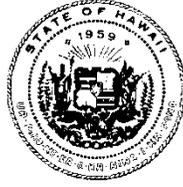


JOSH GREEN, M.D.
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
SENATE COMMITTEE ON HOUSING

Tuesday, January 28, 2025
1:00 p.m. – Room 225, Hawaii State Capitol

In consideration of
SB 379
RELATING TO AFFORDABLE HOUSING

Honorable Chair Chang and members of the Senate Committee on Housing, thank you for the opportunity to provide testimony on **Senate Bill (SB) 379**, which, in part, requires housing projects seeking 201H exemptions to include a restrictive covenant stating that all units designated as affordable housing shall remain so in perpetuity. The Hawaii Public Housing Authority (HPHA) **strongly supports** the passage of this measure and is grateful to the Legislature for its steadfast commitment to addressing Hawaii's affordable housing crisis.

The HPHA is dedicated to providing Hawaii's residents with safe, affordable housing and fostering equitable living environments free from discrimination. Through our public housing and rental assistance programs, we serve some of the most vulnerable members of our community, including families earning less than 30% of the area median income, individuals with disabilities, and the elderly.

Section 201H-38, Hawaii Revised Statutes (HRS), provides a process whereby affordable housing projects may be granted exemptions from any statutes, ordinances, and rules of governmental agencies relating to planning, zoning, and construction standards that do not negatively affect the health and safety of the general public. Developers of affordable housing must submit an application to either the Hawaii Housing Finance and Development Corporation (HHFDC) or the

applicable county planning department, and satisfy all subsequent processing requirements for the application to be accepted. The 201H application is then routed to the applicable county council and must be approved or disapproved within 45-days.

The Green Administration and the Legislature have provided crucial support to the HPHA in recent years, enabling us to launch multiple redevelopment projects aimed at improving housing conditions and revitalizing aging public housing communities across the State. The HPHA and its development partners will seeking additional 201H exemptions in the coming months and years to meet these ambitious goals.

In line with our agency's core mission, all new affordable rental units created through our ongoing redevelopment initiatives will remain affordable in perpetuity. The HPHA also intends to use federal public housing repositioning programs such as the Rental Assistance Demonstration and Faircloth-to-RAD which already have similar requirements. We anticipate the proposed language in section 201H-38(a)(1)(C) will help to preserve long-term access to affordable housing in Hawaii and not in any way hamper the HPHA's redevelopment efforts.

Thank you again for your thoughtful consideration of this measure and for your unwavering support of additional affordable housing development in Hawaii.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
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

Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

January 28, 2025 at 1:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 379
RELATING TO AFFORDABLE HOUSING.

Chair Chang, Vice Chair Hashimoto, and members of the Committee.

HHFDC has comments on SB 379, which requires that Hawaii Housing Finance and Development Corporation (HHFDC) housing projects include a restrictive covenant that states that the units designated as affordable housing, as described in the submitted project application, shall remain as affordable housing in perpetuity. It also prohibits the development of affordable housing in a special flood hazard area.

HHFDC shares the concern about the lack of affordable housing in the state.

For rental projects, each housing project has defined lifecycles and eventually requires large capital infusions to extend the life of the building. Therefore, rental project owners require flexibility when seeking financing for these improvements.

The majority of for-sale housing projects are privately financed with much less government subsidy compared to affordable rental projects. As such, a perpetual affordability restriction is disproportionate to the benefit that for-sale projects receive through 201H-38. Developers may be unwilling to assume the risk of building affordable for-sale projects under HRS 201H-38 if market demand is uncertain and they will focus on building only market-rate housing instead.

Buyers may be reluctant to purchase units with a perpetual affordability restriction, as they will not have any opportunity to build equity and move up the housing ladder. Units with such restrictive covenants would be challenging to sell and inhibit homeowners from building equity in their homes.

HHFDC suggests obtaining feedback from developers on these restrictive covenants related to perpetuity to ensure they are willing to build projects with these conditions and can secure the necessary financing.

