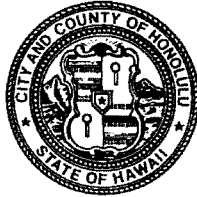


DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 768-8000 • FAX: (808) 768-6041  
DEPT. WEB SITE: [www.honolulu.dpp.org](http://www.honolulu.dpp.org) • CITY WEB SITE: [www.honolulu.gov](http://www.honolulu.gov)

**RECEIVED**  
**Date & Time**  
Feb 12, 2018, 9:26 am

KIRK CALDWELL  
MAYOR



KATHY K. SOKUGAWA  
ACTING DIRECTOR

TIMOTHY F. T. HIU  
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI  
DEPUTY DIRECTOR

February 13, 2018

The Honorable Richard H. K. Onishi, Chair  
and Members of the Committee on Tourism  
Hawaii House of Representatives  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Onishi and Committee Members:

**Subject:** House Bill No. 2554, HD 1  
Relating to Housing Production

The Department of Planning and Permitting (DPP) **opposes** House Bill No. 2554, HD 1, which requires each county to authorize construction of a specified number of new housing units. Failure to meet the goal will reduce the amount of transient accommodations tax (TAT) revenue the counties receive for failure to meet the requirements.

The DPP does not administer TAT revenues for the City. However, as the City's administrator of long-range planning, zoning and building permit regimes, we deal with visitor industry development and impacts. We also issue permits for housing. We question how the production of housing should be tied to the distribution of TAT revenues.

The City is aggressively implementing a strategy to expand housing supply, particularly affordable and/or workforce housing. We are reducing permit requirements, creating incentives such as real property tax exemptions, focusing on transit-oriented development (TOD) by initiating upzonings, thereby saving private developments significant amount of time and cost. We have "incentivized" accessory dwelling unit construction by automatically exempting them from several permit fees -- a savings of several thousand dollars per unit. We are offering suitable City land for housing, particularly rental housing, for private development.

But, as you know, actual housing production is not built primarily by government, but by the private sector. We can encourage, incentivize, expedite, and to some extent require certain kinds of housing development, but at the end of the day, it is the private

The Honorable Richard H. K. Onishi, Chair  
and Members of the Committee on Tourism  
Hawaii House of Representatives  
House Bill No. 2554, HD 1  
February 13, 2018  
Page 2

sector that provides the actual units. In turn, actual construction is dependent on a wide range of variables, including market conditions (which are often cyclical), federal, City and State housing investments, construction and labor costs and interest rates, and other elements beyond the City's control.

Finally, we are not aware of how the annual 2,588-unit goal was determined. Based on past performance this is a relatively high goal. In the last 5 years, we have, on average, produced about 2,200 units annually.

To sum, this measure does not demonstrate a tie between TAT and housing production. It unfairly penalizes the City by reducing its share of the TAT if an overly high housing production goal, that we cannot control, is not met.

We continue to be open about working together on furthering the production of affordable housing on Oahu. However, House Bill No. 2554, HD 1, does not reflect a strategy we can accept, and ask that it be deferred.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy Sokugawa", written in a cursive style.

Kathy K. Sokugawa  
Acting Director

**Bernard P. Carvalho, Jr.**  
Mayor



**Ken M. Shimonishi**  
Director of Finance

**Wallace G. Rezentes, Jr.**  
Managing Director

**Sally A. Motta**  
Deputy Director of Finance

**DEPARTMENT OF FINANCE**

**County of Kaua'i, State of Hawai'i**

4444 Rice Street, Suite 280, Lihu'e, Hawai'i 96766  
TEL (808) 241-4200 FAX (808) 241-6529

**RECEIVED**  
**Date & Time**  
Feb 09, 2018, 10:53 am

**Testimony of**  
**KEN M. SHIMONISHI**  
**Director of Finance**  
**County of Kaua'i**

**Before the Committee on Tourism**

**Tuesday, February 13, 2018**  
**9:00 am.**

**State Capitol, Conference Room 429**

**In consideration of**  
**HB 2554 HD1 - RELATING TO HOUSING PRODUCTION**

Chair Onishi, Vice-Chair Fukumoto, and members of the Committee on Tourism, please allow me to express our strong opposition to HB 2554 HD1 Relating to Housing Production.

