



STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

**HOUSE COMMITTEE ON HOUSING
AND
HOUSE COMMITTEE ON WATER AND LAND**

March 17, 2022 at 11:00 a.m.
State Capitol, Room 423

In consideration of
**S.B. 3261 SD2
RELATING TO HOUSING.**

HHFDC's mission is to increase and preserve the supply of workforce and affordable housing statewide by providing financing and development tools to facilitate housing development. S.B. 3261 SD2 seeks to establish the ALOHA Homes program to develop high-density, "low-cost" leasehold residential condominiums on State-owned lands within a one-half mile radius of a public transit station.

Legislation creating an ALOHA Homes program modeled after the government housing program in Singapore was first introduced in 2019 as S.B. 1. Although the Legislature did not pass S.B. 1, it did pass a bill to commission a study on the feasibility of Aloha Homes, which was enacted as Act 167 (SLH 2019). The study, conducted by the Hawaii Appleseed Center for Law and Economic Justice, concluded that the ALOHA Homes program could not be feasibly replicated in Hawaii, mainly due to:

- 1) The significant differences in Singapore's and Hawaii's governmental structures;
- 2) The high cost of construction and labor relative to the affordable prices for which the homes are to be sold under a "revenue neutrality" model; and
- 3) The diminishing marginal returns on large-scale development as density increases.

HHFDC agrees with the need to significantly increase the state's housing supply. S.B. 3261 SD2 attempts to address some of the concerns that were raised in the original bill and there are elements of the bill that could be beneficial in furthering the development

of affordable housing. However, HHFDC is **unable to support** this measure in its entirety, as explained below.

Beneficial Elements

1. Expanded Public Lands Exemption

HRS Chapter 171 already exempts lands to which HHFDC holds title from the definition of public lands. This bill expands the exemption to include non-ceded lands set aside to HHFDC, enabling the agency to treat the vast majority of lands under its control in a consistent manner while respecting the concerns of the Native Hawaiian community. An expanded public lands exemption would streamline the approval process and facilitate the delivery of affordable housing on State-owned lands.

HHFDC requested in its testimony for S.B. 3261 that the Office of Hawaiian Affairs be required to generate a list of Tax Map Key numbers of ceded lands located along the Oahu rail corridor. We respectfully make this request once more in order to avoid any disputes as to which State lands fall under this exemption.

2. Market Study of Leasehold Housing

The current version requires HHFDC to conduct a detailed market study of leasehold housing in the State by examining buyer preferences regarding leasehold and fee simple housing. We agree that further study of the market for leasehold housing will be helpful in structuring a new housing program such as ALOHA Homes. The cost for such a study is estimated to be \$150,000 and an appropriation is needed to carry out this provision, as well as sufficient time to allow for procurement and completion of the report to the Legislature.

3. ALOHA Homes Program Working Group

The current version requires HHFDC to establish a working group to study the implementation of the ALOHA Homes program. We agree that this would be helpful. In order to facilitate this provision, one additional full-time position will be needed to coordinate the activities and studies of the working group, at an estimated annual cost of \$130,000.

Lingering Concern

The bill appears to designate HHFDC as a developer of affordable housing projects. Development of affordable housing is a long, complicated, and risky process. Government agencies operate under considerably more rigid rules and processes than the private sector, which will slow the development of projects and raise costs. For example, HRS Chapter 103D (Hawaii Public Procurement Code) is extremely

cumbersome, and it is common for execution of even simple contracts to require six months or longer.

If HHFDC assumes the role of developer, the State will be assuming the risks inherent with this role. This includes risks relating to marketability, price increases, change orders, schedule delays, and lawsuits by purchasers. Having all design and construction projects subject to the Procurement Code will also lengthen the development schedule considerably.

To expedite the delivery of affordable housing projects, and to reduce risk to the State, HHFDC typically partners with private developers for the design, construction, and sale or lease of housing units. This enables HHFDC to leverage the expertise of private developers to design and construct projects.

We request that the bill be **amended** to allow HHFDC to continue its existing practice of partnering with private developers, thereby utilizing all of our current powers and exemptions for the development of Aloha Homes.

Conclusion

HHFDC appreciates the Legislature's recognition of the need for

- A market study to determine if sufficient demand exists for long-term leasehold products, and
- A working group to discuss how to feasibly implement this program before the State invests significant sums to cover up-front infrastructure costs and housing development subsidies on a large-scale program.