The provision that would exclude projects in a “special flood hazard area” from the 201H-38 process may unnecessarily exclude potential housing projects. We note that many areas of Honolulu including portions of Iwilei, Kakaako, Ala Moana, and McCully are within Special Flood Hazard Areas, but flood impacts may be mitigated. We suggest that this provision be removed as 201H-38 projects cannot contravene any safety standards, including flood design requirements.

Thank you for the opportunity to testify on this bill.



Senate Committee on Housing
Senator Stanley Chang, Chair
Senator Troy N. Hashimoto, Vice Chair

BILL: SB379
POSITION: SUPPORT

Hearing Date: Jan 28, 2025, 1pm, Rm. 225

Aloha e Chair Chang, Vice Chair Hashimoto, and Committee Members:

Aloha United Way strongly supports SB379, which requires that HHFDC housing projects restrict units designated as affordable housing in the project application to remain as affordable housing in perpetuity.

The **2024 State of ALICE in Hawaii report** clearly shows Hawaii is at increasing risk of losing its local families and workforce. ALICE stands for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, and are our households who are employed but whose incomes are not sufficient to meet basic costs. The ALICE report shows that **37% of households have someone considering leaving Hawaii** in the next 12 months, and **73% of those considering leaving say their housing cost is a primary factor**.

ALICE families are 40% of our State's residents.

AUW supports SB379 because strong and immediate action is essential to ensure more of the housing units built in Hawaii, especially with HHFDC funds, will truly house those who live and work here but cannot afford the ever-increasing rents that come with real estate investment and external demand. **Aloha United Way and ALICE Initiative strongly support the covenant for affordable housing to remain affordable in perpetuity**, as a strong and practical step to increase and protect affordable housing for owners and renters make up the backbone of our community and community-- **now AND for future generations**.

Thank you for the opportunity to testify and for supporting housing for our ALICE families. Your strong action is needed now and we urge you to pass the covenant and its full intent in SB379.

Sincerely,

Handwritten signature of Michelle Bartell in blue ink.

Michelle Bartell
President & CEO
Aloha United Way

Handwritten signature of Suzanne Skjold in blue ink.

Suzanne Skjold
Chief Operating Officer
Aloha United Way



January 27, 2025

Senator Stanley Chang, Chair
Senator Troy Hashimoto, Vice Chair
Committee on Housing

RE: **SB 379 - Relating to Affordable Housing**
Hearing date: Tuesday January 28, 2025 at 1:00PM

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

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **OPPOSITION to SB 379 Relating to Affordable Housing**. 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.

SB 379 requires that Hawai'i Housing Finance and Development Corporation (HHFDC) housing projects include a restrictive covenant that states that the units designated as affordable housing, as described in the submitted project application, shall remain as affordable housing in perpetuity. Further, the measure prohibits the development of affordable housing in a special flood hazard area.

Primarily, SB 379 provides preference to projects with perpetual affordability. While affordability is a key goal, perpetual restrictions may disincentivize developers from pursuing projects due to the long-term financial risks and operational burdens associated with such agreements. The measure will discourage private and for-profit developers from participating in affordable housing projects, as it limits long-term financial flexibility and deters investment. Without the ability to recoup costs or adapt to changing financial circumstances, fewer developers will pursue these projects, reducing the overall housing supply. The perpetual affordability requirement risks stalling affordable housing production at a time when Hawaii urgently needs more units, especially from private-sector partners.

Moreover, NAIOP Hawaii is concerned Section 39(F) which prohibits development in special flood hazard areas. Blanket prohibitions on development in special flood hazard areas disregard the potential for modern mitigation and resiliency strategies. Many affordable housing projects have successfully incorporated flood protection measures, allowing for safe and sustainable development in such areas.

Furthermore, FEMA defines these areas as 'high risk coastal areas' as areas with a 1% annual chance of flooding. This could significantly reduce the ability to develop 201H projects

Senator Stanley Chang, Chair
Senator Troy Hashimoto, Vice Chair
Committee on Housing
January 27, 2025
Page 2

and much needed units in urban Honolulu. This restriction eliminates viable land options in areas where affordable housing is critically needed, particularly in urban and coastal regions. SB 379 exacerbates land scarcity and drives up costs for projects in other locations.