We all recognize the need for housing within each county and the state as a whole, however this bill seeks to penalize the Counties for failure to authorize a minimum number of housing units each fiscal year. The penalty comes in the form of a one percent reduction in the county's share Transient Accommodation Tax revenue (TAT) for each year of failure. Since 2009, the Legislature has modified the TAT distribution formula to the benefit of the State and at the detriment of the Counties. Recent history shows the Legislature rejecting the unanimous recommendation of a TAT distribution formula by the State-County Functions Working Group, and instead continuing the cap on the Counties share while increasing the TAT rate to fund the O'ahu centric rail project. HB 2554 HD1 appears to be yet another vehicle to steer revenues away from the counties for impacts that are non-visitor related.

Again, our testimony is in strong opposition to HB 2554 HD1.

Harry Kim  
Mayor



Wil Okabe  
Managing Director

Barbara J. Kossow  
Deputy Managing Director

County of Hawai'i  
Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokālole Hwy., Bldg C • Kailua-Kona, Hawai'i 96740  
(808) 323-4444 • Fax (808) 323-4440

RECEIVED  
Date & Time  
Feb 12, 2018, 12:42 pm

February 12, 2018

Representative Richard H.K. Onishi, Chair  
House Committee on Tourism  
Hawai'i State Capitol, Room 429  
Honolulu, HI 96813

Dear Chair Onishi and Committee Members:

**Re: HB 2554, HD 1 Relating to Punishing Counties that do not Authorize  
Enough Housing  
Hearing Date: 02/13/18 – 9:00 am; House Conference Room 429**

Thank you for this opportunity to oppose HB 2554, HD1.

The County of Hawai'i is well aware of the need to increase the housing stock on the Big Island, especially housing in the affordable range. The same can be said of the other counties. We all share the concern for more housing, and we are all taking suitable steps to encourage construction. Therefore, the punishment proposed in HB 2554, HD 1 is not warranted. We are appropriately focused, even without targets tied to penalties.

The fact that my staff thinks the targets are unattainable just adds to our distress over this bill. To give some perspective, Hawai'i County issued 799 new construction permits for single family houses in FY2017, about 40% of what HB 2554, HD 1 would require.

I would strongly urge that HB 2554, HD 1 be held.

Respectfully submitted,

Harry Kim  
Mayor, County of Hawai'i

RECEIVED  
Date & Time

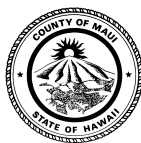
Feb 12, 2018, 9:29 am

Council Chair  
Mike White

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Stacy Crivello

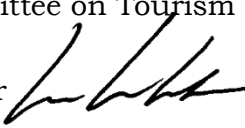
Councilmembers  
Alika Atay  
Elle Cochran  
Don S. Guzman  
Riki Hokama  
Kelly T. King  
Yuki Lei K. Sugimura



**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

February 9, 2018

TO: The Honorable Richard H.K. Onishi, Chair  
House Committee on Tourism

FROM: Mike White  
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 13, 2018; TESTIMONY IN OPPOSITION TO  
HB 2554, HD 1, RELATING TO HOUSING PRODUCTION**

Thank you for the opportunity to testify in **opposition** of this measure. The purpose of this bill is to require the counties to authorize construction of a specified number of new housing units each year, with failure to do so resulting in a one percent reduction in each respective county's allocated share of the Transient Accommodations Tax ("TAT").

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **oppose** this measure for the following reasons:

1. Statewide, we can all agree that Hawai'i is facing an affordable housing crisis. However, the problem will only be solved by all levels of government working together, to reduce or eliminate existing roadblocks, not by penalizing the counties. This proposal places the burden of new housing units squarely on the backs of counties, without any support from the State.
2. Reducing the counties existing TAT allocation for failing to create housing units has no rationale nexus. If this logic was followed, the State should be granting a substantial sum of TAT funds to assist the counties in creating housing units. Yet, the fact remains that despite the State's annual share of TAT revenue increasing by nearly \$275 million from Fiscal Year 2007 to 2017, it has shared only \$2.2 million more with the counties.
3. If the Legislature truly believes in adding a substantial number of housing units, it must consider the removal of State level bureaucracy. The oversight of the State Land Use Commission should either be eliminated or the trigger for reviewing projects should be increased from the current 15 acres to 100 acres.