HHFDC is committed to working with the Legislature on increasing the supply of affordable housing in Hawaii and appreciates the efforts to address our previous concerns. This continues to be a work in progress, and we look forward to furthering the discussion.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEES ON HOUSING AND WATER & LAND
ON
SENATE BILL NO. 3261, S.D. 2

March 17, 2022
11:00 a.m.
Room 423 and Videoconference

RELATING TO HOUSING

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 3261, S.D. 2, establishes the Affordable, Locally Owned Homes for All (ALOHA) Homes Program; exempts certain lands from the definition of public lands; requires the Hawai'i Housing Finance and Development Corporation (HHFDC) to gain legislative approval before disposing of certain lands; provides for the disposition of lands acquired by HHFDC but no longer needed for the ALOHA Homes Program; directs HHFDC to conduct a study of the market depth for leasehold housing; directs HHFDC to establish a working group to study the implementation of the ALOHA Homes Program; establishes the ALOHA Homes Revolving Fund (ALOHAHRF); authorizes 8.00 full-time equivalent positions and appropriates an undetermined amount of general funds for FY 23 to be deposited into the ALOHAHRF; and appropriates an undetermined amount of funds from the ALOHARF for FY 23.

S.B. No. 3261, S.D. 2, is similar to S.B. No. 1, S.D. 2, from the 2021 Legislative Session. B&F notes Act 167, SLH 2019, required HHFDC to conduct a feasibility study

on the implementation of the ALOHA Homes Program. B&F understands that this study has since been completed and its findings published in a report. B&F defers to HHFDC on the findings of the study and issues regarding implementation and administration of the ALOHA Homes Program but is concerned that commissioning further studies on the ALOHA Homes Program model may be redundant.

B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Finally, as a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding S.B. No. 3261, S.D. 2, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.



SIERRA CLUB OF HAWAI'I

HOUSE COMMITTEE ON HOUSING HOUSE COMMITTEE ON WATER & LAND

March 17, 2022 11:00 AM Conference Room 423
In **OPPOSITION** to **SB3261 SD2**: Relating to Housing

Aloha Chair Nakamura, Chair Tarnas, Vice Chair Hashimoto, Vice Chair Branco, and members of the House Committees on Housing and Water & Land,

On behalf of our 20,000 members and supporters, the Sierra Club of Hawai'i respectfully **OPPOSES SB3261 SD2 as written**, but offers **proposed amendments** to address our public and "ceded" lands concerns while accommodating the overall intent of this measure.

The Sierra Club of Hawai'i appreciates that this measure seeks to strike a balance between achieving its vision of facilitating affordable housing development while protecting the public interest in our public lands, by an apparent intent to limit ALOHA Homes leases to those involving non-"ceded" lands. However, the explicit language of this measure authorizing or mandating all ALOHA Homes developments and units to be leased for a term of 99 years may inadvertently allow any state lands under the ALOHA Homes program to be subject to such long-term leases. Accordingly, the Sierra Club of Hawai'i respectfully asks that the language of this measure be amended to clarify that such long-term leases be limited to those involving non-"ceded" lands, by:

Amending page 15, lines 19-20, to read as follows:

"sites; provided that each lease involving non-ceded lands shall be for a term of ninety-nine years. The rules shall include the following"

And amending page 24, line 3, to read as follows:

"(b) The term of a lease involving non-ceded lands may be for ninety-nine years,"

Accordingly, the Sierra Club respectfully urges the Committees to **HOLD** this measure, or adopt the recommended amendments above. Mahalo nui for your consideration of this testimony.

Policy Advisory Board for Elder Affairs

Testimony to the
House Committee on Housing and the
House Committee on Water and Land

Thursday, March 17, 2022; 11:00 a. m.

State Capitol Conference Room 423 and via videoconference

Regarding: SB 3261 SD 2, RELATING TO HOUSING

Dear Chair Nakamura, Vice Chair Hashimoto, Honorable Members of the House Committee on Housing, Chair Tarnas, Vice Chair Branco, and Honorable Members of the House Committee on Water and Land:

I am Gary Simon, Chair of the Policy Advisory Board for Elder Affairs (PABEA), which is an appointed board tasked with advising the Executive Office on Aging (EOA).

PABEA supports SB 3261 SD 2, RELATING TO HOUSING, which would establish the ALOHA homes program to develop low-cost homes on state-owned and county-owned land in urban redevelopment sites to be sold in leasehold by the Hawaii Housing Finance and Development Corporation to qualified residents.

PABEA is dedicated to enhancing the quality of life for our kupuna. Providing affordable housing is key. The ALOHA Homes Program will lead to better health and financial stability and security of many of our kupuna in the future and will empower them to choose how they live and age and rely less on government and public social assistance.