While addressing affordability and safety concerns is crucial, these provisions could have unintended consequences that hinder affordable housing development in Hawaii. We urge the committee to reconsider these measures to ensure that housing production remains viable and aligned with the state's critical needs. We urge the Committee to defer SB 379. NAIOP appreciates the Legislature's commitment to creating affordable housing for Hawaii residents and we look forward to working together. Thank you for the opportunity to provide testimony.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Reyn Tanaka', with a long horizontal flourish extending to the right.

Reyn Tanaka, President
NAIOP Hawaii



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
Tuesday, January 28, 2025, 1:00 P.M.**

To The Honorable Senator Stanley Chang, Chair
The Honorable Senator Troy N. Hashimoto, Vice Chair
Members of the committee on Housing

COMMENTS ON SB379 RELATING TO AFFORDABLE HOUSING

The Maui Chamber of Commerce would like to offer **COMMENTS on SB379**, which seeks to safeguard the perpetual affordability of state-assisted housing, protect residents from environmental hazards by prohibiting developments in special flood hazard areas, and streamline housing development approvals to expedite the creation of safe and sustainable affordable housing units.

The Chamber acknowledges the ongoing housing crisis and is committed to exploring all viable solutions to address the challenges we face. However, we would like to better understand the potential impacts of these proposed restrictions, particularly in conjunction with the current requirements for 201H housing. For example, if a resident purchases an affordable home under this new rule, will there be any provision for adjustments based on inflation to allow them to build wealth or eventually upgrade to a higher-cost home? Additionally, would long-term affordable rental options be allowed for these properties?

In light of the severe housing shortage in both the State and Maui County, we fully support measures that promote, rather than hinder, the development of housing for our residents.

Thank you for the opportunity to offer **COMMENTS on SB379**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

SB-379

Submitted on: 1/22/2025 6:32:34 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Ashleigh Loa	Individual	Support	Written Testimony Only

Comments:

Support

SB-379

Submitted on: 1/26/2025 11:09:49 AM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Seth Kamemoto	Individual	Support	Written Testimony Only

Comments:

Limiting the application of broad exemptions in 201H-38 to cases where there is long-term affordable housing value and reduced risk of future flooding is a step in the right direction.

SB-379

Submitted on: 1/26/2025 8:59:13 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lowell Chun	Individual	Oppose	Written Testimony Only

Comments:

Testimony on SB - 379, *Related to Housing*

Chair Chang and distinguished members of Committee: I am Lowell Chun, offering comments today on SB 379, "Relating to Affordable Housing" as a private citizen who has participated in the development of both market and affordable housing projects, including two recent affordable housing towers processed through the Hawai'i Housing Finance and Development (HHFDC) 201H-38 Affordable Housing program: *Kapiolani Residence* and *The Central Ala Moana*, which both stand along the makai edge of Kapiolani Boulevard. The views I present today are my own.

I believe that SB-379, which seeks to address an inadequate supply of affordable housing units relative to demand by making units designated and priced as "affordable" in a 201H-38 project affordable in perpetuity may have potentially negative impacts on the relative availability of affordable housing units. The following narratives, which separately address for-sale and rental affordable housing projects, elaborates on this view.

For-Sale 201H-38 Affordable Housing Projects

In for-sale projects, an incentive for many potential buyers is the opportunity to enter the housing ownership market at an accessible price, and to "move up in the market" to meet increased personal and family needs at the end of the affordable pricing retention period, when the conversion of the unit's affordable pricing to market-level pricing and the general escalation of housing values during that period enables acquisition of a market-priced home meeting the purchaser's needs at that future time. Eliminating the unit's eventual entry into market-level pricing eliminates that opportunity. If that opportunity becomes unavailable, a proportion of

otherwise potential buyers may decide against purchasing an affordable unit under this program. They may:

- If they are able, find and purchase a suitable market-priced housing unit at an accessible (and maybe roughly comparable price) instead, or
- Simply defer a unit purchase, hoping to save for something they could eventually afford to purchase outside the 201H-38 program

This could affect project unit sales or the resultant success of the sales program (potentially causing program failure or the failure of achieving the level of sales needed to justify the construction loan).

This threat to the success of the project could also present a caution to an investor or lender, endangering the financing to do the project, threatening the very existence of the project.

