

**STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF JOBIE M. K. MASAGATANI, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON OCEAN, MARINE RESOURCES &
HAWAIIAN AFFAIRS
IN SUPPORT OF

SB 2836 SD 1, RELATING TO AFFORDABLE HOUSING ON HAWAIIAN HOME LANDS

March 12, 2014

Aloha Chair Hanohano, Vice-Chair Cullen, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) supports this bill which makes permanent provisions for affordable housing credits to be requested by DHHL and received from each county for units developed on Hawaiian home lands. This bill is part of the Governor's administrative package by request of our department.

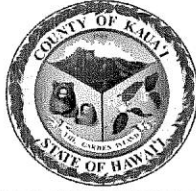
Affordable housing credits have afforded the department greater opportunities to gain resources to develop homesteads and, thus, meet our mission to return native Hawaiians to our trust lands. DHHL completes (ready for families to move in) between 100 and 200 homes annually statewide per year on average, so the credits DHHL receives from the counties account for a small portion of total affordable housing created each year in the state. Since Act 141 was passed by the legislature in 2009, this program has been very successful for DHHL, but it is set to repeal in 2015. By making this program permanent, DHHL can continue to form private-public partnerships through the exchange of credits creating resources for

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the department, and DHHL can earn these resources without requiring any state funds.

Thank you for your consideration of our testimony.

Bernard P. Carvalho, Jr.
Mayor



Kamuela Cobb-Adams
Housing Director

Nadine K. Nakamura
Managing Director

KAUA'I COUNTY HOUSING AGENCY

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March 10, 2014

Honorable Representative Faye P. Hanohano, Chair
and Members of the Committee on Ocean,
Marine Resources and Hawaiian Affairs
State House of Representatives
Hawai'i State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

**SUBJECT: TESTIMONY IN OPPOSITION TO SENATE BILL NO. 2836 SD1
RELATING TO AFFORDABLE HOUSING ON HAWAIIAN HOME LANDS**

Dear Chair Hanohano and Committee Members:

The Kaua'i County Housing Agency (KCHA) is in **strong opposition** to Senate Bill No. 2836 SD 1. The bill makes permanent provisions for affordable housing credits on Hawaiian home lands.

KCHA acknowledges DHHL's plight to provide housing to native Hawaiians, defined as individuals with fifty percent (50%) and more Hawaiian blood, and does support DHHL's Kaua'i projects through its Affordable Housing Task Force. Additionally, the County of Kaua'i provides many other support services to DHHL and its beneficiaries, including maintenance and operation of DHHL owned infrastructure. We also understand that DHHL intends to use affordable housing credits as a commodity to sell to developers who must meet county affordable housing requirements. As previously testified, KCHA believes that Act 141 and Senate Bill No. 2836 SD 1 lacks responsible boundaries and adversely impacts the County of Kaua'i's ability to provide equitable affordable housing to all people of Kaua'i. KCHA oppose the bill for the following reasons:

- (1) the home rule issue, by allowing a state agency to commandeer affordable housing credits that is required for development within the county by a county ordinance;
- (2) the unlimited timetable allowed to require counties to issue credits for past and future projects as requested without requiring units to be constructed or to be completed;



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- (3) making affordable housing credits completely transferrable and failing to take in to consideration affordable housing needs within proximity to specific development and job centers which impedes counties in applying smart growth principles;
- (4) allowing DHHL to provide homes to native Hawaiian families in rank order regardless of income and to provide an affordable housing credit based on homes not built is inappropriate; and
- (5) allows for the trumping of all county ordinance requirements in allowing satisfaction of one hundred percent (100%) a developer's requirements, such that there is potentially no affordable housing left available for the general population.

According to the Hawaiian Home Lands Residential Lessee Hand Book, DHHL's policy is to issue residential leases to native Hawaiians whose blood quantum is a minimum of fifty percent (50%) or a designated successor whose Hawaiian blood quantum is a minimum of twenty five percent (25%). Any affordable housing credits received by DHHL and then transferred for revenue only serves a specific ethnicity- a small fraction of Hawai'i's population. The latest DHHL Applicant Waiting List dated December 31, 2012 reports 1,582 residential applicants for Kaua'i, which accounts for less than three percent (3%) of Kaua'i's population. This creates a non-equitable effect for all Hawai'i residents, without the blood quantum.

In 2007, the County of Kaua'i adopted Ordinance No. 860, the Housing Policy for the County of Kaua'i, which allows up to twenty five percent (25%) of a developer's housing requirement to be met through credits issued to state government agencies. This allows at least seventy five percent (75%) of a developer's housing requirement to be available to the remaining population in need of affordable housing on Kaua'i, in amounts and income levels where and how needed. The proposed legislation would perpetually require the County to accept affordable housing credits from DHHL in fulfillment of a developer's affordable housing requirement without consideration to income or location restrictions.