Our affordable housing crisis has been with us for decades now. The cost to rent or purchase housing in Hawaii continues to become less and less affordable for many in Hawaii. Our current programs and projects to create housing in Hawaii have been inadequate to meet the growing need. The ALOHA Homes Program is the momentous shift in housing policy and programs required to provide the tens of thousands of new affordable housing units needed now and in the future.

With urban planning in mind, ALOHA homes will transform communities with key service providers in the communities, transit-oriented development, access to essential

products and services, community centers bringing residents together, and walkable complexes promoting interaction among residents and strengthening community ties.

We urge you to support SB 3261 SD 2, and we urge you to recommend its passage.

On behalf of PABEA, I thank you for seriously considering the Bill.

Very sincerely,

A handwritten signature in black ink that reads "Gary Simon". The signature is written in a cursive, flowing style.

Gary Simon
Chairperson
Policy Advisory Board for Elder Affairs
No. 1 Capitol District
250 South Hotel Street, Suite 406
Honolulu, Hawaii 96813
Email garysimon@hawaii.rr.com



House Committee on Housing
House Committee on Water & Land
March 17, 2022 at 11:00 a.m.

SUPPORTING SB 3261 SD 2

The Church of the Crossroads, founded in 1922, is Hawaii's first intentionally multicultural church and is committed to a mission of peace, justice, and environmental preservation.

Housing prices have relentlessly increased for decades, while wages have stagnated. As a result, the need for housing that is affordable to families has steadily increased. Today, the gap between housing prices and wages is so great that many Hawaii residents are moving to the mainland, where can find less expensive housing and improve the quality of their lives.

The numbers of people relocating to the mainland are so great that Hawaii has experienced a net population decline in recent years. There is anecdotal evidence that a majority of young people who attend college on the mainland decide to stay there after graduation instead of returning to Hawaii to live. This pattern is unsettling because it adversely affects the quality of Hawaii's labor force, which in turn adversely affects Hawaii's economy. A weak economy cannot support a decent quality of life for everyone.

Housing supply has not kept up with the increasing demand for housing due to the increasing population. The shortage has grown every year for decades, and today the shortage of housing has been estimated to be 50,000 housing units.

The Legislature is considering many bills that would increase the supply of housing. Most of the bills expand existing programs, but these efforts are associated with high unit costs. Since funding is limited and the need is so great, existing efforts have been inadequate. Even if they were expanded by two or three times, they would still be inadequate.

Hawaii needs a big idea like ALOHA Homes. The ALOHA Homes bill is the only proposal being considered by the Legislature that can realistically fill the total need for housing in Hawaii.



Housing is a human right; therefore, the mission of Faith Action HousingNOW! is to end Hawai'i's housing crisis by building community power, and advocating for just, equitable solutions that ensure housing for whom the market is not serving.

Support SB 3261 SD 2

Aloha Chair Nakamura, Chair Tarnas, Members of the Committees on Housing, and Water & Land,

Faith Action HousingNOW! supports SB 3261 SD2 relating to the proposed A.L.O.H.A. Homes program.

We have the nation's worst housing crisis. It's the gap between what we earn and what we must pay for housing. Leaders talk, talk, talk, and do little while working class families suffer. Hawai'i-born college graduates, Hawaiians, and many of the people we know and love move to the continent because housing is so unaffordable. Every year, we lose more of *our* people. It's *our* relatives. It's *our* children. It's *our* community.

Faith Action conducted a survey of its membership to validate the basic principles of A.L.O.H.A. Homes. Our survey found:

- 98% of respondents wanted sales restricted to residents;
- 98% agreed owners within the program should live in their units and own no other property;
- 96% agreed that 50,000 homes on 1,000 urban acres is a better development strategy than 50,000 on 10,000 rural acres;
- 90% agreed \$1,500 in rent or monthly mortgage fee is affordable for a two-bedroom unit;
- 82% agreed on limiting parking in subsidized housing projects built near mass transit.

Use public land near public transit. Finance construction and infrastructure with revenue bonds and community facilities districts.

Restrict ownership to residents who live in their units and own no other property. Restrict resale prices to retain affordability.

The Hawai'i real estate market does not serve all Hawai'i residents. It is time for visionary changes that will truly address the **State of Hawai'i's officially published projections stating the need for over 50,000 available housing units** by 2025! A.L.O.H.A. Homes is a plan that outlines a path for meeting our community's needs in transit-oriented development patterns that reduce environmental impacts and land consumption.

Mahalo for accepting our input,

Foo Pham
Faith Action
HousingNOW! Chair



March 17, 2022

11 a.m.

