

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

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

HOUSE COMMITTEE ON FINANCE

April 1, 2021 at 2:30 p.m.
State Capitol, Room 308

In consideration of
S.B. 866, S.D. 2, H.D. 2
RELATING TO AFFORDABLE HOUSING.

The HHFDC **supports** S.B. 866, S.D. 2, H.D. 2. This bill will provide a temporary exemption from certain specified State and County fees and exactions related to discretionary approval or ministerial permitting for affordable housing projects intended for owner-occupants or renter-occupants.

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

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843
www.boardofwatersupply.com



April 1, 2021

KIRK CALDWELL, MAYOR

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ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer *Wk*

The Honorable Sylvia Luke, Chair
The Honorable Ty J. K. Cullen, Vice-Chair
and Members
House Committee on Finance
Hawaii State Capitol
Honolulu, Hawaii 96813

Dear Chair Luke and Vice-Chair Cullen and Members:

Subject: Senate Bill 866, SD2, HD2 - Relating to Affordable Housing

The Board of Water Supply (BWS), City and County of Honolulu (City), strongly opposes Senate Bill (SB) 866, Senate Draft (SD) 2, House Draft (HD) 2, which temporarily exempts affordable housing projects by the Hawaii Housing Finance and Development Corporation (HHFDC) from all state and county fees and exactions.

Loss of control over revenues can have serious financial impacts that would be borne by the community we serve. Every day we supply precious drinking water to nearly one million people here on Oahu.

Our mission is to provide safe, dependable, and affordable water now and into the future. As a semi-autonomous agency of the City, BWS is financially self-sufficient and does not receive any funds from the City's primary revenue source – real property taxes. BWS generates its revenue directly from people paying their water bills and related charges. This money pays for the operation of the island-wide water system, for the renewal and replacement of aging infrastructure and to develop new capacity to supply growth in our community.

Our Board of Directors (Board) passed Resolution No. 889, 2018, Adopting Revisions to the Schedule of Rates and Charges for the Furnishing of Water and Water Service for Fiscal Years 2019 – 2023, effective September 10, 2018, through June 30, 2023. The Board focused on providing safe, dependable and affordable drinking water for our customers. The pandemic has only reinforced the importance of the service we provide.

The Board also recognized the importance of affordable housing in our community and included the waiver of the Water System Facilities Charge (WSFC) and new meter cost

The Honorable Sylvia Luke, Chair
The Honorable Ty J. K. Cullen, Vice-Chair
and Members
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for the development of qualified affordable and homeless dwelling units, for up to 500 dwelling units per year. The amount of money that would not be collected for these 500 dwelling units is about \$1 million annually. This program will continue until 2023. The Board may extend this beyond 2023. Dwelling units must meet certain requirements as specified in the BWS Resolution. The limit of 500 units per year was critical as we were able to estimate its financial impact to the revenue collected for our operating and capital improvement budgets for that period. The majority of the waiver cost is from the WSFC. It is a fee that new water users pay for the capacity from the water system they need to serve their project or development, which was already paid for by existing and past water customers. The cost for water system capacity is not free and must be paid for by someone. We operate on the basis that growth pays for growth. This bill proposes to:

1. Exempt affordable housing projects from paying BWS fees for the water meters and related water system facilities charges (i.e., impact) with **no limit** on the amount to be waived while the law is in effect; and
2. Transfer the cost of providing water system capacity from the development or project to existing BWS customers.

Subsection (b) of this bill places a heavy financial burden on the people and businesses we serve. It makes it difficult for us to forecast the cost of these exemptions and the cost to develop new capacity in the water system to supply growth would have to be placed more on existing water customers. In other words, growth not paying for growth.

Section 4 of this bill indicates the exemptions from all state and county fees and exactions for affordable housing projects are temporary, until the sunset date of June 30, 2027.

This would effectively require the BWS to forego fees for such affordable housing projects, thus increasing the cost of water service for existing water customers. For these reasons, the BWS requests an amendment to subsection (b) of this bill as follows:

”(b) Affordable housing units in projects developed pursuant to this section shall be exempt from all state and county fees and exactions related to discretionary approval or ministerial permitting relating to planning, development, and improvement of land, and the construction of dwelling units thereon except as provided in §201H-38 subsection (a)(2) above as it pertains to the various boards of water supply authorized under chapter 54; provided . . . ”

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For the foregoing reasons, the BWS opposes SB866, SD2, HD2 as written and respectfully requests your consideration for the above-suggested amendments.

