



SB2946 SD1
RELATING TO HOUSING
Ke Kōmike ‘Aha Kenekoa o ke Ki‘ina Hana a me nā Kumuwaiwai

Pepeluali 28, 2020

10:56 a.m.

Lumi 211

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on SB2946 SD1, which seeks to address the urgency of Hawai‘i’s affordable housing crisis. OHA is **very appreciative** of the SD1 draft amendments to this measure, including the contemplated benefits to Native Hawaiians via rulemaking that would transfer some unspecified proportion of residential units in anticipated projects to OHA or the Department of Hawaiian Home Lands (DHHL), as well as the inclusion of parallel Hawai‘i Revised Statutes (HRS) § 171-64.7 language to protect our public lands, including “ceded” lands, from inappropriate alienation. OHA also appreciates the opportunity to play a meaningful part in the development of this measure, and respectfully offers the following comments to (1) further explain the justification for the explicit provision of benefits to Native Hawaiians from the use of public and likely “ceded” and Public Land Trust lands, and (2) ensure that lease terms are reasonably set.

1. Policy changes that allow the broad and multigenerational commitment of significant amounts of valuable “ceded” and Public Land Trust lands should be accompanied by direct benefits to Native Hawaiians, as reflected in the current draft of SB2926 SD1

SB2946 SD1 contemplates a significant expansion of the public lands, including “ceded” and Public Land Trust lands, that could be leased under HHFDC’s very flexible and liberal land disposition authorities. Currently, HHFDC can only give out extremely long-term, 99-year leases on the limited lands that HHFDC holds in fee; HHFDC may also lease or otherwise dispose of such lands for far less than market value, and without the auction or other requirements generally applicable to the disposition of public lands. SB2946 SD1 would allow a vastly greater amount of public lands – which are overwhelmingly “ceded” lands, to which Native Hawaiians maintain unrelinquished claims, and which are also largely Public Land Trust lands, held for the benefit of native Hawaiians and the general public – to be leased or otherwise disposed of under HHFDC’s broad leasing and disposition authorities. Currently, these additional lands are likely subject to the public transparency and accountability protections of HRS Chapter 171, which include lease length limitations (i.e. a maximum aggregate lease period of 65 years), lease extension prohibitions, and auction requirements for the leasing of public lands; **allowing these lands to be exempted from HRS Chapter 171 and instead subjecting**

them only to the HHFDC’s broad leasing and disposition authorities may foreclose, for a century or more, opportunities for Native Hawaiians to fully and directly realize the benefits from lands to which they have specific legal and moral claims.

Given the proposed foreclosure of opportunities for Native Hawaiians to more fully realize benefits from a potentially vast amount of public lands to which they maintain claims, some level of assurance should be provided – as proposed in the current draft of this measure – to minimally ensure that Native Hawaiians will directly benefit from HHFDC’s expanded use of public lands.

The unique and significant housing needs of Native Hawaiians make this measure’s contemplated transfer of residential units to OHA or DHHL a particularly appropriate benefit to provide to Native Hawaiians from the use of “ceded” and Public Land Trust lands. Native Hawaiians have significant and unique housing needs and are particularly affected by the ongoing lack of affordable housing. For example, data show that Native Hawaiians are less likely to own a home;ⁱ Native Hawaiian households are also much more likely to be crowded with more than two persons per bedroom,ⁱⁱ and “doubled up,” with multigenerational or unrelated individuals living together in single households.ⁱⁱⁱ Furthermore, Native Hawaiian households are twice as likely to have a ‘hidden homeless’ family member than all state households.^{iv} Moreover, a growing number of Native Hawaiian households are disproportionately at risk of becoming homeless.^v 75% of the Native Hawaiian demand for housing is also for units affordable for households making below 140% AMI, and 56% of Native Hawaiian housing demand will be from households under 80% AMI.^{vi} This data demonstrates the dire need for affordable housing among the Native Hawaiian and DHHL-beneficiary communities, and reflects the appropriateness of ensuring that at least some proportion of residential units be provided to OHA or DHHL in exchange for the vastly expanded use of lands to which Native Hawaiians maintain claims.