For the foregoing reasons, I strongly **oppose** this measure.

Council Chair  
Mike White

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Stacy Crivello


Councilmembers  
Alika Atay  
Elle Cochran  
Don S. Guzman  
Riki Hokama  
Kelly T. King  
Yuki Lei K. Sugimura



**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

February 12, 2018

TO: Honorable Richard H. K. Onishi, Chair  
House Committee on Tourism

FROM: Stacy Helm Crivello  
Councilmember 

DATE: Tuesday, February 13, 2018

SUBJECT: **OPPOSITION OF HB 2554 H.D. 1, RELATING TO HOUSING PRODUCTION**

Thank you for the opportunity to testify in **opposition** to this important measure. The purpose of this measure is to require, between fiscal year 2019-2020 and fiscal year 2029-2030, each county to authorize construction for a specified number of new housing units. Reduces the amount of transient accommodations tax revenue the counties receive for failure to meet the requirements. Allows for recoupment of reduction under certain circumstances.

I **oppose** this measure for the following reasons:

1. The individual counties are well aware of the housing shortage this state is facing. This bill requires each county to meet specified quotas for units authorized for construction or be penalized by a cut to TAT for failure to meet these quotas. What is the rational correlation of TAT to housing construction authorization?
2. Maui County continues to work proactively to address the housing shortage. As of December 2017, Maui has 1046 units under construction, 486 of which are affordable; three project districts with 6951 units, 3198 of which are completed; and 14 pending projects with 3263 units planned.
3. Ultimately as the counties work to streamline our respective permitting process, refine our housing policies and develop partnerships to create affordable housing for our residents it still comes down to the economic conditions and the private developers to build the homes. Threatening the counties with withholding **our earned share** of the TAT will not get homes built. Work with us not against us!

For the foregoing reasons, I **oppose** this measure.



Council Chair  
Mike White

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Stacy Crivello

Councilmembers  
Alika Atay  
Elle Cochran  
Don S. Guzman  
Riki Hokama  
Kelly T. King  
Yuki Lei K. Sugimura



**COUNTY COUNCIL**  
COUNTY OF MAUI  
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[www.MauiCounty.us](http://www.MauiCounty.us)

February 12, 2018

**RECEIVED**  
**Date & Time**  
Feb 12, 2018, 10:40 am

TO: Honorable Richard H.K. Onishi, Chair  
House Committee on Tourism

FROM: Robert Carroll  
Councilmember, East Maui

A handwritten signature in cursive script that reads "Robert Carroll".

DATE: February 12, 2018

SUBJECT: **HEARING OF FEBRUARY 13, 2018; TESTIMONY IN OPPOSITION TO  
HB 2554, HD 1, RELATING TO HOUSING PRODUCTION**

Thank you for this opportunity to testify in opposition of this measure. The purpose of this bill is to require the counties to authorize construction of a specified number of new housing units each year, with failure to do so resulting in a one percent reduction in each respective county's allocated share of the Transient Accommodations Tax ("TAT").

I strongly **oppose** HB 2554, HD 1. Everyone agrees that there is a statewide housing shortage, however this proposal, would reduce the counties existing TAT allocation for failing to create housing units has; it no rationale nexus. If anything, the state should be granting an increase in the counties TAT share, this would be the appropriate action to alleviate the lack of housing properties. I would also like to recommend that the state reform it's bureaucracy by either eliminating the State Land Use Commission or increasing the requirement for policy review from 15 acres to 100. For the reasons that I have cited in my testimony and that submitted by Maui County Council Chair Mike White, and urge you to **disapprove** this measure.

