



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

HAWAII CHAPTER

March 29, 2022

Senator Rosalyn Baker, Chair
Senator Stanley Chang, Vice Chair
Committee on Commerce and
Consumer Protection

RE: HB 2239 HD1 – RELATING TO CONDOMINIUMS
Hearing date – March 29, 2022 at 10:00 a.m.

Aloha Chair Baker, Vice Chair Chang and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to HB 2239 HD1 – RELATING TO CONDOMINIUMS**. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

HB 2239 HD1 would increase the minimum number of residential units in a condominium project that must be offered for sale to prospective owner-occupants for 30 days following the initial date of sale from 50% to 90% of the units. NAIOP opposes this requirement because it is an unnecessary amendment and would have negative unintended consequences.

New construction projects can take many years to complete. Potential buyers often have tough time committing to an owner-occupant residence for a period of 2-3+ years due to their changing circumstances. Based on relevant sales data, the current 50% owner occupant requirement in HRS § 514B-95.5(4) is proven to be aligned with historical residential demand. Rarely does the immediate demand exceed the current 50% offering based on the composition of the market and legal obligation for the purchaser to occupy for 1-year after closing. Typically, there is not enough owner-occupant demand to justify the 90% requirement in all condominium projects. For example, market rate launches over the last few years have experienced less than 20% of the units with signed affidavits, well under the current 50% requirement.

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Moreover, local owner occupants are hesitant to purchase a unit given the owner occupant restrictions. This is demonstrated by the demand and majority of primary home buyers who buy after the owner occupant hold period. Many of the units that are purchased after the hold period are owner occupied or rented to local residents who do not want to be subject to the owner occupancy restrictions. Actual owner occupants are higher representing 2-4 times the individuals who wanted to sign the owner occupancy affidavit. Accordingly, increasing from 50- 90% would not result in additional owner occupants acquiring units during the first 30 days.

The arbitrary increase, which nearly doubles the current requirement, such as that proposed in HB 2239 HD1 would prevent the broader market purchase and signal weak sales. Although the delay is only 30 days, the early stages of a product launch are critical to sales momentum. If slow sales occur during this period, it could result in further delays or even cancellation of the project resulting in lower stock of new homes. Once again it is important to note that the number of owners that actually occupy the units does not increase due to an increased owner-occupant restriction period. Clearly, that is contrary to the intent of the bill but is likely to result. For these reasons we urge you to defer HB 2239 HD1.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read "Jennifer Camp".

Jennifer Camp, President
NAIOP Hawaii

LATE

▪ March 28, 2022

Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair
Senate Committee on Commerce and Consumer Protection

RE: Testimony in Opposition - HB 2239, HD 1 Relating to Condominiums
Hearing: March 29, 2022 at 10:00 AM
Senate Conference Room 229 and Videoconference

Dear Chair Baker, Vice Chair Chang, and Committee Members:

Stanford Carr Development (SCD) submits testimony in **opposition** to the HB 2239, HD1 proposed to increase the minimum number of residential units in a condominium project that must be offered for sale to prospective owner-occupants in the thirty-day period following the initial date of sale of the condominium from fifty percent to ninety percent.

If the goal of this bill is to increase affordable housing, we suggest that passage of this measure will have negative unintended consequences and result in a burdensome regulatory policy that will increase housing costs and further constrain the supply of residential housing.

Building affordable housing and increasing the owner-occupant percentage requirement are two distinct and unrelated factors. SCD experienced remaining unsold owner-occupant units after completing the 30-day owner-occupant period at Keauhou Place. There were also many owner-occupant buyers who did not want to be held to the terms of the owner-occupant affidavit requiring a minimum of one-year occupancy and chose to purchase after the owner-occupant release period. Given the many years that it takes to complete new construction projects, many prospective buyers are reluctant to commit to purchasing units as owner-occupants because their personal circumstances are likely to change.