Given the maintained claims of Native Hawaiians to “ceded” lands that are highly likely to be developed and leased for very long terms if this measure passes, the State’s fiduciary obligation to uphold the interests of Native Hawaiians in Public Land Trust lands that may also be developed under this measure, and the State’s responsibilities to DHHL and its native Hawaiian beneficiaries, **it is both equitable and appropriate to ensure a percentage of units be transferred to OHA and/or DHHL.** Accordingly, if the Committee chooses to pass this measure, we respectfully urge the Committee to maintain this language.

- 2. Extremely long-term, multi-generational leases may lead to the alienation of public and “ceded” lands, and if the specific benefits to Native Hawaiians are not maintained in this measure, OHA respectfully recommends reducing the maximum lease term**

Consistent with past OHA positions, OHA expresses its concerns over the length of the of proposed 99-year leasehold interests in public lands, which may include Public

Land Trust lands as well as "ceded" lands taken through the unlawful overthrow of the Hawaiian Kingdom, and to which Native Hawaiians maintain unrelinquished claims.

Extremely long-term multi-generational leases may inhibit multiple future generations from ensuring the best use of public lands and Public Land Trust lands. These 99-year leases may also create a sense of entitlement by lessees that has led, and may continue to lead, to the alienation of public and "ceded" lands to private parties. OHA strongly and consistently objects to the sale or alienation of "ceded" lands except in limited circumstances, and has significant concerns over any proposal that may facilitate the diminution of the "ceded" lands corpus.

Although OHA understands that HHFDC may currently offer 99-year leases for up to 140% AMI households on lands to which it holds title, SB2946 SD1 would substantially broaden the lands that HHFDC may issue such long-term leases for, to include lands that the governor may set aside to HHFDC in the future, as well as lands it may lease from other state agencies or departments.

Thus, **if the direct benefits to Native Hawaiians are not maintained in this measure, OHA suggests the following amendments to limit any leasehold interest under the ALOHA Homes program to no more than 75 years:**

By amending the language on page 5, lines 3-6, to read as follows:

"(3) Authorize the Hawaii housing finance and development corporation (the "corporation") to sell the leasehold interest in residential condominium units located on state lands for lease terms of seventy-five years; and"

And amending the language on pages 15, lines 5-12, to read as follows:

"§201H-E Sale of the leasehold interest of ALOHA homes; rules; guidelines. (a) The corporation shall adopt rules, pursuant to chapter 91, for the sale of the leasehold interest of ALOHA homes under its control within urban redevelopment sites; provided that each lease shall be for a term of seventy-five years. The rules shall include the following requirements for an eligible buyer or owner of an ALOHA home within an urban redevelopment site:"

And further amending the language on page 24, lines 14-16, to read as follows:

"(b) The term of the lease may be for seventy-five years, and the corporation may extend or modify

the fixed rental period of a lease or extend the term of a lease of less than seventy-five years and the corporation may extend or modify the fixed rental period of the lease or extend the term of the lease.”

And by inserting a new section in the measure, to read as follows:

SECTION __. Section 201H-9, Hawai'i Revised Statutes, is amended to read as follows:

“~~[+]§201H-9[+]~~ **Acquisition, use, and disposition of property.** (a) The corporation may acquire any real or personal property or interest therein by purchase, exchange, gift, grant, lease, or other means from any person or government to provide housing. Exchange of real property shall be in accordance with section 171-50.

(b) The corporation may own or hold real property. All real property owned or held by the corporation shall be exempt from mechanic's or materialman's liens and also from levy and sale by virtue of an execution, and no execution or other judicial process shall issue against the same nor shall any judgment against the corporation be a charge or lien upon its real property; provided that this subsection shall not apply to or limit the right of obligees to foreclose or otherwise enforce any mortgage of the corporation or the right of obligees to pursue any remedies for the enforcement of any pledge or lien given by the corporation on its rents, fees, or revenues. The corporation and its property shall be exempt from all taxes and assessments.

