
<b>% TOTAL</b>		<b>74.9%</b>			<b>25.1%</b>	<b>100%</b>

\*Reserved Housing requirements for Nauru Tower, Hawaiki Tower, and Ko'olani were satisfied by the construction of 1133 Waimanu

\*\* 10-year buyback period has expired

Carl Bonham, Ph.D.  
Executive Director, UHERO  
University of Hawaii at Manoa

Comments Only

The Honorable Sen. Norman Sakamoto, Chair and members – The Committee on Education and Housing

The Honorable Sen. Clayton Hee, Chair and members – The Committee on Water, Land, Agriculture and Hawaiian Affairs

Re: SCR 92, Requesting a Report to the Legislature reviewing workforce housing in Kaka`ako mauka.

Thank you for the opportunity to testify regarding SCR 92, which asks the Hawai`I Community Development Authority to review the status and adequacy of existing workforce housing in the Kaka`ako Mauka area. Understanding the need for workforce housing and the consequences of policy actions is critical. Researchers at UHERO have been working on a study of the effects of one type of reserved housing requirement, inclusionary zoning (“IZ”), in Kaka`ako. This study, conducted with the support of Kamehameha Schools, has found the following four results relating to inclusionary zoning. An analysis of workforce housing may come to similar conclusions, particularly in regard to the effect of reserve housing requirements.

1. Inclusionary Zoning policies have failed in other jurisdictions, and are failing on Oahu. IZ reduces the number of “affordable” housing units and both raises prices and reduces the quantity of “market-priced” housing units. A comprehensive literature review of IZ policy studies from around the U.S. overwhelmingly indicates that IZ policies have undesirable long-term effects. Approximately 90% of the policy studies concluded that IZ increases the market price of housing and decreases housing units available in the market. Similar policies on Oahu have been no more successful than those in the rest of the country.
2. There is no affordable housing crisis in the “gap” income groups earning between 80 and 140 percent of household median income. Condominiums have been affordable for households earning the median household income in Honolulu since 1993. While single-family homes have not been affordable since 2003, condominiums have been well within the means of the median Honolulu household since 1993, assuming the household has sufficient wealth for a down payment and is able to qualify for a mortgage.
3. Current Kaka`ako IZ policies endanger project viability by squeezing profit margins, especially under proposed HB 2846 and HB 2849. Using revenue and cost data from an actual condominium project in Kakaako that began construction in late 2006, The UHERO study calculated expected profit margins using a variety of assumptions regarding market conditions and reserved housing requirements. Scenarios were computed using “best case” assumptions—all units are sold at the listed price, the maximum allowable price is used for the reserved housing, and costs are assumed on the low side of what is typical in the industry. Our scenarios produced profit margins in the 10 to 30% range all but guaranteeing such a project would not receive the necessary financial backing to proceed. The result is less housing

than would have been produced otherwise.

4. Reducing or eliminating overly burdensome regulation on development, including inclusionary zoning, will increase affordability of housing for two reasons. First, it will encourage building, increasing the overall stock of housing, which will help hold down the market price of housing. Second, removing IZ will allow for the natural “filtering” process to occur unheeded, with newer units going to higher income households and older units being increasingly occupied by lower income households as their values depreciate.

These results from UHERO research on exclusionary zoning demonstrate the need for careful study of workforce housing and related issues in the Kaka`aka Mauka area before enacting policy changes.

Mahalo,

Carl Bonham, Ph.D.  
Executive Director, UHERO  
University of Hawaii at Manoa

# LATE TESTIMONY

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**From:** Lisa Takayama Eveleth [lisatakayama@limitllc.com]  
**Sent:** Tuesday, March 09, 2010 3:58 PM  
**To:** WTLTestimony  
**Subject:** SCR 92, Requesting a Report to the Legislature reviewing workforce housing in Kaka`ako mauka

The Honorable Sen. Norman Sakamoto, Chair and members - The Committee on Education and Housing  
The Honorable Sen. Clayton Hee, Chair and members - The Committee on Water, Land, Agriculture and Hawaiian Affairs

Re: SCR 92, Requesting a Report to the Legislature reviewing workforce housing in Kaka`ako mauka.

Aloha:

My name is Lisa Eveleth and I am a member of the Kaka`ako Community Alliance. Mahalo for the opportunity to testify in support of SCR 92, which asks the Hawai`i Community Development Authority to conduct an in-depth review of various facets of workforce housing in Kaka`ako. Such a study makes excellent sense. A bill that would dramatically increase the Reserved Housing exaction on Kaka`ako landowners has been approved in the House; it is prudent to assess the demand for a mix of housing in Kaka`ako prior to enacting such a sweeping exaction.

I would like to suggest that KCA be allowed to name a representative to assist with this study. In light of the attempts to increase exactions on Kaka`ako landowners, it is only fair that any study performed be overseen by the relevant stakeholders.

Mahalo again for this opportunity to testify.

Lisa Eveleth  
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# SERVCO PACIFIC INC.

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March 10, 2010

## LATE TESTIMONY

To: The Honorable Clayton Hee, Chair  
The Honorable Jill N. Tokuda, Vice Chair  
And Committee Members  
Committee on Water, Land, Agriculture, and Hawaiian Affairs

To: The Honorable Norman Sakamoto, Chair  
The Honorable Michelle Kidani, Vice Chair  
And Committee Members  
Committee on Education and Housing

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

Hearing Date: Wednesday, March 10, 2010/1:25 p.m.  
State Capitol/Conference Room 225

### In Support of S.C.R. No. 92, Requesting a Report to the Legislature Reviewing Workforce Housing in Kakaako Mauka

On behalf of Servco Pacific Inc. ("Servco"), I submit the following comments in support of the adoption of Senate Concurrent Resolution No. 92, Requesting A Report to the Legislature Reviewing Workforce Housing in Kakaako Mauka ("SCR 92").

Servco owns three (3) properties in the Kakaako Mauka District directly affected by the proposed SCR 92:

- (1) Lexus Dealership/Service Facility: 650 Kapiolani Blvd. - TMK No. (1) 2-1-046: 001
- (2) Lexus Pre-owned Vehicle Sales: 645 Kapiolani Blvd. - TMK No. (1) 2-1-047: 005 & 006
- (3) MI Parts and Service (Toyota): 609 South Street - TMK No. (1) 2-1-031: 030

There has been substantial discussion within the Legislature about the need to make changes to the existing reserved housing rules applicable to residential development in Kakaako Mauka and the need for more affordable, reserved and/or workforce housing to be provided within Kakaako Mauka. However, these discussions and debate has taken place with a lack of current and relevant information about the adequacy of existing affordable, reserved and/or workforce housing in Kakaako Mauka, how much additional affordable, reserved or workforce housing in Kakaako Mauka is desirable, the adequacy of existing policies in Kakaako Mauka to provide such housing over time, and an analysis of the types of planning policies, zoning practices, and other governmental policies which are appropriate for Kakaako Mauka and have proven successful in other jurisdictions.

Servco believes that the members of the Legislature and the debate on these important matters will benefit greatly from the information which would be developed and provided to the members of the Legislature as a result of the report requested pursuant to SCR 92. The availability of this information will provide the necessary basis for an informed and knowledgeable decision as to how to best address this important community issue within the context of Kakaako Mauka.

Thus Servco respectfully urges adoption of SCR 92.



**TESTIMONY**  
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**(END)**