Further, Act 141 omits definition of "affordable housing" and overlooks the income qualifications counties use to determine affordable housing eligibility. Under Ordinance No. 860, to qualify for affordable housing, a family's median household income must not exceed one hundred and forty percent (140%) of the Kaua'i median household income as determined annually by the U.S. Department of Housing and Urban Development (HUD). And while DHHL's homes may be affordably priced, the owner is not subject to affordable housing income qualifications. Issuing an affordable housing credit for this scenario would be contradictory to Ordinance No. 860.



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Act 141 erroneously requires counties to issue affordable housing credits to existing and future Hawaiian home land projects. Without specific language and clarification, Act 141 could unfavorably expand DHHL's eligible projects to include all existing homes built on DHHL prior to this bill and forward. Ordinance No. 860 requires that an affordable housing unit must be completed in order for the developer to receive an affordable housing credit. As it currently stands, Act 141 has no assurance that future Hawaiian home lands projects will be completed prior to the receipt of an affordable housing credit from the County.

On Kaua'i, Act 141 is not needed because the County's affordable housing policy, Ordinance No. 860, impartially applies affordable housing requirements to the developer. Ordinance No. 860 is based on need and not race, allows the County to apply smart growth principles and establishes an unbiased partnership between the County and the developer that can be viewed as *pono* by all Kaua'i residents.

To maintain the integrity of Ordinance No. 860, the affordable Housing Policy for the County of Kaua'i, to preserve the principle of "home rule" and to allow the counties to serve its residents as it should, I humbly request that you **defer action on Senate Bill No. 2836 SD 1**. Thank you for the opportunity to testify on this important matter.

Sincerely,



Kamuela Cobb-Adams
Housing Director

cc: County of Kaua'i Boards and Commissions
Senator Ronald D. Kouchi
Representative Derek S.K. Kawakami
Representative Dee Morikawa
Representative James Kunane Tokioka



DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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GEORGE I. ATTA, FAICP
DIRECTOR

ARTHUR D. CHALLACOMBE
DEPUTY DIRECTOR

March 12, 2014

The Honorable Faye Hanohano, Chair
and Members of the Committee on Ocean,
Marine Resources & Hawaiian Affairs
State House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Hanohano and Committee Members:

SUBJECT: Senate Bill No. 2836, SD1
Relating to Affordable Housing Credits

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 2836, SD1, which makes the affordable housing credits under the Department of Hawaiian Home Lands (DHHL) a permanent program.

As we previously testified on House Bill No. 1568, the City strongly supports an increase in the inventory of affordable housing units. The City also recognizes the challenges faced by DHHL in fulfilling its obligations to its beneficiaries. However, we testified in opposition to this program at its inception in 2009. This program costs the State of Hawaii nothing. In fact, it creates credit value that DHHL can sell to developers who have an obligation to fulfill affordable housing requirements imposed by the counties. It undermines the ability of the counties to provide new affordable housing to all its residents within county-defined income need groups, on a time schedule commiserate with private sector construction, and in geographic areas where the counties believe affordable housing is warranted.

In the six years since this mandatory credit program was adopted as Act 141 (2009, Session Laws of Hawaii), the City and County of Honolulu awarded more than 600 affordable housing credits to DHHL. Other DHHL submittals involving 600 more credits may be forthcoming shortly. These are high figures compared to the total amount of affordable housing otherwise delivered; in high-construction years, the private sector delivers about 600 affordable housing annually.

The goal should not be to redirect the resources and/or opportunities from one branch of government at the expense of another. We all need to work together in addressing the affordable housing shortage.

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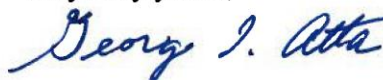
Moreover, it dampens the county's ability to focus on affordable housing in our transit-oriented development (TOD) areas to take advantage of the synergies with rail. As a side note, we do have ongoing conversations with DHHL about the opportunities that TOD represents to DHHL in fulfilling its mission, whether as an independent housing developer or in partnership with other developers and landowners.

The affordable housing credit program would be more palatable if the issuance of credits was changed from "shall" to "may."

In summary, we believe Act 141 benefits the DHHL at the cost of the counties' programs. It infringes on home rule and the counties' ability to administer their affordable housing programs. If Act 141 cannot be repealed in its entirety, we ask that you hold Senate Bill No. 2836, SD1, in committee.

Thank you for this opportunity to testify.

Very truly yours,



George I. Atta, FAICP
Director

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