(c) ~~[The]~~Subject to subsection (e), the corporation may lease or rent all or a portion of any housing project and establish and revise the rents or charges therefor. The corporation may sell, exchange, transfer, assign, or pledge any property, real or personal, or any interest therein to any person or government.

(d) The corporation may insure or provide for the insurance of its property or operations against risks as it deems advisable.

(e) Notwithstanding any law to the contrary, as it relates to the leasing of lands set aside by the governor to the corporation, or lands leased to the corporation from other state agencies, no lease shall be for a longer term than seventy-five years, provided that the aggregate of the initial term and any extension shall in no event exceed seventy-five years, provided further that the lease is for the primary purpose of providing affordable housing.”

Although OHA maintains its concerns related to long-term multi-general leases, OHA does appreciate concerns raised regarding the potential for kūpuna without family or resources and those with special physical and health needs to outlive a 75-year lease; OHA is open to further discussion regarding whether or not statutory leases extension language to accommodate such exigent circumstances may be appropriate at this time.

Mahalo piha for the opportunity to testify on this measure.

ⁱ See Office of Hawaiian Affairs, Native Hawaiian Homeownership Ho’okahua Waiwai Fact Sheet Vol. 2016, No. 1, page 3, available at <http://www.oha.org/wp-content/uploads/NH-Homeownership-Fact-Sheet-2016.pdf>. This figure includes 8,329 DHHL residential lease “owner-occupied” property units. DHHL Annual Report 2014, at 47, available at <https://dttl.hawaii.gov/wp-content/uploads/2011/11/DHHL-Annual-Report-2014-Web.pdf>. For non-DHHL properties, the Native Hawaiian homeownership rate is therefore 41.2%, 15.5 percentage points below the statewide rate.

ⁱⁱ 21.2% of Native Hawaiian households are crowded with more than two persons per bedroom versus 10.9% of other households in the state. SMS, Hawai’i Housing Planning Study, at 73 (2019), available at <https://dbedt.hawaii.gov/hhfdc/files/2020/01/FINAL-State-Hawaii-Housing-Planning-Study.pdf>.

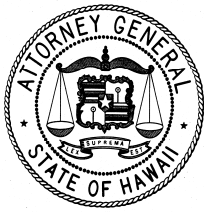
ⁱⁱ 24.5% of Native Hawaiian households, compared to 9.0% of other households include more than two generations or unrelated individuals. *Id.*

ⁱⁱⁱ 24.5% of Native Hawaiian households, compared to 9.0% of other households include more than two generations or unrelated individuals. *Id.*

^{iv} 38% of Native Hawaiian households, compared to 19% of other households, reported having at least one person residing there because they had insufficient resources to buy or rent their own place. *Id.* at 74.

^v 32% of Hawaiian households indicated that they would become homeless if they lost their primary source of income for more than two months. This figure is up nine percentage points from the 2016 study, and compares to only 23% of non-Hawaiian households at similar risk. *Id.*

^{vi} *Id.* at table 60.



**WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTIETH LEGISLATURE, 2020**

ON THE FOLLOWING MEASURE:

S.B. NO. 2946, S.D. 1, RELATING TO HOUSING.

BEFORE THE:

SENATE COMMITTEE ON WAYS AND MEANS

DATE: Friday, February 28, 2020

TIME: 10:56 a.m.

LOCATION: State Capitol, Room 211

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**

(For more information, contact Matthew S. Dvonch,
Deputy Attorney General, at 587-3080)

Chair Dela Cruz and Members of the Committee:

The Department of the Attorney General provides the following comments on this bill.

This bill establishes a new program within the Hawaii Housing Finance and Development Corporation (HHFDC) called the ALOHA Homes Program. Under the program, HHFDC is authorized to construct high-density residential developments on State lands within a one-half mile radius of public transit stations. HHFDC is authorized to sell 99-year leases for units within such developments to Hawai'i residents at a price not to exceed \$300,000, or a price affordable to an individual or family whose income does not exceed 80 percent of the area median income, as defined by the United States Department of Housing and Urban Development, whichever is lower.

