



February 24, 2014

Honorable Suzanne Chun Oakland, Chair  
Honorable Josh Green, Vice Chair  
Senate Committee on Human Services

Honorable Donovan Dela Cruz, Chair  
Honorable Sam Slom, Vice Chair  
Senate Committee on Economic Development, Government Operations and Housing

**RE: SB 2699 – Relating to the Hawaii Community Development Authority’s  
Affordable Housing Requirement – IN OPPOSITION  
Hawaii State Capitol, Room 016; 2:50 PM**

Aloha Chairs Chun Oakland and Dela Cruz, Vice Chairs Green and Slom and Members of the Committees,

The Howard Hughes Corporation, and its wholly-owned subsidiary Victoria, Ward, Limited (“VWL”) oppose SB 2699, which requires the Hawaii Community Development Authority (HCDA) to implement affordable housing policies that are in greater conformity with those of the City and County of Honolulu.

The City and County of Honolulu’s jurisdiction is the entire island of Oahu which covers all land classifications. Therefore, tighter control conditions may be appropriate island wide where lands are outside the urban core, than for HCDA, especially as it relates to the Kakaako Community Development District. Because the purpose is redevelopment of the urban core, smart growth principles are encouraged – pedestrian friendly environment, bicycle lanes, wide sidewalks, internal parking structures – which leads to higher development costs. Therefore, certain incentives for developers are written into the rules so the “live-work-play” vision may be realized. Development in the urban core prevents sprawl and keeps the country country, but the development requirements are much higher, more broad, and more costly.

By approving the Ward Master Plan on January 14, 2009, HCDA provided enforceable assurances to VWL that its projects under the Master Plan in accordance with HCDA’s Mauka Area Rules existing at January 14, 2009 (“Vested Rules”) would not be later restricted by subsequent changes to those rules. In reliance on the validly approved Ward Master Plan and development permits, VWL has committed to significant time, resources and public benefits in implementing various development projects that will occur over the course of the 15-year master plan.

Under the Vested Rules, applicants for planned development permits “shall provide at least twenty percent of the total number of dwelling units in the development for sale or rental to qualified persons” meaning those at 140% of the area median income. HAR §15-22-115(a). Under the Ward Master Plan, VWL committed to satisfying this twenty percent requirement. In addition, VWL committed to provide

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"10% (or one-tenth) of the units that will fulfill the reserved housing requirement for families at 100% of the annual median household income." See Ward Master Plan Decision & Order, at Finding of Fact ("FOF") No. 74. Accordingly, VWL committed to more than was required, and under a development permit recently obtained, VWL also committed to providing a large portion of that reserved housing upfront.

Without exempting approved master plans with development rights under Vested Rules, SB 2699 infringes upon VWL's development rights and therefore, we respectfully urge you to hold this bill. Thank you for the opportunity to testify.

David Striph  
Senior Vice President - Hawaii



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 24, 2014 12:24 PM  
**To:** HMS Testimony  
**Cc:** ewabond@gmail.com  
**Subject:** Submitted testimony for SB2699 on Feb 24, 2014 14:50PM

**SB2699**

Submitted on: 2/24/2014.

Testimony for HMS/EGH on Feb 24, 2014 14:50PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
John Bond	Kanehili Cultural Hui	Support	No

Comments: Kakaakao is turning into a big developer Greed Fest of towering buildings to replicate Hong Kong in Honolulu. Look in the future for a large People's Liberation Navy warship parked out in front. The US Navy's intelligence assessment is that the Chinese military is moving full speed ahead with a confrontation with the US Navy, the Navy of Japan and the navies of neighboring nations in the Pacific. Honolulu's Kakaako developer Greed Fest will absolutely prove what a misguided conjob HCDA and Hawaii State development policy is conducting when the future Pacific naval war erupts and Honolulu becomes a ghost town of tall buildings with owners in the People's Republic of China. China's military is already developing aircraft carriers and ballistic nuclear submarines and have publically boasted how many Americans they will be able to kill in West Coast cities with one strike. China's military has already sworn to take islands from Pacific nations, including Japan. The war is coming. This is who HCDA is marking these tall building's to- America's future enemy. This isn't hype- this is a US Navy intelligence assessment of what is coming. It was put forth in a major US Naval Institute conference just last week by US naval intelligence experts. Bad, bad stupid greedy development policy destined to be a total future disaster for everyone in Honolulu except those who hope to pocket the money and get out fast before the next Pacific war starts.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 24, 2014 9:03 AM  
**To:** HMS Testimony  
**Cc:** eo50@icloud.com  
**Subject:** Submitted testimony for SB2699 on Feb 24, 2014 14:50PM

