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STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339  
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February 23, 2017

TO: The Honorable Jill N. Tokuda, Chair  
Senate Committee on Ways and Means

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 1147 SD 1 - RELATING TO HOUSING**

Hearing: February 24, 2017, 9:30 a.m.  
Conference Room 415, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports the intent of the above mentioned bill to the extent the measure does not adversely impact priorities identified in the Governor's Executive Budget request, and offers comments.

**PURPOSE:** The purpose of SB 1147 SD 1 is to require the strategic plan developed by the Hawaii Interagency Council for Transient-Oriented Development (TOD Council) to require that affordable housing be included as part of the development or redevelopment plan for any state property located within one-half mile of the Honolulu rail transit system. It requires every development or redevelopment plan to include housing with thirty percent reserved for graduated area medium incomes. The bill allows a developer to build less housing units than required at a rail station if the developer builds additional housing at another rail station to offset the reduction.

The Director of DHS is a member of the TOD Council created by Act 130, Session Laws of Hawaii 2016. As a department, DHS provides benefits and services to one in four residents in Hawaii. DHS strives to encourage self-sufficiency and supports the well-being of individuals, families, and Hawaii's communities through its major benefit programs that provide financial assistance, Supplemental Nutrition Assistance Program (SNAP), medical

insurance coverage through Med-QUEST, vocational rehabilitation services, and protective services for vulnerable children and adults.

One of the primary determinants of well-being is access to stable and affordable housing. Affordable and stable housing are linked with improving health, education and economic outcomes for families and children. When housing is stable and affordable, families can spend more time and resources on education, medical care, nutritious food, and quality child care.

Strengthening communities by incorporating safe, adequate and affordable housing in State development and redevelopment projects near Honolulu rail transit stations would also reduce the likelihood that low- and moderate-income households currently living in growing TOD areas would be displaced due to gentrification pressures.

Additionally, the presence of adequate and affordable housing in TOD areas would generate strong rail ridership, as the core users of public transportation are often low- to moderate-income individuals.

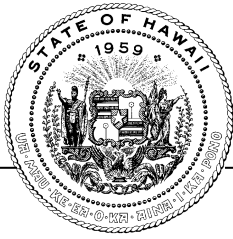
DHS offers the following comments on the amendments included in SB 1147 SD 1:

- Increasing the amount of affordable housing to be included in every development or redevelopment plan from twenty to thirty percent may have adverse impacts. Increasing the threshold to thirty percent may be cost-prohibitive for developers, and thus may discourage the development of all types of housing, including affordable. To provide thirty percent affordable housing would likely require greater subsidies from the State, and it is unclear whether the State has the capacity to do so. Additionally, twenty percent is common in many jurisdictions across the U.S. regarding inclusionary housing policy.
- DHS supports the amendment to allow a developer to build less than the required percentage of affordable housing at one rail station if the developer builds additional housing at another rail station to offset the reduction. Such reallocation of housing may require coordination by the various State agencies, and fortunately the TOD Council has been established for the purpose of coordinating and facilitating State agency TOD planning.

- DHS supports the amendment to reduce the radius for prioritizing affordable housing from one mile to one-half mile. One-half mile is consistent with TOD principles, as one-half mile is the maximum distance that pedestrians are typically willing to walk (to a transit station), which equates to a 15-minute walk.
- DHS suggests that the language on page 4, lines 1-3, be amended to read as follows:  
“(6) Require that every development or redevelopment plan for any state property located within one-half mile of ~~the a~~ Honolulu rail transit ~~system~~ station includes...”

Given the shortage of affordable housing in Hawaii, it is crucial that the State, as the largest landowner along the Honolulu rail corridor, utilize its resources to create safe communities where families can thrive, and increase the supply of affordable housing units in TOD areas without displacing long standing or low income residents.

Thank you for this opportunity to provide comments on these measures.



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DAVID Y. IGE  
GOVERNOR

LEO R. ASUNCION  
DIRECTOR  
OFFICE OF PLANNING

Statement of  
**LEO R. ASUNCION**  
Director, Office of Planning  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
Friday, February 24, 2017  
9:30 AM  
State Capitol, Conference Room 211

in consideration of  
**SB 1147, SD 1**  
**RELATING TO HOUSING**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Senate Committee on Ways and Means.

The Office of Planning (OP) respectfully opposes Senate Bill 1147, SD 1, which stipulates that the strategic plan developed by the Hawaii Interagency Council for Transit-Oriented Development (TOD Council) require that affordable housing be provided for every development or redevelopment plan for any State property located within one-half mile of the Honolulu rail transit system unless the TOD Council determines that housing is not feasible or desirable on a particular property. SB 1147, SD 1 includes much more stringent requirements for housing with 30 percent reserved for graduated area median incomes (AMI), with 10 percent at 30% AMI or less, 10 percent at 30-60% AMI, and 10 percent at 60-80% AMI.