Council Chair  
Mike White

Vice-Chair  
Robert Carroll

Presiding Officer Pro Tempore  
Stacy Crivello

Councilmembers  
Alika Atay  
Elle Cochran  
Don S. Guzman  
Riki Hokama  
Kelly T. King  
Yuki Lei K. Sugimura



**COUNTY COUNCIL**  
COUNTY OF MAUI  
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WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

February 8, 2018

**RECEIVED**  
**Date & Time**  
Feb 12, 2018, 9:29 am

To: Honorable Tom Brower  
Chairman House Committee on Housing

From: Riki Hokama  
Councilmember

**SUBJECT: Testimony in OPPOSITION of HB 2554 RELATING TO HOUSING PRODUCTION**

I strongly oppose this bill. Population growth should be left to the Counties to plan and manage as it is with our home rule philosophy. The State should not dictate the Counties' responsibilities. One of the main problems relating to housing is the State's reluctance to deal with labor costs and taxes on affordable housing projects.

I also have my concerns that a proposal to withhold revenue goes against our current State Constitution. The State Legislature should allow the people to decide who should govern their finances at a Constitutional Convention instead of the current proposals.

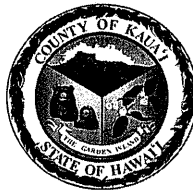
Sincerely,

Handwritten signature of Riki Hokama in cursive script.

RIKI HOKAMA  
Councilmember



**Bernard P. Carvalho Jr.**  
Mayor



**Kanani Fu**  
Housing Director

**Wallace G. Rezentes Jr.**  
Managing Director

**RECEIVED**  
**Date & Time**  
Feb 12, 2018, 9:30 am

**KAUA'I COUNTY HOUSING AGENCY**

4444 Rice Street Suite 330  
Lihu'e, Hawai'i 96766  
TEL (808) 241-4444 FAX (808) 241-5118  
[www.kauai.gov/housing](http://www.kauai.gov/housing)

February 12, 2018

The Honorable Representative Richard H.K. Onishi, Chair  
And Members of the House Committee on Tourism  
Hawai'i House of Representatives  
Hawai'i State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

**SUBJECT: TESTIMONY IN OPPOSITION OF HOUSE BILL NO. 2554 H.D. 1,  
RELATING TO HOUSING PRODUCTION**

Dear Chair Onishi and Committee Members:

The County of Kaua'i **opposes** House Bill No. 2554 H.D. 1, which requires each county to authorize construction for a specified number of new housing units and reduces the amount of transient accommodations tax (TAT) revenue the counties receive for failure to meet the requirements. We oppose the bill for the following reasons:

- 1) The counties are acutely aware of the need to increase our housing supply. In 2017, the County of Kaua'i in partnerships facilitated the development of 500 new residential units on 4 different projects, 'Ele'ele 'Iluna Phase II, Ho'oluana at Kohea Loa, Kaniko'o II, and Koa'e Workforce Housing Development which respectively began their development process in 2008, 2009, 2012, and 2016.

Though each project is unique, these projects spent a combined total of 23 years involved in the entitlement and permitting processes. If we are to meet our annual housing needs, first and foremost the entitlement and permitting processes imposed by State level bureaucracy must be improved and be shortened. Similar to the County of Kaua'i, the State should consider adopting Fast Track processes that prioritizes the review of affordable housing projects and provides for waivers of fees by State agencies.

The entitlement and permitting processes must be reduced from years to months. Until efficient entitlement and permitting processes are in place at both the State and County levels, delays to the construction of new housing units will continue.



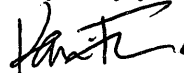
*An Equal Opportunity Employer*

- 2) We all agree that Hawai'i is facing a housing shortage and the County of Kauai is committed to delivering more affordable housing. However, our ability to develop new housing depends on the availability of developable lands, infrastructure, and funding. This proposal places the burden of constructing new housing units on the counties without any support from the State.

If the Legislature truly believes in adding a substantial number of new housing units, then increased levels of funding support should be made available to individual counties and its respective housing departments. In addition, the State should prioritize its lands for the development of housing and make these lands readily available to the counties. Developable lands and funding support is required by the State to achieve the amount of new construction units being proposed.

The proposed legislation places the burden of constructing new housing solely on the counties without adequate provisions from the State and thus for the foregoing reasons, we are in strong opposition of H. B. 2554 H.D. 1. Thank you for the opportunity to testify.