Very truly yours,



ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

cc: County of Kauai Board of Water Supply
County of Hawaii Department of Water Supply
County of Maui Department of Water Supply



Hunt Development Group, LLC
737 Bishop Street, Suite 2750
Honolulu, Hawai'i 96813
Office: 808-585-7900

Representative Sylvia Luke, Chair
Representative Ty Cullen, Vice Chair
Committee on Finance

**RE: SB 866 SD2 HD2 – Relating to Affordable Housing – In Support
Agenda #2; April 1, 2021; Via Videoconference; 2:30 P.M.**

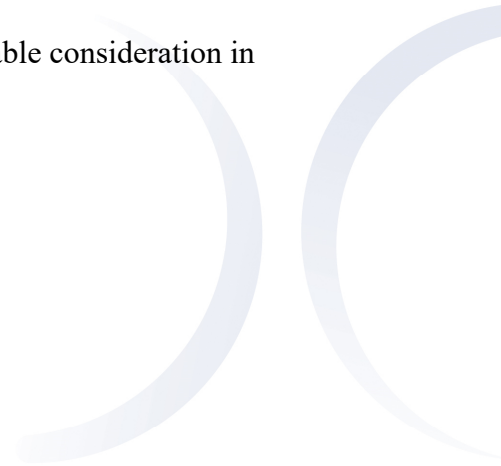
Aloha Chair Luke, Vice Chair Cullen and members of the Committee,

Hunt Companies – Hawaii appreciates this opportunity to provide testimony in support of SB 866 SD2 HD2, which temporarily exempts affordable housing projects by Hawaii Housing Finance and Development Corporation from certain state and county fees and exactions related to discretionary approval or ministerial permitting when the projects are exclusively for certain qualified residents.

We applaud the legislature's efforts to mitigate Hawaii's affordable housing crisis. The fiscal incentives provided in this bill will allow affordable housing projects to be more financially feasible, promoting an increase in the number of affordable units built.

Thank you for the opportunity to submit testimony. We ask for your favorable consideration in passing SB 866 SD2 HD2.

Steven W. Colón
President – Hawaii Division



▪ April 1, 2021

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
And Members of the House Committee on Finance

**RE: Testimony In Support Of SB866, SD2, HD2 Relating To Affordable Housing
Thursday, April 1, 2021, 2:30PM; House Conference Room 308 Via Videoconference**

Dear Chair Luke, Vice Chair Cullen and Committee Members,

My name is Stanford S. Carr and I am the President of Stanford Carr Development, LLC. We are a local development firm that has worked to provide the community with affordable housing opportunities. I am submitting testimony in support of SB866, SD2, HD2 which would temporarily exempt affordable housing projects by HHFDC from certain state and county fees and exactions related to discretionary approval or ministerial permitting, when the projects are exclusively for certain qualified residents. I would also respectfully ask that this committee revise the effective date of this measure.

Affordable housing developers like myself face significant challenges in building affordable housing projects given high construction and development costs. Driving up these costs are state and county fees and exactions that developers are required to pay.

Therefore, SB866, SD2, HD2 is an important measure because it will help to mitigate these cost barriers and incentivize the development of more affordable housing opportunities for our local residents in the future. I would like to emphasize that It is not going to be possible to build the thousands of affordable residential units that will be needed to meet the huge demand for such housing without more of the kinds of incentives that are contained in this bill.

For all of these reasons, I ask this committee to pass SB866, SD2, HD2. Thank you for the opportunity to submit testimony on this important measure.



Stanford S. Carr



March 31, 2021
House Committee on Finance
Thursday, April 1, 2021
Conference Room 308, 2:30 p.m.

SB866 SD2 HD2 – SUPPORT WITH AMENDMENTS

Aloha Committee Chair Luke, Vice-Chair Cullen and Members;

I am submitting testimony in my capacity as Executive Director of Hawaii Habitat for Humanity Association (HHFHA), a nonprofit community development financial institution and State Support Organization for the direct service Habitat for Humanity organizations across the state to **SUPPORT SB866 SD2 HD2 with amendments.**

HHFHA appreciates the Legislature’s work in introducing a number of bills that address cost of living issues, as well as the increasing costs of construction of housing. Prior to the COVID-19 pandemic, Hawaii’s residents suffered from extreme housing costs. According to the National Low Income Housing Coalition, a majority of renters in Hawaii are cost burdened, spending more than 30% of their income on housing costs. This can be seen across most income groups, from the extremely low-income group to middle income group. Between the extremely low income and very low-income groups, a majority of renters suffer from severe cost burdens, spending over 50% of their income on housing costs. Due to the pandemic causing Hawaii’s unemployment rate to reach a historical high, with expectations for our economy not to recover until 2024, these housing costs will continue to burden our families with even greater impact.

