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IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON JUDICIARY

February 23, 2021 at 9:45 a.m.
State Capitol, Via Videoconference

In consideration of
S.B. 40, S.D. 1
RELATING TO HOUSING.

The HHFDC **offers the following comments** on S.B. 40, S.D. 1, a bill which would, in perpetuity, require no income restrictions for for-sale 201H projects and provide that said projects that are built only for qualified residents that own no other real property and will occupy the unit.

HHFDC has concerns that the proviso language in the proposed amendments to section 201H-38 is not sufficiently clear. The term "perpetuity" is not defined in the bill, and the plain meaning of the term would be difficult for HHFDC to enforce. We also note that residential structures have a natural lifespan, meaning that no one can guarantee that a for-sale 201H project will remain suitable for occupancy in perpetuity.

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

LATE



February 23, 2021

Senator Karl Rhoads, Chair
Senator Jarrett Keohokalole, Vice Chair
Senate Committee on Judiciary

Comments in Support and Proposed Amendment of SB 40, SD1 Relating to Housing (Exempts from income restrictions for-sale housing projects that are built for qualified residents, who will be owner-occupants in perpetuity, and who own no other property. [SD1])

Tuesday, February 23, 2021, at 9:45 a.m.; Via Videoconference

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 utility companies. 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 appreciates the opportunity to express its **support of the purpose and intent of SB 40, SD1 and an amendment to delete the reference to "in perpetuity,"** because it will impose a major legal requirement and obligation on homebuilders that will be impossible to meet.

SB 40, SD1. The purpose and intent of this measure is to allow owner-occupant projects to qualify, without income restrictions, as a housing project that may be exempt from certain statutes pursuant to the provisions of section 201H-38, Hawaii Revised Statutes. The proposed operative language of the measure is as follows:

(4) If the proposed housing project is a for-sale project, the housing project shall, **in perpetuity**, not require income restrictions and provide that the proposed housing project is built only for "qualified residents" as defined in section 201H-32, who:

- (A) Will be owner-occupants of the units; and
- (B) Own no other real property;

(bold emphasis added).

LURF's Position. LURF members lead the state in the production of affordable and market housing units and support the purpose and intent of this measure, as it will make 201H projects available to thousands of more prospective qualified buyers and can help reduce Hawaii's severe housing shortage.

Housing needed at all income levels. LURF supports providing housing for all income levels and supports the current efforts of Hawaii Housing Finance and Development Corporation (HHFDC) and private homebuilders to facilitate and build housing for all of Hawaii's residents, and with a focus on housing for incomes of 140% area median income (AMI) and below.

According to HHFDC's Hawaii Housing Planning Study, 2019, during the 2020-2025 period, the statewide demand for housing units at all income levels is approximately 50,156. Of this number, approximately 36,305 units will be needed by Hawaii's workforce and lower income households (i.e., those earning 140% and below the area median income (AMI) as established by the U.S. Department of Housing and Urban Development. Of the total units, approximately 26,239 units (52%) are estimated to be needed for households earning 80% and below the AMI. These are typically rental housing units. Another 10,066 units (20%) are estimated to be needed for households earning from 80-140% AMI. These are typically for-sale units primarily for first-time homebuyers. The current HHFDC 201H programs and projects are successfully facilitating the production of housing units at 140%AMI and below.

201H "pilot projects" with no income restrictions? SB 40, SD1 and its proposal to amend the 201H program to allow the dwelling units to be sold without income restrictions is new, innovative, and will make "affordable" housing available for thousands more potential buyers and renters. However, given the success of HHFDC's ongoing support of 201H projects and programs for homebuyers at 140% AMI and below, perhaps instead of a wholesale change in HHFDC's 201H program, a 5-year period for 201H "pilot projects" with no income restrictions can be implemented for certain developments under certain criteria and guidelines.

"In perpetuity" may be a requirement that is impossible to satisfy. Some in the building industry estimate the useful life span of a concrete dwelling unit structure to be about **75–100 years**, depending on good maintenance, and the average life span of an apartment to be **50–60 years**.

Given these estimates, we believe that the phrase "in perpetuity" will impose a major legal requirement and obligation on homebuilders that will be impossible to meet. Thus, we would respectfully request the consideration of your Committee to amend SB 40, SD1, by deleting the phrase "in perpetuity."

For the reasons stated above, **LURF is in support of the intent of SB 40, SD1, with an amendment to delete the reference to "in perpetuity,"** and respectfully urges your favorable consideration of this bill.

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