Very truly yours,



Kanani Fu  
Housing Director



**LATE**

Testimony to the House Committee on Tourism  
Tuesday, February 13, 2018  
9:00 am  
State Capitol, Room 429

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Date & Time  
Feb 12, 2018, 4:38 pm

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CONSTRUCTION CO. INC.

ADDRESS:  
94-487 AKOKI STREET, SUITE 213  
WAIPAHU, HAWAII 96797  
P 808.847.4666

**RE: HB 2554 – Relating to Housing Production**

Chair Onishi, Vice-Chair Fukumoto, & members of the Committee:

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 support** of H.B. 2554, HD 1, which requires, between fiscal year 2019-2020 and fiscal year 2029-2030, each county to authorize construction for a specified number of new housing units. The bill would reduce the amount of transient accommodations tax revenue the counties receive for failure to meet the requirements. The bill also allows for recoupment of reduction under certain circumstances.

As is stated in the bill, Hawaii is experiencing a severe housing crisis right now. Various government studies confirms the need for upwards of 60,000 new housing units over the next ten years.

While the State Legislature is aware of the problem, the need to increase the production of new housing units is entirely a county matter. The purpose of this Act is to require the counties to focus on being proactive in the production of new housing rather than reacting to individual housing projects by requiring each county to annually authorize the construction of ten per cent of the forecasted demand over the next ten years.

We believe the proposed bill, which provides rewards or penalties based on the individual county's performance, is a step in the right direction if our goal is to increase the supply of housing at all price points in Hawaii.

We are in **strong support** of H.B. 2554, HD 1, and appreciate the opportunity to express our views on this matter.



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

---

**TESTIMONY FOR HOUSE BILL 2554, HOUSE DRAFT 1, RELATING TO HOUSING PRODUCTION**

**House Committee on Tourism**  
**Hon. Richard H.K. Onishi, Chair**  
**Hon. Beth Fukumoto, Vice Chair**

**Tuesday, February 13, 2018, 9:00 AM**  
**State Capitol, Conference Room 429**

Honorable Chair Onishi and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in support of House Bill 2554, HD 1, relating to housing production.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2017* report found that a full-time worker would need to earn \$35.20/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needing to log 116 hours per week to afford a modest one-bedroom apartment at fair market value and 139 hours per week to afford a two-bedroom—a number that is equivalent to working 20 hours a day with no days off year-round. In the past three years alone, Honolulu rent has increased by more than 25 percent. While 43 percent of Hawai'i residents are renters (a number that does not include individuals and families renting outside of the regulated rental market), they earn an average wage of \$15.64/hour, scarcely enough to meet their basic needs. One out of every four households in Hawai'i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs, a number that rises to 83 percent of extremely low-income households. Homelessness is directly tied to our state's exorbitant cost of living and penchant for catering to people who use the islands as their own private Monopoly board. We beseech you to seek innovative ways of making Hawai'i more affordable for our economically disadvantaged neighbors.

**We are in the midst of an affordable housing crisis.** Our state’s cost of housing has skyrocketed over the last decade, leaving many families searching for affordable alternatives, in shelters, or on the streets. For context, the median price of condominiums on O’ahu increased 6 percent in the summer of 2017 to a record \$425,000, while the median price for single-family homes increased by 3 percent to \$795,000, according to the Honolulu Board of Realtors, a number that they expect to increase by at least another 5 percent in 2018. Average fair market rent for two-bedroom apartments in *outlying* communities in the City and County of Honolulu now exceeds \$2,000, with the cost of a four-bedroom home in urban Honolulu now exceeding \$1.1 million. At least 46 percent of residences in Hawai’i are owner unoccupied, according to the National Low-Income Housing Coalition, meaning that nearly 50 percent—and by some estimates over half—of Hawai’i’s homes are likely 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. **According to a study released in May of 2016 by the Hawai’i Department of Business, Economic Development, and Tourism, there are “clear distinctions” between the average price of homes bought by local residents, mainlanders, and foreigners.** Analyzing purchases made between 2008 and 2015, DBEDT found: “The average sale price was highest among foreign buyers. The average sale price of the total of 5,775 homes sold to foreign buyers from 2008 to 2015 was \$786,186, 28.3 percent higher than the average sale price to the mainlanders (\$612,770) and 64.7 percent higher than the average sale price to local buyers (\$477,460).”