HHFHA supports this bill in temporarily exempting affordable housing projects from all state and county fees and exactions related to discretionary approval or ministerial permitting, with the exception of application fees, until 06/30/2027. The bill properly recognizes the delays, exactions and additional costs that are layered onto housing projects subject to the County’s permitting and entitlement process that drives up the costs of development. The savings from these exemptions will support more affordable housing development for Hawaii’s working people.

Our organization, however, requests that SB866 SD2 HD2 be amended to revert back to some of its original language in SB866 by which exemptions would only be provided to units available to households having incomes of 100 percent of the area median family income or below as determined by HUD.

Please delete on page 6, text on lines 18 through page 7, line 1, to be replaced by the following:



Building strength and stability through shelter

"...dwelling units developed as part of a fee-exempted affordable housing project shall be affordable to households having incomes at or below one hundred per cent of the area median family income as determined by the United States department of Housing and Urban Development."

Although we appreciate the intent of SB866 SD2 HD2 in recognizing the need for increasing affordable housing stock to qualified residents who are owner or renter occupants and who own no other real property, we believe these exemptions should only be provided for affordable housing units specifically for low-income households who need the cost reductions provided by such exemptions.

Help us do our part to provide affordable housing for Hawaii's people. Please **PASS SB866 SD2 HD2 with our recommendations**, so that we can increase our work across Hawaii and give our hard-working, low-income families a chance to obtain affordable housing.

Mahalo for your time, leadership and consideration. Please contact me directly at 808.847.7676 or jean@hawaiihabitat.org should you have any questions or need additional information.

Sincerely,

A handwritten signature in blue ink that reads "Jean Lilley".

Jean Lilley
Executive Director

SB-866-HD-2

Submitted on: 3/31/2021 2:50:43 PM

Testimony for FIN on 4/1/2021 2:30:00 PM



Submitted By	Organization	Testifier Position	Present at Hearing
Questor Lau	The Michaels Organization	Support	No

Comments:

Testimony in strong support of temporarily exempting affordable housing projects from state and county fees and exactions related to discretionary approval or ministerial permitting, except fees to the corporation, with a sunset date of June 30, 2027.

SB-866-HD-2

Submitted on: 3/30/2021 1:12:00 PM

Testimony for FIN on 4/1/2021 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John D. Smith	Individual	Support	No

Comments:

I support this to be passed through legislature.



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

March 31, 2021

The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty Cullen, Vice Chair
House Committee on Finance

RE: **SB 866 SD2 HD2- Relating to Affordable Housing**
Hearing date: Thursday, April 1, 2021 at 2:30 P.M.

Aloha Chair Luke, and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **SUPPORT** of SB 866, SD2, HD2. NAIOP Hawaii is the local 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. Hawaii has a critical shortage of housing for residents, and NAIOP Hawaii strongly supports the development of resident housing at all levels of income, especially affordable housing projects.

SB 866, SD2, HD2 temporarily exempts affordable housing projects from specific state and county fees and exactions related to discretionary approval or ministerial permitting, except application fees. The measure provides that the units are exclusively for qualified residents who are owner/renter occupants and own no other real property. The exemption specifically applies to affordable housing units in projects developed under HRS § 201H-38.

NAIOP believes SB 866, SD2, HD2 is vital to addressing the State's looming affordable housing crisis. NAIOP supports the current language of the measure which expands the exemption to ALL new housing as long as it was for qualified residents under 201H-32, owner-renter occupant residents, and those who do not own other housing. This measure addresses the critical issue of up-front costs which make it difficult for 201H projects to "pencil out." NAIOP supports the current language of the measure as it exempts entire projects which will significantly incentivize the development of affordable housing. Further, the government will receive any waived up-front fees through increased General Excise Tax ("GET") on construction purchases and additional income for workers, and county real property taxes to be paid over the lifetime of each unit created.

In sum, NAIOP supports this measure to create housing for owner/renter occupants that do not own other real property as it will directly address the growing need for affordable housing for Hawaii residents. NAIOP supports the measure as it further incentivizes the creation of additional affordable housing units.

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Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Catherine Camp', written over a horizontal line.

Catherine Camp, President
NAIOP Hawaii