**SB2699**

Submitted on: 2/24/2014

Testimony for HMS/EGH on Feb 24, 2014 14:50PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Eric Okamura	Individual	Oppose	No

Comments: Save Kakaako Makai from residential intrusion. This bill should not move forward.

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LATE

Testimony of Ryan Harada  
Downtown Capital LLC

Committee on Human Services  
Senator Suzanne Chun Oakland, Chair  
Senator Josh Green, Vice Chair

Committee on Economic Development, Government Operations and Housing  
Senator Donovan M. Dela Cruz, Chair  
Senator Sam Slom, Vice Chair

SB 2699 – RELATING TO THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY'S AFFORDABLE  
HOUSING REQUIREMENT

Monday, February 24, 2014, 2:50 p.m., Conference Room 016

Aloha Chairs Chun Oakland and Dela Cruz, Vice Chairs Green and Slom and Members of the  
Committees:

My name is Ryan Harada. I represent Downtown Capital LLC, the developer of 801 South St, an affordable condominium project currently under construction. We oppose SB 2699. This Bill changes the definition of Workforce Housing, and will have the unintended consequence of reducing housing options for Hawaii's middle-class residents.

Workforce Housing is not Low-Income Housing. Workforce Housing targets middle-class Hawaii residents. Low-Income projects need government subsidies to be built, which is why imposing restrictions on selling and appreciation make sense. Workforce Housing is privately financed, taxpayers do not fund Workforce projects.

If this Bill is passed, future housing in Kakaako will consist primarily of income-restricted rentals or luxury housing. The middle-class makes too much to qualify for subsidized housing, and not enough to afford luxury projects. Where do they go if they want to live in town? These people are our children, neighbors, our younger generation, and our retirees. These are the future occupants of 801 South St.

The last 100% for-sale affordable housing project built in Kakaako was 1133 Waimanu in 1996. After years of public input, HCDA amended its Rules in 2011 to facilitate construction of Workforce Housing. The demand for Workforce Housing was evident in the overwhelming Buyer interest in our Project – which included 6,000 people visiting our sales trailer and a virtual sellout in two months. As a result, Phase 1 of 801 South St started construction in 2013. It's worth noting that 98% of our Buyers are local residents. I urge this Committee not to undermine efforts to increase housing for middle-income Hawaii residents. If this Bill were in effect two years ago, there would be no 801 South St, 350 construction jobs would be gone, and 1,000 local families would not have the opportunity to live in a new condominium in Kakaako. 801 South St is clear evidence that Workforce Housing works. Support Workforce Housing and you support Hawaii's middle-class. Thank you for your time this afternoon.



**Marcus & Associates, Inc.**

Testimony of Dale Nishikawa  
Marcus and Associates, Inc.

Committee on Human Services  
Senator Suzanne Chun Oakland, Chair  
Senator Josh Green, Vice Chair

Committee on Economic Development, Government Operations  
and Housing  
Senator Donovan M. De La Cruz, Chair  
Senator Sam Slom, Vice Chair

SB 2699—To the Hawaii Community Development Authority's Housing  
Development Requirement  
Monday, February 24, 2014, 2:50 pm, Conference Room 016

Chairs Chun Oakland and Green, and Vice Chairs De La Cruz and Slom, and Members of  
the Committees:

My name is Dale Nishikawa, I am the CEO of Marcus and Associates, Inc. (sales agent for  
801 South Street) and am submitting written testimony in opposition to SB 2699.