**The time for deliberation is over. It’s time to act, which the counties have consistently failed to do, which justifies this bill’s use of transient accommodations tax revenue as leverage to spur county-level housing production.** Experts at the DBEDT now estimate that Hawai’i needs 66,000 new housing units by the year 2025 to keep up with demand, more than 80 percent of which is needed to meet the demand of people who qualify for affordable housing. Yet, for every 100 extremely low-income renters on O’ahu, there exist only 40 affordable rentals, according to the Urban Institute, of which only 11 are “naturally affordable,” meaning they are affordable without federal subsidies. Though our state is committed to building 22,500 affordable rental units in the next 10 years, figures from the Hawai’i Housing Finance and Development Corporation show that in 2015 and 2016, we added only approximately 1,000 affordable rental units to our state’s inventory. **Analysts believe that boosting the overall housing supply, as this bill does, will lower home prices—and, in turn, rent—for all residents,** an ancillary benefit that cannot be overstated in our undersaturated, luxury-driven, “investor first” housing market.

We need housing now. Mahalo for the opportunity to testify in support of this bill.

Sincerely,  
Kris Coffield  
*Executive Director*  
IMUAlliance



# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Enforce Housing Goals via County Share

BILL NUMBER: HB 2554

INTRODUCED BY: LUKE

EXECUTIVE SUMMARY: Mandates housing production by the various counties, and enforces the mandate by reducing the share of transient accommodations tax otherwise distributable to the county if it misses its housing production goals. It's a drastic measure, but it underscores the need for something to be done.

SYNOPSIS: Amends section 237D-6.5, HRS, to set forth annual goals for authorizing the construction of new housing units:

County	New Housing Units Per Year
<b>Honolulu</b>	2,588
<b>Hawaii</b>	1,961
<b>Maui</b>	1,395
<b>Kauai</b>	529

Provides that for each fiscal year a county fails to authorize the construction of the required number of new housing units, the county's applicable percentage share of revenues is reduced by one percentage point beginning the following fiscal year. But, if a county's percentage share is reduced, the county may recoup the reduction at a rate of 1% per year if the county meets or exceeds the number of new housing units required to be authorized in the next year.

EFFECTIVE DATE: July 1, 2018; repealed on June 30, 2031.

STAFF COMMENTS: The purpose section of the bill states that the Legislature wants the counties to focus on being proactive in the production of new housing rather than reacting to individual housing projects by requiring each county to annually authorize the construction of ten per cent of the forecasted demand over the next ten years.

The remedy proposed in this measure is both unusual and drastic. The counties can be expected to argue that it is unfair and to point fingers at the State, saying that delays in housing authorization are not only the fault of the counties. The argument does not have to end in failure for both sides, however; the State can work on its pieces and the counties can work on theirs, all to come up with solutions to the permitting roadblocks that are already of legendary proportions in Hawaii.

Digested 1/30/2018



**RECEIVED**  
**Date & Time**  
Feb 12, 2018, 9:31 am

February 12, 2018

Representative Richard H.K. Onishi, Chair  
Representative Beth Fukumoto, Vice Chair  
House Committee on Tourism

**Comments and Concerns and Proposed Amendments to HB 2554, HD1, Relating to Housing Production (Requires, between fiscal year 2019-2020 and fiscal year 2029-2030, each county to authorize construction for a specified number of new housing units. Reduces the amount of transient accommodations tax revenue the counties receive for failure to meet the requirements. Allows for recoupment of reduction under certain circumstances.)**

**Tuesday, February 13, 2018, 9:00 a.m., in Conference Room 429**

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.

**HB 2554. HD1.** This measure proposes to require, between fiscal year 2019-2020 and fiscal year 2029-2030, each county to authorize construction for a specified number of new housing units; reduces the amount of transient accommodations tax (TAT) revenue the counties receive for failure to meet the requirements; and allows for recoupment of reduction under certain circumstances. The purpose of this bill is to require the counties to focus on being proactive in the production of new housing rather than reacting to individual housing projects by requiring each county to annually authorize the construction of ten per cent of the forecasted demand over the next ten years.