Conference Room 423 & Videoconference

To: House Committee on Housing

Rep. Nadine K. Nakamura, Chair

Rep Troy N. Hashimoto, Vice Chair

House Committee on Water & Land

Rep. David A. Tarnas, Chair

Rep. Patrick Pihana Branco, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: SB3261 SD2 — RELATING TO HOUSING

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB3261 SD2](#), which would establish the ALOHA homes program to facilitate the development and sale of low-cost homes for Hawaii residents.

There have been a number of amendments to this bill in an effort to address some of the cost and feasibility issues involved, but those changes have not been sufficient to fix a proposal that is fundamentally flawed.

In other words, we continue to have concerns about the possible unintended consequences of this bill and believe that it remains unlikely to achieve its laudable intentions — that is, to facilitate affordable homes for Hawaii residents.

Like many in Hawaii, we share the Legislature's concern about the lack of affordable homes. However, we believe that the ALOHA homes program as currently envisioned in this bill would

result in an expensive, nonsustainable government project that would fail to effectively assist those it is intended to help.

Among reasons we advise against this bill:

>> Public sector projects more expensive

Housing constructed pursuant to SB3261 would be subject to HRS 104, which requires the use of prevailing wages,¹ which would raise costs higher than projects built solely in the private sector.

Additionally, Hawaii “encourages” the use of project labor agreements on projects worth at least \$25 million,² and this has been demonstrated to raise the cost of government contracts by 12% or more.³

Both of these factors would add to construction costs, making it harder for ALOHA homes projects to pencil out.

>> Project feasibility

The requirement that the “median ALOHA homes within urban redevelopment sites”⁴ be priced at the “minimum levels necessary to ensure that the development is sustainable for the State and counties” creates an inherent conflict between the twin goals of this legislation.

The costs of building and maintaining housing projects of this scope, while ensuring they remain sustainable, means setting the prices for ALOHA homes higher, perhaps significantly higher, than envisioned, thus undermining the affordability goal that is at the heart of this bill.

At the same time, requiring the median ALOHA home price to be affordable for those who make 80% or less of the median income, per the requirement that “Development shall be subject to chapter 104,” would effectively create a 50% affordable-housing requirement for the building. This would nearly guarantee that ALOHA homes projects would lose money.

Our research using the “Inclusionary Housing Calculator” developed by the Grounded Solutions Network shows that it is nearly impossible in a market with short supply like Honolulu to make a

¹ [SB1_SD1](#) of 2021, p. 13 which states, “Development shall be subject to chapter 104.”

² [“Council approves PLAs despite many concerns,”](#) Grassroot Institute of Hawaii, Oct. 9, 2019.

³ [“Honolulu City Council’s PLA proposal is pilau,”](#) Keli’i Akina, Grassroot Institute of Hawaii, Oct. 20, 2019; Paul Bachman and David G. Tuerck, [“Project Labor Agreements and the Cost of School Construction in Ohio,”](#) The Beacon Hill Institute, May 2017, p.1; and Vince Vasquez, Dr. Dale Glaser and W. Erik Bruvold, [“Measuring the Cost of Project Labor Agreements on School Construction in California,”](#) National University System Institute for Policy Research, 2011, p. 10.

⁴ [SB1_SD1](#) of 2021, p. 16.

profit building housing with a 50% so-called affordable housing requirement without government subsidies.⁵

For example, a condominium project with 120 units on 1 acre of land costing \$400 per square foot⁶ and requiring 50% of the units to be affordable would see a net loss of \$46.77 million, even if the land was somehow free.⁷

>> 99-year leases

One of our greatest concerns is the 99-year leases that are at the heart of the ALOHA homes program.

Buying a property with a 99-year lease means that one day the property will no longer belong to the buyer. This makes leasehold properties less valuable and less desirable than comparable properties that could be purchased fee simple.

Another strike against leasehold units is that in some instances they cannot be borrowed against for a loan, which takes away the ability of their owners to borrow against their properties to start a business, invest or otherwise contribute to the local economy.

One of the reasons that home ownership is considered a path to upward mobility is because it creates equity. But the ALOHA homes program is not providing people with the advantage of home ownership. It is simply providing them with shelter and robbing them of the opportunities and financial security that flow from home ownership.

The example of the Hawaiian Home Lands should be enough to demonstrate that leaseholds create administrative headaches for both the government and the lessees. What they don't create is intergenerational wealth.

>> Traps the tenant

Another concern is that under the ALOHA Homes plan, an owner faces strict limits on his or her ability to sell the unit. In an earlier version of this bill, it was stated the state would be entitled to 75% of any sale proceeds. That has since been deleted, but the bill still says that if the owner of a unit does want to sell, the state would get the right of first refusal. Moreover, the price at which an owner could sell, either to the state or another buyer, would be fixed according to a formula determined by the state.