SB 2699 will change the definition of Workforce Housing and impose restrictions on  
buyers more commonly associated with low income housing units. Rather than  
providing more opportunities to Hawaii's middle class to own their own home, SB 2699  
will have the unintended result of stopping future development of homes within reach  
of the middle class. Under the current definition, a project like 801 South Street can be  
built without any government subsidies or tax breaks. In fact, the increase in number of  
units allowed will increase the total property taxes received for the life of the project.

Besides making development of homes affordable to middle class buyers unfeasible, the  
restrictions on buyers make the units unattractive. This is already evident when one  
compares the reception of "Reserved Housing" units, with its related restrictions,  
currently being marketed in other Kakaako projects where many units remain unsold, to  
the Workforce Housing units that quickly sold out in 801 South Street Building A to  
middle class buyers.

If the intention is to provide housing to Hawaii's middle class, SB 2699 is not the vehicle  
to do so. The result of this bill will instead, stop the development of homes within reach  
of these very buyers.

Thank you for the opportunity to submit this testimony in opposition to SB 2699.

Respectfully Submitted:

  
Dale Nishikawa  
CEO

**LATE**

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Commercial  
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**Testimony Supporting SB 2699**  
Galen Fox, Kaka'ako United

Chairs Chun Oakland, Dela Cruz, Senators:

I'm Galen Fox of Kaka'ako United and I support SB 2699. The bill would help correct the problem of HCDA building too little affordable housing in Kaka'ako. The law requires HCDA to build "affordable" housing--"low- or moderate- income" housing. Yet housing priced over \$662,000 (for those making 140% of area median income--AMI) is not affordable to most Honolulu households, even if--as HCDA claims--it is "affordable" to the "bottom 80%". When HCDA stretches its "affordability" band to cover 80% of the population, it actually gives developers the right to sell units at such a high price that only the 80th percentile--the top 20% of Honolulu--can afford to buy. Since HCDA doesn't require units to be built at any lower level of "affordability," developers are free to price units at \$662,000 and call them "affordable," even if such units are *unaffordable* for most of us.

Developers will make big bucks in Kaka'ako. Some of that profit--profit earned from selling to offshore buyers--should go into "reserved" or "workforce" housing for Honolulu's "essential workers." Most "essential worker" households, even those with two incomes, can't afford housing priced for the small percentage of us making over \$117,480 a year--and that's income of a four person household at *120% AMI, not 140% AMI*. In fact, three-fourths of our households earn under \$100,000 a year. We should at least define "moderate-income" as 80% to 120% of AMI--the dictionary says "moderate" means "tending toward the mean."

It also seems reasonable--and consistent with current law--to hold half of "reserved" or "workforce" housing for those most desperate for "affordable" housing--the "low income" households earning less than 80% of AMI. HCDA's law speaks of both "low" and "moderate" income households. Use "reserved" and "workforce" housing to help both groups.

We cannot pretend developers like building housing for low or moderate income families. They don't, as all of you too well know. But if developers are going to cash in on the 80% of their units aimed for overseas buyers and our upper class--the 80% that



*isn't* "reserved" housing--they can certainly set aside 20% for Honolulu's working people. Also, "workforce housing" developers who are asking for big concessions like doubling the permissible density of their projects should build for true working class families, not for those above the median income like 801 South St. sells to. SB 2699 would deliver housing affordable for the majority currently priced out of the market, not for the upper shelf people able to buy market units. And that's what the law says should happen with "reserved" and "workforce" housing.

SB 2699 also seeks to correct Kaka'ako's problem with "flipping". True affordable and workforce housing should stay affordable, with resales restricted to local workers owning no other property, no "flipping" allowed. And while HCDA is supposed to hold units affordable for five years (elsewhere, it's ten years), workforce housing can be sold immediately. HCDA anyway lacks controls on "flipping"--no buyback, no enforcing compliance, limited clawback on early resale (over the past several years, HCDA has reclaimed only \$5 million *total* in resale equity). HCDA disregards "affordable" housing restrictions that are the law for all other Honolulu affordable housing projects. In "flipping" Kaka'ako, affordable housing restrictions vanish after the first sale.

The law says 20% of Kaka'ako housing should be affordable, with no "flipping" allowed. Unless you pass something like SB 2699, the so-called "reserved" and "workforce" housing that's supposed to be affordable will continue serving upper income people, either on the first or second sale.