**LURF's Position.** LURF supports the intent of requiring the counties to be proactive and establishing goals for the authorization of the production of housing for all Hawaii residents. However, LURF has comments and concerns regarding the establishment of those county goals and severity of the proposed TAT penalties on the counties. LURF would respectfully recommend that this measure be amended to:

- 1. Direct the State, counties, housing developers, stakeholders and the public continue to work together to establish such housing production goals, and to identify specific objectives to facilitate, incentives and streamline the permitting process to meet those goals;**
- 2. Consider the deletion of the TAT penalties, and explore the possibility of providing incentives instead of the TAT penalties;**
- 3. Consider a temporary moratorium on well-meaning, but counterproductive new state and county affordable housing rules and ordinances that would impose new restrictions and requirements that could limit or reduce the production of housing. The proposed new affordable housing rules and ordinances could be implemented upon approval the Hawaii Housing Finance and Development Corporation; and**
- 4. Continue to address the issues of housing production through the work of the Special Action Team of Affordable Rental Housing, established pursuant to Act 127, (2016), the Hawaii Interagency Council on Transit Oriented Development, established pursuant to Act 130 (SLH 2016), and other working groups and housing studies.**

Based on the above, LURF respectfully requests that HH 2554, HD1 be **amended** as described above.


Thank you for the opportunity to provide comments, concerns and amendments relating to this proposed measure.

Please feel free to contact David Arakawa, LURF Executive Director, if there are any questions.



 | 808-733-7060

 | 808-737-4977

 | 1259 A'ala Street, Suite 300  
Honolulu, HI 96817

February 13, 2018

**RECEIVED**  
**Date & Time**  
Feb 12, 2018, 10:24 am

**The Honorable Richard Onishi, Chair**

House Committee on Tourism

State Capitol, Room 429

Honolulu, Hawaii 96813

**RE: House Bill 2554, HD1, Relating to Housing Production**

**HEARING: Tuesday, February 13, 2018, at 9:00 a.m.**

Aloha Chair Onishi, Vice Chair Fukumoto and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its almost 9,500 members. HAR provides **comments** on House Bill 2009, which requires, between fiscal year 2019-2020 and fiscal year 2029-2030, each county to authorize construction for a specified number of new housing units. Reduces the amount of transient accommodations tax revenue the counties receive for failure to meet the requirements. Allows for recoupment of reduction under certain circumstances.

According to the Department of Business, Economic Development and Tourism, nearly 66,000 housing units are needed to meet long-term demand over the next ten years. We need more housing at all price points to address our housing shortage.

As such, we should be encouraging partnerships, instead of reducing the amount of transient accommodations tax revenues to the counties for not meeting goals based on production of housing units.

Mahalo for the opportunity to testify on this measure.





**Testimony to the House Committee on Tourism  
Tuesday, February 13, 2018 at 9:00 A.M.  
Conference Room 429, State Capitol**

**RE: HOUSE BILL 2554 RELATING TO HOUSING PRODUCTION**

Chair Onishi, Vice Chair Fukumoto, and members of the committee:

The Chamber is in support of HB 2554 which requires, between fiscal year 2019-2020 and fiscal year 2029-2030, each county to authorize construction for a specified number of new housing units. The bill would reduce the amount of transient accommodations tax revenue the counties receive for failure to meet the requirements. The bill also allows for recoupment of reduction under certain circumstances.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

As is stated in the bill, Hawaii is experiencing a severe housing crisis right now. Various government studies confirm the need for upwards of 60,000 new housing units over the next ten years.

While the State Legislature is aware of the problem, the need to increase the production of new housing units is entirely a county matter. The purpose of this Act is to require the counties to focus on being proactive in the production of new housing rather than reacting to individual housing projects by requiring each county to annually authorize the construction of ten per cent of the forecasted demand over the next ten years.

We believe the proposed bill, which provides rewards or penalties based on the individual county's performance, is a step in the right direction if our goal is to increase the supply of housing at all price points in Hawaii. We are in support of HB 2554, and appreciate the opportunity to express our views on this matter.

Thank you for the opportunity to testify.