



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development and Tourism
before the
SENATE COMMITTEE ON HOUSING
Tuesday, February 12, 2019
1:20 PM
State Capitol, Conference Room 225

in consideration of
SB 1189
RELATING TO AFFORDABLE HOUSING.

Chair Chang, Vice Chair Kanuha, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) **strongly supports** SB 1189, a bill making needed technical and housekeeping amendments to Act 150, SLH 2018, and authorizes HHFDC to utilize an amount from the Dwelling Unit Revolving Fund to acquire the ground lease to preserve Front Street Apartments in Lahaina, Maui, as affordable rental housing.

Thank you for the opportunity to testify.



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 HOUSING

February 12, 2019 at 1:20 p.m.
State Capitol, Room 225

In consideration of
S.B. 1189
RELATING TO AFFORDABLE HOUSING.

The HHFDC supports S.B. 1189, a vehicle to make necessary amendments to Act 150, SLH 2018 to enable the preservation of Front Street Apartments in Lahaina, Maui as affordable rental housing.

This bill also appropriates an unspecified amount from the Dwelling Unit Revolving Fund to acquire the ground lease of Front Street Apartments. HHFDC's CIP budget request includes an appropriation for deposit in to DURF for this purpose. In January 2019, the HHFDC Board authorized the Executive Director to issue a Letter of Intent outlining the terms and conditions upon which HHFDC will consider acquiring the Front Street Apartments from 3900, LLC, the successor to 3900 Corp.

In January 2019, the HHFDC also selected Ikaika Ohana as the developer for Keawe Street Apartments, a proposed 200-unit affordable rental housing project in Leiali'i. The Developer has outlined an ambitious time schedule to complete the project in 2021. However, any delays in obtaining financing, entitlements or permits, as well as construction delays will push completion beyond 2021.

Thank you for the opportunity to testify.

TESTIMONY OF FRONT STREET AFFORDABLE HOUSING PARTNERS

HEARING DATE/TIME: Tuesday, February 12, 2019
 1:20 PM
 Conference Room 225

TO: Senate - Committee on Housing

RE: SB 1189

Dear Chair Chang, Vice-Chair Kanuha, and Committee Members:

My name is William G. Meyer III. I have been practicing law in Honolulu since 1979. I am counsel for Front Street Affordable Housing Partners (“**FSA**”), the leasehold owner and original developer of the Front Street Apartments housing project (the “**Project**”) which is the subject of SB 1189 (the “**Subject Property**”). I recognize that Chair Chang, Vice-Chair Kanuha, and the Committee Members are familiar with the issues surrounding the Subject Property and the history of Act 150, Session Laws of Hawaii (2018) (“**Act 150**”), which SB 1189 seeks to address..

As this Committee considers the proposed legislation regarding my client, it is important for you to know that both during the 2018 legislative session before Act 150 was enacted and after its passage, FSA worked with HHFDC in an effort to come to an arrangement whereby FSA could maintain the Project’s affordability status. FSA remains ready and willing to consider lower cost options for the State whereby FSA would retain ownership of the Project through an arrangement with HHFDC that provides affordability protections for the tenants. FSA intends to continue cooperating with HHFDC and the State of Hawai‘i in this regard, and FSA is willing to negotiate with HHFDC in order to reach an arrangement that is mutually satisfactory to HHFDC, the County of Maui, and FSA. Accordingly, FSA takes no position with respect to SB 1189 for the purpose of this hearing.

Respectfully Submitted,

/S/ William G. Meyer, III

On behalf of
Front Street Affordable Housing Partners

William G. Meyer III
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SB-1189

Submitted on: 2/11/2019 1:23:20 PM

Testimony for HOU on 2/12/2019 1:20:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|--|---------------------------|---------------------------|
| Melodie Aduja | Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i | Support | No |

Comments:

LATE

Testimony of Barbara Henny
Regarding SB1189
Support for ground lease condemnation and purchase
Before State Senate Committee on Housing
Feb. 11, 2019

Aloha Housing Chair Sen. Stanley Chang and vice chair Sen. Dru Mano Kanuha. I'm Barbara Henny, co-chair of the Front Street Apartment Tenants Group, representing tenants living in the Apartments. We'd like to thank state senators passing legislation in 2018 to help to fight the eviction of more than 250 tenants. We continue to support legislation to condemn and purchase the ground lease to halt the eviction.

We need to take action now because the tenants face a deadline in August, 2019 by the building owner who plans to raise the rents to market-level prices, effectively evicting the tenants. Lahaina's homeless shelter is at capacity and the town needs to preserve itself a tourist mecca second only to Waikiki and as the first historic capital of Hawaii.

Unless something is done, the public stands to lose \$40 million in public investment, including more than \$20 million in tax credits and exemptions given to the developer. The developer/building owner is using an IRS loophole to go back on its stated intention to operate for 51 years. The landowner never mentioned the loophole in two public hearings before the Maui County Council.

Because we live on Maui and travel is expensive, we regret being unable to be in Honolulu to testify. We would like to thank various groups who have supported us in the past during the 2018 session, including the Oahu Democratic Party, ILWU, the First Chinese Church of Honolulu, St. Mary of Moiliili, the Filipino community of the Ota Camp Makibaka Association in Waipahu, Nuuanu Congregational, Emanu-el Temple, and the more than 60 businesses belonging to the Lahaina Town Action Committee. Some of these groups have submitted testimony in 2019 before the state House Committee on Housing on a related bill HB 543.

Aloha and thank you.

Barbara Henny,
Co-chair, Front Street Apartment Tenants Group
(808) 667-9215, (808)283-2415

(END)