Hawai'i's home-starved people need your help. Mahalo.

LATE

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 24, 2014 1:56 PM  
**To:** HMS Testimony  
**Cc:** teresa.parsons@hawaii.edu  
**Subject:** Submitted testimony for SB2699 on Feb 24, 2014 14:50PM

**Categories:** Orange Category

**SB2699**

Submitted on: 2/24/2014

Testimony for HMS/EGH on Feb 24, 2014 14:50PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Teresa Parsons	Individual	Support	No

Comments: Senators, I stand in STRONG SUPPORT of this measure. Too many luxury condos are being approved and very few affordable and mid-range accommodations are being planned by developers. There is too much "lip service" in the plans for affordable housing, but when the permits and final plans are approved, the price range is beyond that of the average family in Hawai'i. The HCDA was created to ensure this parity of housing types, but it is CLEAR they need more direction from the Legislature. I urge you to support this measure to prompt more responsible planning for the people of this State. Mahalo for allowing submission of this testimony.

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**From:** Pam Wood <pwood229@gmail.com>  
**Sent:** Monday, February 24, 2014 5:12 PM  
**To:** HMS Testimony  
**Subject:** SB 2699

**Categories:** Orange Category

**Testimony of Pamela Wood**  
**Before the Senate Committees on Human Services and**  
**Economic Development, Government Operations and Housing**  
**Monday, February 24, 2014, Room 016, 2:50 pm**

**SB 2699 Relating to the Hawaii Community Development Authority's Affordable Housing Requirement**

Chair Senator Suzanne Chun Oakland, Chair Senator Donovan M. Lela Cruz and members of the Committees on Human Services and Economic Development, Government Operations and Housing:

My name is Pamela Wood. I live in Kakaako. Thank you for giving me the opportunity to testify in support of SB 2699. I've been licensed as a Hawaii Real Estate Broker since 1976 and served as the Vice President of Marketing and Sales for a Hawaii developer. I've had experience in the sale of affordable housing to first time home buyers.

I agree with the proposed amendments, but believe the definition of "Workforce Housing" should be revised to state the units must be "sold to" low or moderate income households, not "set aside" as currently stated.

Chapter 218, Kakaako Reserved Housing Rules clearly state the "rules" for buyers of "reserved" housing units. The last two pages of these rules, Subchapter 4, refer to Workforce Housing Project (s). I have learned there are no guidelines or rules for determining:

- 1) The factors or values used to determine sales prices are affordable to the target market;
- 2) Whether the target market can qualify for financing at these affordable prices;
- 3) Whether the units are being sold to the target market.

The current requirements to qualify as a workforce housing project are: 1) 75% of the units are "set aside" for families earning between 100 to 140% of the AMI; 2) no financial assistance is required from any government source; and 3) the units are limited in size. In return, the developer is given the following benefits - 100% density bonus, exemptions from the Reserved Housing Rules, exemption from the public facilities dedication fee and HCDA may consider "modifications" to the Mauka Area Rules. Usually modifications are requested because the increased density encroaches on public open space, set back requirements, height and distance between buildings.

The developer benefits from building a Workforce Housing project, but the Workforce may not be the end user. Units are only "set aside" for the Workforce for the first 60 days and thereafter may be sold to anyone during the 2 ½ to 3 year construction period.

Is this the legislature's intent? If not, I encourage you to review the analysis Ariel Salinas presented as part of his testimony. My main concern is that HCDA used an interest rate of 2.9% to determine the affordable sales price at a time when lenders were qualifying buyers at a 5.5% interest rate. We all know the lower the interest rate, the higher the purchase price a borrower can afford. The person harmed in this situation is the Workforce Buyer who discovers he

cannot afford the listed sales price. This doesn't matter to the developer, because after the 60 day "set aside" financially qualified market buyers and investors can be added to the list.

If the community is being asked to give up open space, accept increased density and demands on the infrastructure, then the legislature should insure the Workforce Buyer is the beneficiary. I sincerely request you change the words "set aside" to "sold to" in the definition of "Workforce Housing".

Thank you for listening to my concerns, I appreciate your time.

Pamela Wood  
725 Kapiolani Blvd., #3002