

SB 916

Measure Title:	RELATING TO THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY.
Report Title:	Hawaii Community Development Authority; Affordable Housing; Reserved Housing; Workforce Housing; Affordable Workforce Housing
Description:	Requires HCDA to establish rules to require reserved and workforce housing in developments. Amends definition of reserved housing and creates definition of workforce housing. Provides for establishing rules for the rental of reserved and workforce housing.
Companion:	
Package:	None
Current Referral:	HSH, WAM
Introducer(s):	CHUN OAKLAND, DELA CRUZ, HARIMOTO, Galuteria



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



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KALAELOA

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STATEMENT OF

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

BEFORE THE

SENATE COMMITTEE ON HUMAN SERVICES AND HOUSING

ON

SATURDAY, JANUARY 31, 2015

1:15 P.M.

State Capitol, Conference Room 229

in consideration of

**S. B. 916 – RELATING TO THE HAWAII COMMUNITY
DEVELOPMENT AUTHORITY**

Purpose: Requires HCDA to establish rules to require reserved and workforce housing; amends definition of reserved housing; creates definition of workforce housing; provides for establishing rules for the rental of reserved and workforce housing.

Position: I provide the following comments with respect to the proposed amendments to HCDA Reserved Housing Rules and in concert with the comprehensive report and set of recommendations recently adopted by the Authority. I note that the Authority has devoted the last four months examining its Reserved Housing program and the housing crisis in general and has offered very specific recommendations related to the need and method by which more qualified income housing might be built in our communities.

Existing Definitions: The existing HCDA Reserved Housing Rules, which were adopted in 2011 after extensive public input and hearings, defines workforce housing as any new residential project where at least 75 percent of the residential units are set aside for purchase by families earning between one hundred to 140 per cent of the AMI, which does not require government financial assistance for construction and which meets certain size requirements.

Workforce Housing is Different From Reserved Housing: Unlike reserved housing, the HCDA does not require developers to construct workforce housing. This is because workforce housing can be more difficult to develop, as workforce housing developers are prohibited from receiving any government financial assistance, and must cap sales prices for at least 75 per cent of their units. These sales prices must be calculated so that an income qualified buyer's monthly expenses, including the development's monthly maintenance fees, will not exceed 33 per cent of the buyer's monthly gross income. Because of these challenges to developing workforce housing, the HCDA offers the incentive of a 100 per cent density bonus for all workforce housing projects. It remains the developer's choice on whether to build workforce housing with this density bonus, or to build market rate housing with HCDA's mandated 20 per cent set aside for reserved housing units.

Workforce Housing Not Available for Rent: Currently, the only workforce housing development in Kakaako is at 801 South Street, which only offers workforce housing units for sale. There are currently no existing workforce housing rentals in any Community Development District under HCDA jurisdiction. Purchasers of workforce housing units may opt to rent their privately-owned units after the mandatory one-year owner-occupancy term is fulfilled. Because workforce housing developments are limited in unit size and have few amenities to support low maintenance fees, the units are very modest and cannot command the high rental rates as seen in market rate buildings. It is the HCDA's belief that this self-regulates future rental prices and tenants, as a potential renter would not pay the

same amount for a workforce housing unit (with no pool or community fitness center) as for a unit in another building with more amenities. Using the same logic, a foreign investor would likely not rent in a modest building with few amenities, whereas a young family or a working professional would choose to live in such a building, as it provides an affordable place to live that is close to work and recreational opportunities.

HCDA Committee Recommends Lowering Affordability of Reserved Housing: The HCDA Reserved Housing Investigative Committee recently proposed reserved housing rule amendments on income limitations that exactly mirror those proposed in this measure. It is the HCDA's intent to pursue a rule amendment that would increase the affordability of HCDA's reserved housing program by designating it for low and moderate income groups making 80 per cent of the area median income (AMI) to 120 per cent of the area median income for Honolulu. For reserved housing unit rentals, the maximum income limit would remain 100 per cent of the area median income, as the measure suggests. However, further mandating at least 50 per cent of reserved housing unit rentals to be set aside for those making 80 per cent AMI or lower may place a financial strain on the project, as the expected mortgageable rental revenue would be lowered. This means a developer would be required to raise more money in gap financing prior to construction. If developers are unable to raise such funds, the desperately needed housing units on Oahu will not get built. It is currently a requirement of any successful proposal for residential development that as a consequence, qualified income for-sale or for-rent housing must be produced by the applicant with no government subsidy. Given our dire need for qualified income and market housing, it might be counterproductive to introduce even more rigor for any prospective developer of housing.

Reserved Housing Regulated Terms: Further, the HCDA Reserved Housing Investigative Committee also proposed amendments to reserved housing regulated term lengths, much like those suggested in this measure. The HCDA will

pursue extending the buy-back period for fee-simple reserved housing from five to 10 years. The HCDA will also work to increase its regulated terms for reserved housing rental units from 15 to 30 years. The HCDA also plans to pursue the use a rental housing management agent at least once a year to verify renters of regulated reserved housing units continue to meet the set income qualifications.

Thank you for the opportunity to provide our comments on this measure.

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Subject: Submitted testimony for SB916 on Jan 31, 2015 13:15PM
Date: Thursday, January 29, 2015 12:57:20 PM

SB916

Submitted on: 1/29/2015

Testimony for HSH on Jan 31, 2015 13:15PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Bernard Nunies	Individual	Support	No

Comments: It is will great hope that I support SB916. This bill addresses the disparity in definition regarding 'affordable housing' in Hawaii and aligns the State definition with that of the C&C. This bill also establishes rules for the rental of reserved and workforce housing units, ensuring that these units remain available for the intended user (not to be eventually flipped and sold at at market price).

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SB916

Submitted on: 1/29/2015

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Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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SB916

Submitted on: 1/29/2015

Testimony for HSH on Jan 31, 2015 13:15PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
lynne matusow	Individual	Support	No

Comments: Please accept this as testimony in favor of SB 916. For Kakaako to become a true community, it needs housing for people of all incomes, not just the wealthy. The HCDA has set unrealistic criteria for renters and others, setting the bar too high. This bill rectifies that situation. Passage of this bill will also bring Kakaako standards in line with the City's standards for low and moderate income housing. Lynne Matusow 60 N. Beretania, #1804 Honolulu, HI 96817 531-4260

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