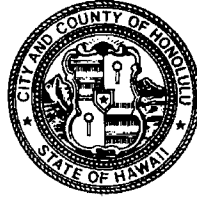


DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honoluluodpp.org • CITY WEB SITE: www.honolulu.gov

KIRK CALDWELL
MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIU
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

February 12, 2019

The Honorable Maile S. L. Shimabukuro, Chair
and Members of the Committee on Hawaiian Affairs
The Honorable Stanley Chang, Chair
and Members of the Committee on Housing
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chairs Shimabukuro, Chang, and Committee Members:

**Subject: Senate Bill No. 1223
Relating to Affordable Housing
on Hawaiian Home Lands**

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 1223, which would make permanent the affordable housing credit program as it relates to housing developed by the Department of Hawaiian Home Lands (DHHL). We have testified on similar bills in the past, which either proposed to extend the program, or establish it permanently.

The City strongly supports an increase in the inventory of affordable housing units. The City also recognizes the challenges faced by DHHL in fulfilling its obligations to its beneficiaries. However, we testified in opposition to this program at its inception in 2009. We oppose this program because it creates credit value that DHHL can sell to developers, who use it to fulfill affordable housing requirements imposed by the counties. Thus, it undermines the ability of the counties to provide new affordable housing to all its residents within county-defined income need groups, on a time schedule commensurate with private sector construction, and in geographic areas where the counties believe affordable housing is needed.

In the 10 years since this mandatory credit program was adopted as Act 141 (2009, Session Laws of Hawaii), the City and County of Honolulu has awarded 768 affordable housing credits to DHHL. If this program is made permanent, current planned DHHL projects would result in approximately 960 credits awarded in the future. In comparison, over the last two years, a period of robust construction, about 680 affordable housing units were developed annually on Oahu in non-DHHL projects.

As you may know, the City is focusing on encouraging affordable housing in the rail corridor via transit-oriented development (TOD) by promoting denser, "infill," multi-family projects. To allow the credit program to continue would appear to be a disincentive to TOD. Furthermore, the City recently adopted Ordinance 18-10, which imposes an affordable housing

The Honorable Maile S .L. Shimabukuro, Chair
and Members of the Committee on Hawaiian Affairs
The Honorable Stanley Chang, Chair
and Members of the Committee on Housing
Hawaii State Senate
Senate Bill No. 1223
February 12, 2019
Page 2

requirement on new construction or conversions resulting in 10 or more dwelling units, as well as subdivisions of 10 or more lots. The affordable housing units are targeted for homebuyers earning at or below 120 percent of Honolulu's area median income (AMI), or for renters at or below 80 percent AMI.

In summary, we believe Act 141 benefits the DHHL at the cost of the counties' programs. The goal should not be to redirect resources and/or opportunities to one branch of government at the expense of another. We appreciate ongoing conversations with DHHL and will continue to work together toward addressing the need for affordable housing throughout the county. To this end, we believe the affordable housing credit program should be allowed to sunset on July 1, 2019 and that this measure be filed.

Thank you for this opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy K. Sokugawa". The signature is fluid and cursive, written over a white background.

Kathy K. Sokugawa
Acting Director

DATE: February 10, 2019

TO: Chair Maile S.L. Shimabukuro, Vice-Chair Kaiali'i Kahele, Chair Stanley Chang,
Vice-Chair Dru Mamo Kanuha and Members of the Joint Senate Committees on
Hawaiian Affairs (HAW) and Housing (HOU)

MEASURE: SB1223

SUBJ: Testimony in Strong Support of SB1223

My name is Bob Hall and I submit testimony in strong support of SB1223.

Hawaii has faced a housing inventory crisis for many years. While vertical housing construction has advanced in urban areas, construction of new, truly affordable housing for first time-home owners have not. Developer incentives continue to be necessary in order to entice consistent housing development. Affordable housing credits issued by counties for each residential unit developed have served as key developer incentives.

Since the passing of Act 141, the Department of Hawaiian Home Lands has developed housing for native Hawaiians warranting the issuance of affordable housing credits for the generic development of housing. As the need for housing continues to be a State and Legislative priority, it's important to support any and all "tools" and "incentives" that encourages housing development, particularly for below-market home buyers.

I urge your committee to pass SB1223 that will enable the Department of Hawaiian Home Lands to retain this generic incentive for developing housing in Hawaii.

Respectfully Submitted,



Bob Hall, Principal
AUKAI PACIFIC, LLC