⁵ ["Inclusionary Housing Calculator 2.0,"](#) Grounded Solutions Network, 2019.

⁶ Construction costs for residential multifamily units in Honolulu are between \$250 and \$420 per square foot, according to ["North America Quarterly Construction Cost Report,"](#) Rider Levett Bucknall, Q4 2021, p. 5.

⁷ ["Project Summary,"](#) Grounded Solutions Network, accessed Feb. 16, 2021.

There also would be limits on the ownership of other real property while one is the owner of an ALOHA home.

This all means that anyone who buys an ALOHA home would be trapped in the property, unable to sell it without taking a loss.

If enacted into law, the bill would incentivize holding on to the leasehold for as long as possible over purchasing another property — even when the “need” for an ALOHA home has passed.

Thus, the ability of the program to address perpetual shortages in affordable housing would be limited to the state’s ability to build new homes.

>> No incentive to improve the property

Property improvements generally are made by owners who hope to profit from the increased value they create. However, because the ALOHA homes program would not allow the lessees to profit from the sale of their properties, there would be no incentive to improve the units.

When improving and caring for a property is disincentivized, repairs and maintenance often fall by the wayside. Therefore, ALOHA homes units could eventually fall into disrepair.

The effect would be similar to that of rent-controlled apartment buildings in New York and San Francisco, where the lack of financial incentive to spend on upkeep has resulted in neglected, deteriorating buildings — with their physical state matching their reduced and restricted market prices.

Unlike versions of this bill introduced in previous legislative sessions, this year’s version of the ALOHA Homes proposal includes a requirement that each development establish an operating and maintenance program, along with the funding to cover that cost.

This requirement would further increase the price of each project, and it is not clear if this would even help much, since tenants still would not have any incentive to upkeep their units, which they do not own, over the long term.

To put it bluntly, the ALOHA homes program risks becoming another government housing project in the worst sense of the term.

>> Does not provide rentals

The ALOHA homes program would have a limited effect on the amount of housing available and would not lower the cost of rent, since no new rentals would be added to the housing stock. Thus, while the intent of SB3261 SD2 is to address Hawaii’s lack of affordable housing, the bill

overlooks a significant factor in the housing market — rentals — especially for those who cannot make use of the program.

>> Costs would be enormous

The bill optimistically posits that the ALOHA Homes program would not end up costing Hawaii's taxpayers, but there is no guarantee that the plan would be economically sustainable without substantial infusions of taxpayer funding, as its supporters intend.

Our experience with the Honolulu rail project is sufficient to demonstrate that projected costs on public works projects do not necessarily reflect actual costs. In any government project, costs are likely to exceed original estimates.

So what happens if the construction and maintenance costs of the ALOHA homes outstrip projections? Either the prices of the homes themselves will go up, undermining the intent of providing low-income residents with low-cost homes, or taxpayers will end up footing the bill.

Given that construction costs alone in Honolulu are generally 38% higher than on the mainland,⁸ the only responsible option is to plan for higher-than-expected costs for this project.

>> Other options exist

Finally, we must consider whether this bill represents the best way to address the housing crisis in our state.

There is no guarantee that the program would benefit more than a relatively small number of residents. Moreover, it would not provide the secondary benefits of home ownership — that is, financial freedom and stability. Rather, it is focused only on providing a roof to live under, under restricted terms, for those who are qualified to take advantage of the program.

The costs may be substantial while the end result would be unlikely to make a significant impact on the amount of affordable housing available in Hawaii.

Moreover, if the apartment units are built in Honolulu, that would not necessarily lead to more affordable housing per square foot. As land-use expert Randal O'Toole pointed out in a [2019 report](#) for the Grassroot Institute of Hawaii, land costs in urban Honolulu are higher than in the surrounding areas, making increased development in urban zones an inadequate response to the problem.⁹

⁸ "ENR Square Foot Costbook 2019 Edition," Engineering News-Record, 2018, p. 174.

⁹ Randal O'Toole. "[Build Up or Build Out? How to make housing more affordable.](#)" Grassroot Institute of Hawaii, February 2019.

The solution, as outlined in the report, must include lowering the regulations that constrain “building out.” As O’Toole explained, Hawaii does not have a physical shortage of land for affordable homes. Rather, we have an artificial shortage caused by government regulation and ownership of land.

The answer to the lack of affordable housing is not to offer low-income residents a poor deal on a government housing project. It is to increase the supply of homes available for sale or rent.

This can be achieved both by liberalizing zoning restrictions in the urban core, where infrastructure already exists, as well as increasing the amount of land available for development by as little as 1 to 2 percentage points to let the suburbs grow.

Thank you for the opportunity to submit our comments.

Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

SB-3261-SD-2

Submitted on: 3/16/2022 10:56:10 AM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kenna Stormogipson	Hawaii Budget and Policy Center	Comments	In Person

Comments:

Aloha Chairs Rep Nakamura and Rep Tarnas and Vice Chairs Rep Hashimoto and Rep. Branco,

Mahalo for the opportunity to testify on SB3261 SD2.

Publically financed leasehold housing is a good concept and an important way to provide housing that is 100% restricted to owner-occupants and can provide an affordable homeownership option for residents priced out of the private market. Similar in many ways to what DHHL provides for beneficiaries. Except a program financed by HHFDC would be available to all Hawaii residents and would use land that is non-ceded and is appropriate for long-term leases.

For HHFDC to assist counties in providing this affordable homeownership option would be an effective way to leverage the financing expertise of HHFDC with the land use and local resident needs expertise of the counties. County and state level agencies each have a critical role to play in addressing our housing crisis and by working together, Hawai'i can address the affordable housing crisis much more quickly than if each county tries to develop it's own separate leasehold financing program and HHFDC continues to mainly manage and finance the LIHTC program. Our residents need both rental and long-term affordable homeownership options in order to live and work on our islands. Without providing both of these options we will continue to see rents outpace wages and an outmigration of working people to the mainland.

A working group which includes the counties and HHFDC is an important step forward to leverage both state and county expertise to create a leasehold housing option for all residents. We can collaboratively come together to find housing solutions for our state. In fact, we must come together because the alternative is an increasinly unsustainable housing market for all of us.

Mahalo for your concern about affordable housing.



**Ka Leo O Nā 'Ōpio &
Jr. Ko'olaupoko Hawaiian Civic Club
JOINT TESTIMONY of OPPOSITION
SB3261**

KONO
KA LEO O NĀ 'ŌPIO

LATE

To The Honorable Members & Chairs of the Senate Housing, Water & Land Committee:

Both the Jr. Ko'olaupoko Hawaiian Civic Club & Ka Leo O Nā 'Ōpio submit opposition to SB3261. This bill endangers the future of Public Lands Trust being lost to private interests. What prevents developers from upscaling development to serve their own financial interest and not the housing needs of our local community.

This bill seeks to dispose of lands within the PLT aligned with another measure to reclassify lands. The legislature in light of the recent scandal should not be making efforts to control the disposition of public lands, how do we know you are not receiving casino chips?

Affordable housing should not have to come at the cost of land disposition, why can we not maintain public housing within these special districts, particularly the rail corridor? We hope these efforts consolidate urban sprawl, but are cautious that such can be done should the private sector be awarded control of future developments. We do not need further Kaka'ako developments.

Overall this bill sets a dangerous precedent on the future of the Public Lands Trust, further alienating the general public from the control of Public Lands. Not to mention that most of these lands are ceded lands to which Native Hawaiians never relinquished their rights too. We are opening another door for further deals that risk the disposition and privatization of land that often result in so-called "affordable" housing projects falling into the hands of those who jack up the pricing of the real estate market. Amid numerous investigations into the affairs of the County and State, these bills reflect our lack of faith in our officials and possibly call for further investigations.

Mahalo,

Bronson Azama
**Steering Committee Member, Ka Leo O Nā 'Ōpio
President, Jr. Ko'olaupoko Hawaiian Civic Club**

LATE

SB-3261-SD-2

Submitted on: 3/16/2022 2:07:34 PM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kupuna for the Mo'opuna	Kupuna for the Moopuna	Oppose	Written Testimony Only

Comments:

OPPOSE

SB3261 SD2 must be amended to clarify that long-term leases **shall not include ceded lands.**

LATE

SB-3261-SD-2

Submitted on: 3/16/2022 3:02:39 PM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Patrick F. Hurney	Habitat for Humanity Hawaii Island, Inc.	Support	Written Testimony Only

Comments:

Aloha,

On behalf of Habitat for Humanity Hawaii Island, we strongly support SB 3261!

It establishes the ALOHA homes program to develop low-cost homes on state-owned and county-owned land in urban redevelopment sites to be sold in leasehold by the Hawaii Housing Finance and Development Corporation to qualified residents. Exempts certain land from the definition of "public lands." Requires the Hawaii Housing Finance and Development Corporation to gain legislative approval before disposing of certain lands. Provides for the disposition of lands that are acquired by the Hawaii Housing Finance and Development Corporation but no longer needed for the ALOHA homes program. Directs the Hawaii Housing Finance and Development Corporation to conduct a study of the market depth for leasehold housing. Directs the Hawaii Housing Finance and Development Corporation to convene a working group to study the implementation of the ALOHA homes program.