Local developers deal with significant regulatory barriers, financial risks and challenges in building housing inventory that our residents need. Among these challenges are the millions of dollars in pre-development costs that developers have to invest prior to going to market. Therefore, additional regulatory hurdles that result in any further delays in the ability of developers to market housing units in the pre-sales/pre-construction phase of the projects will increase the financial risks and costs which will ultimately lead to higher housing prices for prospective buyers, including local residents.

Moreover, the existing owner-occupant requirement under Hawaii law is difficult to meet in current market conditions. The fact is - there is insufficient owner-occupant demand to achieve the ninety percent requirement in all condominium projects. Furthermore, the proposed increase, which would nearly double the current owner-occupant requirement, could result in sluggish sales in the critical early marketing period, which could mean further delays in the start of construction, or possibly even termination of the project.

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It should also be noted that the actual number of owner-occupants, including local residents, residing in condominium projects is higher representing two to four times the number of individuals who sign the owner-occupant affidavit. In this regard, the passage of HB 2239, HD1 could have the unintended consequence of delaying the purchase of a housing unit by local residents who intend to be owner-occupants, but are reluctant, to execute a restrictive affidavit.

For all of these reasons, I respectfully request that this committee defer HB 2239, HD1. Thank you for the opportunity to submit this testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanford S. Carr", written in a cursive style.

Stanford S. Carr

HB-2239-HD-1

Submitted on: 3/27/2022 1:45:06 PM

Testimony for CPN on 3/29/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Campbell Lee	Individual	Support	Written Testimony Only

Comments:

Senator Rosalyn H Baker, Chair

Senator Stanley Chang, Vice Chair

Committee on Commerce and Consumer Protection

Campbell Lee

cblee@hawaii.edu

Tuesday, March 29, 2022

Support of HB2239 HD1, Relating to Condominiums

Aloha Chair Baker, Vice Chair Chang and members of the Senate Commerce and Consumer Protection committee. My name is Campbell Lee and I am writing in strong support of HB2239, which will increase the minimum number of residential units that must be offered to prospective owner-occupants from fifty to ninety percent.

Year after year, housing prices continue to rise despite the wages, specifically the minimum wage, stays the same. As a result, the idea of owning a house has become more and more unattainable for the people who call O‘ahu and Hawai‘i home. Housing continues to be built around the island of Oahu, but with wages remaining stagnant, locals cannot afford to stay. The newly released Census confirms that Hawaii’s population continues to decline as more and more locals move off island(s) and to the mainland.

Currently, the law states that developers of condominium projects must designate at least 50% of the units for sale to prospective owner-occupants in the 30 days following the initial sale.

HB2239 proposes increasing that percentage to 90%, which in turn, would only increase the opportunity for people who call O'ahu home a chance to stay in their home.

This bill and the increase from 50% to 90% has proposed no change to developers, meaning they will experience no change in profit. The only proposed change that will occur if this bill is passed is that Hawai'i residents will have an easier and more accessible opportunity to purchase their own homes.

In conclusion, I am in support of HB2239. I thank the Chair, Vice Chair and the committee for the opportunity to share and for considering my testimony.

Aloha,

Campbell Lee

LATE

HB 2239 HD 1 TESTIMONY

To: Senate Committee on Commerce and Consumer Protection
Hearing on March 29, 2022 at 10:00 a.m.

From: John Kawamoto

Position: Support

Housing prices have relentlessly increased for decades, while wages have stagnated. As a result, housing has become less and less affordable for more and more people. Today, Hawaii faces a shortage of 50,000 housing units. Yet, housing is being built for non-residents. Housing for residents should be the State's highest priority.

Current law requires the developer of any residential condominium project to designate at least 50% of the units for sale to prospective owner-occupants in the 30 days following the initial date of sale. This bill would raise that percentage to 90%. As a result, it would increase the opportunity for residents to own their own homes.

This bill does not detract from any profit that the developer may earn on any housing unit. It simply makes it easier for residents to purchase it