

**STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
Honolulu, Hawaii 96809-0339

January 23, 2017

TO: The Honorable Senator Josh Green, Chair  
Senate Committee on Human Services

The Honorable Will Espero, Chair  
Senate Committee on Housing

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 6 – RELATING TO HOUSING**

Hearing: Monday, January 23, 2017, 2:55 p.m.  
Conference Room 016, State Capitol

**POSITION:** The Department of Human Services appreciates the intent to raise revenue for homeless services and offers comments. While DHS procures services and provides benefits and services to 1 in 4 Hawaii residents, DHS does not have the expertise and capacity to establish, collect, and administer a special fund on new residential developments as described. DHS defers to the Hawaii Housing Finance and Development Corporation (HHFDC) in regard to financing of new residential development projects, and defers to the Counties as the measure may impact County permitting processes. DHS further defers to the Department of Budget & Finance regarding the establishment of a new special fund. The DHS further adopts the Governor's Coordinator on Homelessness' comments on the measure.

**PURPOSE:** The purpose of the bill is to require DHS to establish and collect a new residential development fee from developers for certain new residential development projects. The bill also establishes the homelessness and affordable housing special fund for the purposes of building, renting, and rehabilitating housing to be used as housing for the homeless.

Currently, DHS does not contract or provide oversight of "bricks and mortar" development. DHS does not have the current expertise or administrative capacity to effectuate the suggested proposal, and such an undertaking may impact the delivery of vital benefits and services that DHS provides to 1 in 4 Hawaii residents. Further, any department tasked with such responsibilities would require adequate administrative resources and support to implement such a fund.

Thank you for the opportunity to comment on this bill.



**EXECUTIVE CHAMBERS**  
HONOLULU

**DAVID Y. IGE**  
GOVERNOR

January 23, 2017

**TO:** The Honorable Senator Josh Green, Chair  
Senate Committee on Human Services

The Honorable Will Espero, Chair  
Senate Committee on Housing

**FROM:** Scott Morishige, MSW, Governor's Coordinator on Homelessness

**SUBJECT: SB 6 – RELATING TO HOUSING**

Hearing: Monday, January 23, 2017, 2:55 p.m.  
Conference Room 016, State Capitol

**POSITION:** The Governor's Coordinator on Homelessness offers written comments. The Coordinator notes that the activities described in this measure fall outside the capacity and expertise of the Department of Human Services (DHS), and defers to the Hawaii Housing Finance and Development Corporation (HHFDC) in regard to financing of new residential development projects. The Coordinator defers to the Department of Budget & Finance regarding the establishment of a new special fund.

**PURPOSE:** The purpose of the bill is to require DHS to establish and collect a new residential development fee from developers for certain new residential development projects. The bill also establishes the homelessness and affordable housing special fund for the purposes of building, renting, and rehabilitating housing to be used as housing for the homeless.

The State has adopted a comprehensive framework to address homelessness, which includes a focus on three primary leverage points – affordable housing, health and human services, and public safety. All three of these leverage points must be addressed to continue forward momentum in addressing the complex issue of homelessness. Accordingly, the

Governor's Executive Budget request includes \$20.9 million for homeless services, as well as over \$150 million for the Rental Housing Revolving Fund, Dwelling Unit Revolving Fund, and HPHA. The Executive Budget specifically increases resources for homeless outreach, mental health and substance use treatment, as well as addressing housing costs through programs such as Housing First, Rapid Re-Housing and the State Rent Supplement.

The Coordinator notes that a series of emergency proclamations issued last year by Governor David Ige facilitated the ability of County governments to accelerate the development of permanent housing projects that specifically benefit homeless persons. The Coordinator worked closely with the counties to identify projects that would increase the overall inventory of permanent rental housing. The emergency proclamations specifically allowed accelerated development time for the projects described by up to one year or more. The Coordinator is currently in the process of facilitating the transition of chronically homeless persons and homeless families into City & County of Honolulu housing projects that were accelerated as a result of this process.

Thank you for the opportunity to comment on this bill.