Mahalo

Patrick F. Hurney

Executive Director

Habitat for Humanity Hawaii Island

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SB-3261-SD-2

Submitted on: 3/17/2022 10:17:20 AM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kristen Alice	Community Alliance Partners	Support	Written Testimony Only

Comments:

Community Alliance Partners, a coalition of service providers, government representatives, and community advocates working to end homelessness on Hawai'i Island, supports this legislation.

The lack of affordable housing accessible to local residents is forcing more and more people into homelessness everyday. If we want to end homelessness, we need to look at the big picture. Publicly financed housing that remains affordable and accessible is a piece of the puzzle, and we encourage you to support this measure.

SB-3261-SD-2

Submitted on: 3/14/2022 3:41:58 PM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Leimomi Khan	Individual	Comments	Written Testimony Only

Comments:

SB3261 is problematic in that although it appears intended to only target non-"ceded" lands for the ALOHA Homes Program in exempting non-"ceded" land set aside to HHFDC from Chapter 171, it explicitly allows ALOHA homes units to be leased for 99 years. This language might have the unintended consequences of overriding the lease limitations in Chapter 171 and mandate that even "ceded" lands set aside or leased to the HHFDC be leased for 99 years. Thus, please fix the bill to avoid this unintended consequence by adopting the recommendations of the Sierra Club of Hawaii. Mahalo for the opportunity to comment on this important legislation that seeks to facilitate affordable housing.

SB-3261-SD-2

Submitted on: 3/15/2022 3:46:58 PM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Valerie Wayne	Individual	Support	Written Testimony Only

Comments:

I support SB2361, SD2, the ALOHA Homes bill. I write as an individual, but I am also member of the Church of the Crossroads and am connected with those on its Peace and Justice Mission Team who have been working hard to find better ways to address Hawai'i problems of homelessness and our lack of affordable housing.

The ALOHA Homes bill, with its non-profit approach, is a way to build tens of thousands of units quickly, and that would be a game changer for our community. We urgently need to improve the supply of our affordable housing in a sustainable way.

This bill deserves our strong support. Please give us an opportunity to see if this way of addressing our housing needs will work.

TESTIMONY OF ELLEN GODBEY CARSON IN SUPPORT OF SB3261, SD2

For Hearing on March 17, 2022 at 11:00am

Before the House Committees on Housing, and Water & Land

I strongly support SB2361, SD2, the ALOHA Homes bill. While I write as an individual, I have served as President and director of Institute for Human Services, a leader for Faith Action for Community Equity, and member of the Church of the Crossroads Peace and Justice Mission Team, spending hundreds of volunteer hours helping Hawaii find better systemic ways to address its dual crises of homelessness and lack of affordable housing.

I believe the ALOHA Homes bill is the game changer we need. We need a way to create affordable housing that will be sustainable, with non-profit approaches to building tens of thousands of affordable units quickly. SB2361 is designed to do just that. It also offers much needed community planning for our transit-oriented areas in ways that will enhance the sense of community for those of us living in urban Honolulu.

The ALOHA Homes model is the only proposal I've seen in my 30+ years of living in Hawaii that have any hope of making a major change in the supply of new affordable housing units, in a way that is sustainable, using market forces and creative intelligence instead of massive taxpayer subsidies.

I was one of a few dozen people who paid our own way on Senator Chang's affordable housing study tour to Singapore and Hong Kong two years ago. I marveled at Singapore's system that allows approximately 90% of their population to own their own home, at affordable prices, on an island that shares many of the same daunting challenges we have in Hawaii. Our current methods for creating affordable housing in this state have been severely inadequate, and unbelievably slow. We have failed to create the critical mass of new affordable housing we need.

In my opinion, these bills deserve our strongest support. Let's give them a chance to work in Hawaii. These bills need all of us working together toward this goal, to help Hawaii create a new model for sustainable affordable housing in the United States.

Respectfully submitted,

Ellen Godbey Carson
Honolulu, Hawaii

SB-3261-SD-2

Submitted on: 3/16/2022 9:39:33 AM

Testimony for HSG on 3/17/2022 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Richard Tillotson	Individual	Support	Written Testimony Only

Comments:

TESTIMONY OF RICHARD TILLOTSON IN SUPPORT OF SB3261, SD2

For Hearing on March February 17, 2022 at 11:00am

Before the House Committees on Housing, and Water & Land

I strongly support SB2361, SD2, the ALOHA Homes bill. I write as an individual, but I also serve as Co-Chair of the Church of the Crossroads Peace, Justice and Stewardship of Creation Mission Team, which also supports SB2361.