OP is a strong supporter of affordable and rental housing in our capacities as co-chair of the Hawaii Interagency Council for Transit-Oriented Development. OP finds that requiring affordable housing in development plans for State properties in the vicinity of the proposed transit stations could increase the stock of affordable housing along the rail line and also support future rail ridership.

We believe, however, that the amendments in SB 1147, SD 1 for stricter affordability requirements would place the development of State lands at a significant competitive disadvantage with other comparable private lands. Developers have a difficult time developing affordable housing units at the 80% AMI and below level, which relegates these units to rentals and the need to compete for limited low-income tax credits. We envision greater use of private-public partnerships, but this measure, as currently drafted, would make it increasingly difficult to attract private partners, and more expensive to develop State lands.

Thank you for the opportunity to testify on this measure.



## 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 WAYS AND MEANS

February 24, 2017 at 9:30 a.m.  
State Capitol, Room 211

In consideration of  
**S.B. 1147, S.D. 1 RELATING TO HOUSING.**

The HHFDC **opposes** S.B. 1147, S.D. 1 because of the strict income targeting requirements added to Section 2 of the S.D.1. Ten percent of all housing units developed on State lands within one-half mile of the Honolulu rail transit system are required to be reserved for households at or below 30 percent of the area median income (AMI), 10 percent at or below 60 percent AMI, and 10 percent at or below 80 percent AMI. These strict income targeting requirements may render projects infeasible to develop or sustain over the long term. For these reasons, we also believe S.B. 1147, S.D. 1, may be detrimental to the Act 127, SLH 2016 Affordable Rental Housing goal of producing 22,500 affordable rental housing units for households at or below 140 percent AMI before December 31, 2026.

S.B. 1147, S.D. 1 is contrary to the Rental Housing Revolving Fund (RHRF) program changes the Legislature made in 2005 pursuant to the recommendations of the Affordable Housing Task Force established pursuant to Senate Concurrent Resolution 135 (2004). The SCR 135 (2004) Task Force report found that:

While there is a need to provide housing opportunities for households at the bottom end of the income scale, the income restrictions imposed in subsection 201G-432(e), HRS\* may negatively impact overall project feasibility and hinder the overall production of rental housing units. The HCDCH should provide developers with the flexibility needed to build affordable and sustainable rental housing projects. **Rather than imposing strict income limitations the HCDCH should give preference to rental housing projects that provide for the maximum sustainable number of units for lower income persons or families as a portion of an overall mixed-income tenant population.**

(emphasis added)

\*Subsection 201G-432(e) became §201H-202(e), HRS, pursuant to Act 180, SLH 2006. HCDCH was divided into the HPHA and HHFDC pursuant to Act 196, SLH 2005, as amended by Act 180, SLH 2006.

Most RHRF projects are also financed with Low-Income Housing Tax Credits, which assist households at 60 percent AMI. The units for households at 30 percent AMI are often subsidized by the remaining units in a project, i.e. units at 60 percent AMI. Based on these findings, the RHRF program's set-aside for housing units for households at or below 30 percent AMI was **reduced** from 10 to 5 percent in 2005. And, since this requirement is upon **every** development or redevelopment plan, we are concerned that the specific income limit mandates added to Section 2 of S.B. 1147, S.D. 1, will make development of rental housing projects on State lands along the rail transit line economically infeasible.

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



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
SUZANNE D. CASE  
Chairperson**

**Before the Senate Committee on  
WAYS AND MEANS**

**Friday, February 24, 2017  
9:30 AM  
State Capitol, Conference Room 211**

**In consideration of  
SENATE BILL 1147, SENATE DRAFT 1  
RELATING TO HOUSING**

Senate Bill 1147, Senate Draft 1 proposes to require that the strategic plan developed by the Hawaii interagency council for transit-oriented development include affordable housing as part of the development or redevelopment plan for any state property located within one-half mile of the Honolulu rail transit system, unless the council determines that housing is not feasible or desirable on a particular property. The measure also proposes to require every development or redevelopment plan to include housing with thirty per cent reserved for graduated area medium incomes. The measure also proposes to allow a developer to build less housing units than required at a rail station if the developer builds additional housing at another rail station to offset the reduction. If passed, the measure would take effect January 1, 2020. **The Department of Land and Natural Resources (Department) supports the intent to provide affordable housing and rental units, but is opposed to the mandatory nature of this measure.**

The Department suggests that language on lines 1-6, page 4 in the bill be amended as follows:

- (6) Require that every development or redevelopment plan for any state property located within one-half mile of the Honolulu rail transit system [~~include~~] **evaluate the suitability for** housing units with at least thirty per cent as follows

The Department is a member and active participant in the Hawaii Interagency Council for Transit Oriented Development (TOD Council), established pursuant to Act 130, Session Laws of Hawaii 2016. However, the Department understands that the TOD Council strategic plan is a

SUZANNE D. CASE  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

KEKOA KALUHIWA  
FIRST DEPUTY

JEFFREY T. PEARSON, P.E.  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

guidance document, but ultimately, compliance with the plan remains voluntary. The Department has four parcels adjacent or in close proximity to the planned University of Hawaii West Oahu (UHWO) rail station in East Kapolei, which would be impacted by this measure. The Department's long term objective is to lease the parcels for income generating purposes to support the Department's natural resource management and protection programs. The Department has already agreed to the placement of a 1,000 stall park and ride facility on the parcel immediately adjacent to the UHWO rail station, impacting its development potential. The requirements imposed by this measure could further impede that objective. Additionally, it is unclear whether there is a market for the types of housing projects contemplated by this measure.

The Department understands the need for affordable housing units, and has historically supported the development of affordable housing through the conveyance or transfer of management of lands to HHFDC for affordable housing or rental projects statewide<sup>1</sup>. In most instances, the lands transferred to HHFDC could have been used for more intensive income producing purposes. Rather, these lands were instead dedicated by the Department to alleviate the significant lack of supply of affordable housing and rental units for the less fortunate citizens of Hawaii. The following affordable housing/rental projects have been supported by the transfer of lands from the Department to HHFDC:

- The Villages of Leialii in Lahaina, Maui, 1,033 acres of land mauka of downtown Lahaina.
- 690 Pohukaina in Kakaako, approximately 2.168 acres in Honolulu's urban core, adjacent to the rail line with access to existing infrastructure.
- Halekauwila Place in Kakaako, approximately 1.249 acres adjacent to the 690 Pohukaina project.
- Hale Mohalu in Pearl City, Oahu, 4.75 acres of land designated Urban, adjacent to Kamehameha Highway with access to existing infrastructure.
- The Villages of Laiopua, in North Kona, Island of Hawaii, 802 acres adjacent to Queen Kaahumanu Highway between Kona International Airport and Kailua Kona.

Finally, the Department is already in discussions with HHFDC regarding a potential affordable housing project on the East Kapolei parcels. However, the Department's position is that such a project must be compatible with the planned uses of the parcels.

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<sup>1</sup> In addition to HHFDC, the Department has also provided land to the City and County of Honolulu for the purpose of providing shelter support to the homeless. Sites include land leased to the City for a transitional housing center at Sand Island, and land set aside via Executive Order to the City for an emergency homes project adjacent to Keehi Lagoon, in collaboration with the Aio Foundation, a local non-profit organization.





February 22, 2017

Hawaii State Senate  
Committee on Ways and Means  
Senator Jill N. Tokuda, Chair  
Senator Donovan Dela Cruz, Vice Chair  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Hearing: February 24, 2017  
Time: 9:00 AM. Room: 211  
Subject: SB 1147 SD1 Related to Housing

TESTIMONY IN SUPPORT

Chair Tokuda, Vice Chair Dela Cruz and members of the Committee:

Thank you for this opportunity to submit testimony in support of SB 1147 SD1, related to related to housing.

I am Kevin Carney, Vice President of EAH Housing. EAH is a 49 year old non-profit public benefit corporation whose mission is to develop, manage and promote affordable rental housing. We are one of the largest non-profit affordable rental housing developers in the western United States. We have developed over 95 affordable rental properties, manage over 100 rental properties and we serve over 20,000 residents in communities in Northern California and Hawaii. The people we serve are primarily those with incomes at or below 60% of the area median income (AMI).

EAH strongly supports the concept of providing affordable housing along the rail line and in particular of providing affordable rental housing in close proximity to the rail stations. We support a maximum distance of a one-half mile radius from the rail stations to encourage the use of rail by all our residents and in particular our senior residents. Keeping the affordability level to a maximum of 80% of the area median income (AMI) is also very important as we believe the greatest demand for housing is at 80% AMI and below.

We would prefer to see the language in paragraph 6 subsections (A) (B) and (C) deleted and in its place insert the following in line 4 on page 4:

“with at least thirty per cent at eighty percent or below of the area median income as established by HUD unless the council determines, etc.”

This will allow the developer more flexibility in determining how to best finance the project to meet these low income eligibility requirements.

Thank you again for allowing us to share our support and submit our thoughts on this issue.

Sincerely,

Kevin R. Carney, RB-16444  
(PB), NAHP-E  
Vice President, Hawaii  
EAH Housing, RB-16985