January 20, 2017

Senator Josh Green, Chair  
Senator Stanley Chang, Vice Chair  
Senate Committee on Human Services

Senator Will Espero, Chair  
Senator Breene Harimoto, Vice Chair  
Senate Committee on Housing

**Comments and Concerns in Strong Opposition to SB 6, Relating to Housing; Homeless; New Residential Development Fee; Special Fund.**

**Monday, January 23, 2017, 2:55 p.m., in Conference Room 016**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF **strongly opposes SB 6**, which proposes the establishment and collection of a new residential development fee from developers for certain new residential development projects, and the establishment of the homelessness and affordable housing special fund for the purposes of building, renting, and rehabilitating housing to be used as housing for the homeless.

**SB 6.** This proposed measure, which may be well-meaning, does not even attempt to explain a constitutional or legal nexus to justify the establishment and collection of what is essentially an arbitrarily imposed impact fee to be assessed against developers of certain new residential development projects to establish a homelessness and affordable housing special fund, based on what appears to be unsupported "findings" that 1) "the majority of people become homeless after a housing or personal crisis;" and 2) that "often times once individuals and families obtain permanent housing, they only need minimal, low-cost support to achieve independence." With the possible consequences, including the unwarranted taking of rights and private property at stake and a moratorium on residential development, LURF believes facts and studies should at the very least be presented to support such a premise.

**LURF's Position.** Consistent with objections and concerns made in the past relating to similar proposed legislation imposing what are simply intended as moratoriums on development, including arbitrarily imposed mandates or assessed impact fees which are groundlessly prompted in response to anticipated development, LURF takes the position that SB 6 is yet another effort in a long line of unwarranted attempts to unreasonably target private developers and unfairly require them to assume the government's role and responsibility of providing human services, and planning and constructing necessary public housing as mandated under current laws.

Ironically, the clear consequences of this bill will likely include the stop or obstruction of new residential development projects which are intended to allow members of the community to improve the quality of their lives by moving closer to their workplaces; providing jobs where they live; as well as improving traffic and roadway congestion. Many of these anticipated developments are also TOD-friendly, and would therefore be convenient to, and have planned access to rail or bus lines.

In short, the economic impacts and consequences of SB 6 may likely be detrimental on many levels. Due to this type of measure, the supply of housing may not meet demand, resulting in overall increased home prices, which in turn, will affect the ability of the working class to purchase or rent a home. Consequently, businesses – especially those in growth areas, the construction industry, and unemployment may all be significantly affected.

LURF believes it would be irresponsible if your Committees ignore the potential economic and legal impacts of this bill and pass it without further study and investigation. Based on the above, LURF respectfully urges these Committees to carefully consider all the facts and circumstances relating to the residential development fee proposed to be established and collected, and at the very least, defer taking any action until all issues and concerns relating to this significant decision have been thoroughly reviewed and vetted.

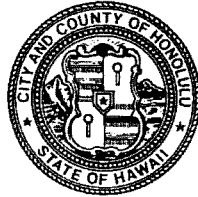
Given the above, LURF must respectfully **oppose** this bill and requests that it be held in Committee.

Thank you for the opportunity to present testimony regarding this measure.

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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ACTING DEPUTY DIRECTOR

January 23, 2017

The Honorable Josh Green, Chair  
and Members of the Committee  
on Human Services

The Honorable Will Espero, Chair  
and Members of the Committee  
on Housing

Hawaii State Senate  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chairs Green and Espero, and Committee Members:

Subject: Senate Bill No. 6  
Relating to Housing

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 6, which would require the Department of Human Services (DHS) to establish and collect a new residential development fee from developers for certain new development projects. It also establishes a homeless and affordable housing special fund.

Our opposition is based on the following:

- The proposal overlaps and runs counter to current City strategies on increasing housing production
- The proposal depends on county permits for enforcement, which may increase the time it takes to process permits, running counter to the City's efforts to expedite permits processing for affordable housing
- The Bill proposes to exact the fee at the time of a grading permit, which is often premature to determine "actual capital costs"
- The Bill makes numerous references that lack clarity with respect to well-established programs and responsibilities

The City administration is proposing a new affordable housing requirement that would require developers to provide a percentage of affordable housing in their projects in exchange for waiving certain fees. The City's proposal is based on extensive technical analysis over the past two years about how much "inclusionary housing" should be required for typical housing projects. We fear that the additional fee proposed by this Bill, on top of the City's proposed requirement, would create an additional burden on the cost of providing homes for those most in need.