Our islands need thousands of homes and needs them right now! The ALOHA Homes bill is the one solution before you that can create affordable housing in the numbers we need and can get them built quickly.

Now that Mayor Blangardi and the City appear to have a viable plan for completing a working RAIL system, the arguments for SB2361 are even stronger. ALOHA Homes offers much needed community planning for our transit-oriented areas in ways that will enhance our sense of community while lessening the additional automobile traffic that new housing usually requires.

ALOHA Homes can also solve our housing needs in a way that is sustainable, using market forces and creative intelligence instead of massive taxpayer subsidies.

These bills will help Hawaii create a new model for sustainable, affordable housing in the United States. They deserve your strong support.

Respectfully submitted,

Richard Tillotson, Honolulu, Hawaii

TESTIMONY IN FAVOR OF S.B. 3261
HOUSE COMMITTEES ON HOUSING AND WATER & LAND
GALEN FOX
MARCH 17, 2022

Chair Nakamura, Chair Tarnas, Members,

Our housing crisis is Hawaii's slow death. A majority of Hawaii-born college graduates move to or stay on the mainland, along with a majority of Hawaiians. Do you think these children of the aina like this?! Your inaction affects *our* relatives, *our* children.

California loses people to other states, but replaces them with newcomers. Every year unlike California, we *lose* more people than come in. In San Francisco and Silicon Valley, housing costs are through the roof. But a long commute solves the problem. From Honolulu, you can't drive into the Molokai Channel for an affordable home.

And then there are the homeless filling our parks and sidewalks.

A recent study said Oahu needs 26,000 homes over five years to take care of households earning less than \$68,000 a year. But we build only 435 a year — a shortfall of 23,825. SB 3261 (ALOHA Homes) offers a path to reaching the needed 23,000-plus units. SB 3161 is the only legislative vehicle truly able to meet our crisis-level need for 23,000 truly affordable homes in five years.

Please move SB 3261 forward. Mahalo.

March 16, 2022

Testimony on SB3261 (incorporating 201H)

To: House Committees on Housing and Water and Land

STRONGLY OPPOSED (and request to modify if passed)

Aloha Chair Nakamura, Vice Chair Hashimoto, Chair Tarnas and Vice Chair Branco,

I was shocked recently to find out for the first time that the 201H legislation passed in 2017 to exempt affordable housing developments from all environmental, historic preservation statutory requirements and zoning designations, had no language in it limiting it to the so called urban redevelopment district or to the rail transit corridor even though clearly it was intended to facilitate transit oriented development. It thus put at risk the entire state for inappropriate profit driven development and destruction of preservation lands, irreplaceable ecological fragile lands, and historically and archeologically or sacred irreplaceable sites.

I strongly believe 201H was a bad idea to begin with which inherently conflicts with HEPA, in that it greases the skids for massive unmitigated development totally incompatible without any consideration of the carrying capacity of these islands, or the existential crisis of climate change and global warming with which we are now clearly confronted. It also fails to take into consideration that our limited supply of drinking water is already at a critical crossroads in Honolulu and Oahu generally because of a combination of the impacts of the recent and historic Red Hill jet fuel leak catastrophes and resultant well closures.

As a physician having worked in the Wahiawa ahupua'a for the past 10 years where I have seen the public health ravages that have resulted, I know that the drinking water being provided to at least 1/3 of Oahu's population, is already tainted with highly carcinogenic and toxic chemicals from both the military bases and the plantations at levels that far exceed the health limits but do not trigger any action because the state has never moved to educate or protect the population. Epidemic cancer and kidney failure over decades has been the tragic result and will only worsen and become more widespread if we fail to stop disregarding our water crisis and pushing for rabid unregulated development and instead prioritize policies that promote restricting population growth and pressure on our limited natural resources, and legislation that empowers efforts towards institutionalizing the precautionary principle.

I strongly oppose SB 3621, think that 201H should never have been passed, and hope that you will have the wisdom to help completely kill this bill and eradicate 201H exemptions completely. However, if this bill continues to make it's way towards being passed, I implore you to modify this dangerous extension of 201H to incorporate language that explicitly limits statutory and zoning exemptions for affordable housing to the rail corridor and areas within 1/2 mile of a rail transit station (not a bus stop!!!). The language in the 2019 Bill for an Act 201H SB2 section B would be a starting point for correcting this dire situation by at least limiting it strictly to the rail corridor if this dangerous bill cannot be simply killed completely.

§201H-B ALOHA homes program. There is established the ALOHA homes program for the purpose of providing low-cost, high density leasehold homes for sale to Hawaii residents on state-owned lands within a one-half mile radius of a public transit station.

Mahalo for your kind attention,

Ellen Sofio M.D.