Rental Projects

Perpetual unit affordability of rental projects would probably be perceived as a benefit by candidate renters, since they would not eventually be priced out of the units they would rent there. This would work in favor of the project's tenant acquisition.

1. rental projects have current affordability periods of 15 to 45 years, depending on what they are or whether they use assistance (the LIHTC program). For financing parties, a 201H-38 project's current eventual entry into market status and its resultant appreciation in value is an attraction for investment. Eliminating the conversion to market status would eliminate that attraction, impeding the chances of financing and jeopardizing the project's existence.

In Summary

It appears that requiring affordable units in 201H-38 Affordable Housing projects to remain affordable in perpetuity could adversely affect the creation of all 201H-38 Affordable Housing projects.

In the case of the for-sale projects, because the requirement could affect the desirability of affordable units, perpetual affordability could affect for-sale projects in two ways:

- 1) A financed project could fail because of the failure of its sales program;
- 2) The project may not be able to attract the financing/investment needed to exist in the first place

In the case of rental projects, the project may not be able to attract the needed investment/financing to begin to exist at all.

Given the above, making the affordable period permanent would result in fewer or no further privately initiated 201H-38 affordable housing projects.

As a result, instead of increasing the availability of affordable housing, this proposal, if implemented as it now reads, could probably increase its scarcity.

1. applaud the effort to increase affordable unit availability. There is no doubt that we need that. However, I suggest that we focus on ways to increase the public and private-sector affordable housing efforts, to simply add more inventory into our housing environment. In my opinion, the eventual conversion of affordable units to market units is a social benefit that can help us to retain our intellectual capital and valuable members of our workforce. In addition, since there is a need for more housing supply in the market as well as affordable categories, conversions of affordable units to market is a benefit, which, if it contributes to more market unit supply, could eventually create a competitive

market unit sales environment that could slow market unit price increases or even bring them down.

Thank you for this opportunity to present my views.

Lowell K.W. Chun

Phone: 808.386.9595

Email: pacificcatalyst@gmail.com

SB-379

Submitted on: 1/22/2025 7:17:40 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jen Mather	Individual	Comments	Written Testimony Only

Comments:

Aloha Honorable Chair Chang, Vice Chair Hashimoto, and Members of the Committee,

I am submitting comments on the proposed measure aimed at ensuring the perpetual affordability of housing in Hawai‘i, while safeguarding our most vulnerable residents from environmental hazards. My perspective is informed by my background in Emergency Management and my personal experience as a homeowner in a community land trust that ensures homes remain affordable in perpetuity.

As someone with experience in Emergency Management, I am acutely aware of the risks posed by climate change and natural disasters, particularly in flood-prone areas. Policies that prohibit housing developments in special flood hazard areas are critical to reducing the long-term financial and physical impacts on our communities. Individuals and families who qualify for affordable housing should not be further burdened by the vulnerabilities that come with bad development planning. These proactive measures not only protect lives but also reduce recovery costs and enhance resilience in the face of future disasters.

My personal experience as a homeowner in a community land trust highlights the value of affordable housing in perpetuity. Community land trusts are a proven model for maintaining affordability across generations, providing stability for families, and fostering stronger, more resilient communities. Although the covenant proposed in this legislation is different from a land trust, requiring affordability covenants for state-assisted housing aligns with successful strategies implemented by other organizations and agencies to safeguard their housing supply. These policies ensure that the benefits of affordable housing are preserved for future generations, addressing the chronic housing shortage while preventing speculative real estate practices.

I am, however, wary of the measure's language to streamline housing development approvals. I do not believe we can build ourselves out of this issue. I believe we need a systematic review of policies that allow speculative investment in our already existing inventory in order to address sprawl and ensure our cultural resources and open spaces are not impacted adversely. The creation of safe and sustainable housing units for kānaka ‘ōiwi should be the only reason to expedite building developments.

I submit these comments recognizing the intent of this body to create housing for our community but feel the measures for expediting need to be revisited to ensure developments that are predatory do not make their way onto our biocultural landscape.

Mahalo for the opportunity to provide testimony on this important issue.

E mālama,
Jen Mather