The Honorable Josh Green, Chair  
and Members of the Committee  
on Human Services

The Honorable Will Espero, Chair  
and Members of the Committee  
on Housing

Hawaii State Senate

Hawaii State Capitol

Senate Bill No. 6

January 23, 2017

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The City agrees that homelessness is a crisis throughout the state and that additional funding is needed. Producing more affordable housing is also critical in solving this problem. To that end, here are some of the City's recent initiatives:

- Established the Accessory Dwelling Unit (ADU) program in September 2015
- Modified the program to increase popularity by reducing certain city fees by as much as \$10,000
- Introduced an affordable housing requirement for housing developed in transit-oriented development districts that seek additional density and higher building heights
- Developing a regional strategy to accelerate infrastructure capacity needed to build more housing

With respect to collecting the fees using county permit procedures, we have concerns. In addition to questioning the appropriateness of tying the fee to grading permits, there is a concern about the unanticipated effect of allowing projects under \$20,000,000 to be exempt. We can expect that projects will be "segmented" to avoid this threshold. We may also see building permits for renovation work to be submitted, which will also have to be submitted to the DHR for review. Lastly, while we may provide assistance, this Bill puts the responsibility on DHR to determine the fees.

With respect to Bill language, we find a number of references that do not reflect current land use regulatory or other mandates, or redundantly address powers established elsewhere in state statutes. For example, we are not certain of the reference to "territorial boundaries." We are not certain of the reference to change "the map of a political subdivision." At the same time, subsection 346-C(5) states: "Do any and all things necessary or convenient..." which seems overly broad.

We believe we have been positively working with many State agencies and policymakers to implement strategies to address homelessness and to accelerate production of affordable housing. We would be pleased to share these details with you. However, for the reasons expressed above, this Bill could dampen these efforts. Therefore, we ask that Senate Bill No. 6 be held in Committee.

Thank you for the opportunity to testify.

Very truly yours,



Kathy Sokugawa  
Acting Director





46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

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## TESTIMONY FOR SENATE BILL 6, RELATING TO HOUSING

Senate Committee on Human Services  
Hon. Josh Green, Chair  
Hon. Stanley Chang, Vice Chair

Senate Committee on Housing  
Hon. Will Espero, Chair  
Hon. Breene Harimoto, Vice Chair

Monday, January 23, 2017, 2:55 PM  
State Capitol, Conference Room 016

Honorable Chair Green and committee members:

I am Kris Coffield, representing IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 350 members. On behalf of our members, we offer this testimony in support of, with proposed amendments for Senate Bill 6, relating to housing.

According to the 2016 Statewide *Point In Time Count* report, 7,921 houseless persons were counted on a single night in January last year, up 4 percent from 2015. More than half of these persons were unsheltered. O'ahu accounted for 62 percent of the total (4,940 people), up 1 percent from the previous year. Kaua'i saw a 30 percent increase in the homeless population living on its shores (442 people), while the Big Island saw an increase of 12 percent (1,394 people). Overall, our state saw a 12 percent increase in the number of unsheltered homeless individuals and families and, concurrently, a 4.5 percent decrease in the number of sheltered individuals and families. Notably, the size of the houseless population on O'ahu is up 25 percent from 2009, when 3,638 homeless people were counted. Additionally, Department of Education officials said, last January, that 3,576 public school students are homeless. Last year's PITC captured just over half of them. We know, then, that our state's homeless population is not only larger than the statistics show, but growing.

We must find innovative ways to increase funding for homeless initiatives like Housing First, including levying fees on new developments—especially luxury developments—to maintain a balance between rampant real estate speculation and meeting the needs of our state’s most economically vulnerable residents. Just as our homeless population has soared over the past few years, so, too, has our state’s cost of housing. The median price of condominiums on O’ahu increased 8.3 percent in 2016 to \$390,000, while the median price for single-family homes increased by 6.5 percent to \$735,000, according to the Honolulu Board of Realtors. Average rent for a 900-square foot apartment in Honolulu now exceeds \$2,200, with the cost of a four-bedroom home in urban Honolulu now exceeding \$1.1 million. At least 40 percent of residences in Hawai’i are owner unoccupied, according to the Hawai’i Housing Finance and Development Corporation, meaning that nearly 50 percent—and by some estimates over half—of Hawai’i’s homes are investment properties. Many of those properties, in turn, are owned by mainland and foreign buyers, whose real estate market speculation is a prime driver of Hawai’i’s highest-in-the-nation cost of housing.

That said, we believe that this measure could benefit from amendments that bring the proposed fee into alignment with impact fees to which new developments are currently subject, particularly school impact fees. While noting that the proposed “new residential development fee” is not an impact fee, we urge the committee to consider exempting affordable housing developments, which often cost more than \$20,000,000 (this bill’s current threshold for which the proposed fee becomes applicable) to complete. At recent hearings on school impact fees, affordable housing advocates argued that additional fees could impair their ability to build in Honolulu’s urban core. Moreover, we encourage you to apply the fees at different rates for distinct geographic areas to account for varying construction costs and property values within and between counties, as is done with school impact fees pursuant to HRS §302A-1607. Finally, we request that you make the new residential fee semi-progressive by assessing the fee at a fixed rate by square foot, rather than a percentage of total development cost, so that larger, more costly units within a geographic area are assessed a higher rate than smaller, less costly units.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,  
Kris Coffield  
*Executive Director*  
IMUAlliance

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**Testimony to the Senate Committees on Human Services and Housing****Monday, January 23, 2017****2:55 p.m.****State Capitol - Conference Room 016****RE: S.B. 6 - RELATING TO HOUSING**

Chairs Green and Espero, Vice Chairs Chang and Harimoto, and members of the committees:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA Hawaii is in strong opposition to S.B. 6, which proposes to require the department of human services to establish and collect a new residential development fee from developers for certain new residential development projects and establishes the homelessness and affordable housing special fund for the purposes of building, renting, and rehabilitating housing to be used as housing for the homeless.

With the average price of a new home on Oahu at approximately \$730,000.00, it would not be a good time to impose fees that would further increase the price of housing in Hawaii.

The National Association of Home Builders (NAHB) recently completed a study which found that excessive government regulation contributes 25% to 35% of the price of a new home. Adding this proposed "new residential development fee" to new homes constructed in Hawaii will add to the prices of a home in Hawaii and keep more and more families from being able to afford a new home.

Homelessness is a social problem that impacts everyone in Hawaii. Perhaps the legislature should look for a more broadly-based funding source that everyone contributes to now, rather than placing the responsibility entirely upon new home buyers.

BIA Hawaii strongly opposes S.B. No. 6. We appreciate the opportunity to provide our comments on this matter.

**January 23, 2017 at 2:55 pm  
Conference Room 016**

**Senate Committee on Human Services**

To: Senator Josh Green, Chair  
Senator Stanley Chang, Vice Chair

**Senate Committee on Housing**

To: Senator Will Espero, Chair  
Senator Breene Harimoto, Vice Chair

From: Michael Robinson  
Vice President -- Government Relations and Community Affairs

**Re: Testimony in Support, SB 6, Relating to Housing**

My name is Michael Robinson, and I am the Vice President of Government Relations and Community Affairs for Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-governmental employer. Hawai'i Pacific Health is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

HPH is writing in **support** of SB 6 which requires the Department of Human Services to establish and collect a new residential development fee from developers for certain new residential development projects, and establishes the homelessness and affordable housing special fund.

Homelessness has become an increasingly difficult and prevalent issue in our communities. Individuals frequently face homelessness as a result of a financial or personal crisis such as the loss of employment or change in their housing situation. Once individuals become homeless, they face increased hurdles in finding appropriate permanent housing. SB 6 would establish a special fund that may be used to build, rent, and rehabilitate housing for the homeless. The measure offers a solution to the growing homeless situation.

Thank you for the opportunity to testify.



DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
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  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**SENATE COMMITTEE ON HUMAN SERVICES  
SENATE COMMITTEE ON HOUSING**

January 23, 2016 at 2:55 p.m.  
State Capitol, Room 016

In consideration of  
**S.B. 6**  
**RELATING TO HOUSING.**

The HHFDC **offers the following comments** on S.B. 6. While HHFDC takes no position on the overall merits of this bill as a potential means for providing funding for housing for the homeless, we have the following concerns.

Many of the affordable rental housing projects that HHFDC helps to finance have development costs which may exceed \$20 million and could potentially be subject to the fees proposed by this bill. For example, the Kamakana Villages Senior and Family planned affordable rental projects in Kailua-Kona have costs which exceed \$22 million. The cost to build Halekauwila Place, a 204-unit high-rise affordable rental project in Kakaako, was approximately \$70 million.

The proposed fee would increase development costs, and therefore reduce the overall number of affordable units that can be produced given limited financing resources.

Thank you for the opportunity to testify.