This bill requires HHFDC to transfer units in ALOHA Homes developments to the Office of Hawaiian Affairs or the Department of Hawaiian Home Lands, provided that HHFDC shall establish administrative rules to determine the number or percentage of housing units to be transferred. This bill also establishes an ALOHA Homes Revolving Fund to finance the ALOHA Homes Program and exempts expenditures from the fund from legislative appropriation and allotment requirements.

I. Transfer of Units to the Department of Hawaiian Home Lands

The bill on page 14, line 17, to page 15, line 4, requires HHFDC to transfer units to DHHL, subject to administrative rules established by HHFDC. DHHL's powers are established by the Hawaiian Homes Commission Act, 1920, as amended (HHCA), which is part of the Hawai'i Constitution. Section 207 of the HHCA authorizes DHHL to issue residential homestead leases to native Hawaiians for an initial term of 99 years. A "native Hawaiian" is defined by the HHCA as "any descendant of not less than one-half part of the blood of the races inhabiting the Hawaiian Islands previous to 1778." The HHCA only authorizes DHHL to issue these leases on Hawaiian home lands; it is not authorized to issue homestead leases on non-Hawaiian home lands.

If this bill's intent is to have ALOHA Homes units that are transferred to DHHL remain non-Hawaiian home lands, DHHL will not be able to lease them to native Hawaiians for homesteading purposes. An amendment to the HHCA would be required, which will trigger review by the U.S. Department of the Interior as to whether consent of the United States is required for the amendment to take effect.

If the intent is to have these units acquire the status of Hawaiian home lands, a different concern arises. Under section 204 of the HHCA, DHHL has exclusive authority over the zoning and other land use controls on Hawaiian home lands. If certain units within an HHFDC development are transferred to DHHL, these units will be governed by the terms of the HHCA and be under the sole jurisdiction of DHHL. This will result in a patchwork of units governed by HHFDC's various restrictions on use, occupancy, and sale, and units governed by the HHCA.

II. ALOHA Homes Revolving Fund

This bill on page 23, lines 3-15, exempts the ALOHA Homes Revolving Fund from legislative appropriation and allotment. Article VII, section 5 of the Hawai'i Constitution, however, prohibits such exemptions and provides that "[n]o public money shall be expended except pursuant to appropriations made by law." We suggest amending the bill to remove this provision.

Thank you for the opportunity to provide these comments.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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 SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2946, S.D. 1

February 28, 2020
10:56 a.m.
Room 211

RELATING TO HOUSING

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 2946, S.D. 1.

S.B. No. 2946, S.D. 1, establishes the Affordable, Locally Owned Homes for All (ALOHA) housing program under the administration of the Hawai'i Housing Finance and Development Corporation (HHFDC); establishes the ALOHA homes revolving fund (ALOHARF); exempts certain land from the definition of public lands; requires HHFDC to gain legislative approval before disposing of certain lands; requires HHFDC to transfer a number of ALOHA homes units to the Department of Hawaiian Home Lands or the Office of Hawaiian Affairs; provides for the disposition of lands acquired by HHFDC but no longer needed for the ALOHA homes program; requires HHFDC to develop an ALOHA homes demonstration project by July 1, 2025; appropriates an unspecified amount of general funds to be deposited into the ALOHARF; and appropriates an unspecified amount from the ALOHARF for FY 21.

Funds from the ALOHARF would be used to provide low-cost, high density leasehold homes for sale to Hawai'i residents on State-owned lands within a one-mile radius of a public transit station. Revenues for the ALOHARF will be derived from all receipts and revenues of HHFDC pursuant to this measure, including the leasing of commercial space. B&F notes that Act 167, SLH 2019, appropriated \$150,000 in general funds for HHFDC to study and formulate a plan to implement an ALOHA homes program and submit an interim report 20 days prior to the convening of the 2020 Legislature and that no interim findings were submitted, as the starting date of the contract was December 23, 2019, thus making the establishment of the program premature.

As a matter of general policy, the department 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. 2946, S.D. 1, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.



**STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF WILLIAM J. AILA, JR, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
DECISION MAKING ON FEBRUARY 28, 2020 AT 11:05AM IN CR 211

SB 2946, SD1, RELATING TO HOUSING

February 26, 2020

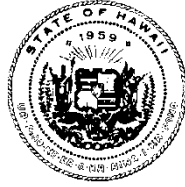
Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) submits comments on this bill that 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 (HHFDC) to qualified residents and requires HHFDC to transfer a number of ALOHA homes units to DHHL or the Office of Hawaiian Affairs (OHA).

The Department appreciates the overall motivation behind this measure and the specific provision to transfer units to DHHL for use by beneficiaries. As noted in the testimony of the Department of the Attorney General on similar measures, there are some issues unique to DHHL that will require further review.

Thank you for your consideration of our testimony.

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
INTERIM 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

SENATE COMMITTEE ON WAYS AND MEANS

February 28, 2020 at 10:56 a.m.
State Capitol, Room 211

In consideration of
S.B. 2946, S.D. 1
RELATING TO HOUSING.

The HHFDC appreciates the intent of S.B. 2946, S.D. 1, which is a bold proposal to end the housing shortage in Hawaii through the establishment of the ALOHA Homes Program. However, we must **oppose** the S.D. 1 because it (1) is premature; and (2) requires HHFDC to adopt administrative rules providing for the transfer of an unspecified percentage of leasehold units within a condominium to the Department of Hawaiian Home Lands (DHHL) or the Office of Hawaiian Affairs (OHA), and subjects said lands to legislative approval for the sale or exchange of any lands set aside or leased to HHFDC.

Act 167, SLH 2019 (H.B. 820, H.D. 1, S.D. 1, C.D. 1) appropriated funds for HHFDC to study and prepare a plan to implement the ALOHA Homes Program. The Act requires HHFDC to submit a final report to the Legislature of its findings and recommendations, including any proposed legislation, no later than twenty days prior to the convening of the Regular Session of 2021. HHFDC has selected a consultant for the study and will submit a report to the 2021 Legislature pursuant to the Act.

Because HHFDC is bound to follow Federal and State Fair Housing laws under §201H-5, HRS, HHFDC cannot transfer housing units to the DHHL or OHA, if said housing would be for a racially discriminatory purpose. HHFDC as a housing agency must act to affirmatively further fair housing.

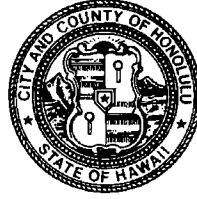
The S.D. 1 also does not provide any mechanism for a condominium developer/HHFDC to be compensated for the development of housing units proposed to be transferred to DHHL or OHA. Without remuneration, the cost of the transferred housing units would be borne by the working families that purchase housing units in a project. HHFDC also notes that per our development stakeholders, residential leasehold project financing would be jeopardized if any portion of a project is to be for race-based housing.

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

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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KIRK CALDWELL
MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIU
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

February 28, 2020

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Committee on Ways and Means
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Dela Cruz and Committee Members:

**Subject: Senate Bill No. 2946, SD 1
Relating to Housing**

The Department of Planning and Permitting (DPP) **offers comments** on Senate Bill No. 2946, SD 1, which establishes the ALOHA Homes program.

We strongly support building affordable housing on State and county lands near rail stations. We applaud the intent of this program – to take bold action to increase the supply of affordable homes for local families – but we think the program could be adjusted slightly to maintain their affordability for generations. We also appreciate that the current draft addresses many of our comments on a similar Bill that was introduced last session. However, we are concerned with whether and how development of the State properties would align with City transit-oriented development (TOD) plans, zoning, and infrastructure investments. In addition, it gives the State authority to establish its own rules on land use, planning, zoning and construction on those sites, superseding City authority. While there are other sections that imply the new development rules should follow or comply with City plans and ordinances, this blanket authority to supersede all City policies on City lands is troubling.

We are also concerned about the long-term affordability goals and income mix proposed. It is an admirable goal to sell all units at a price affordable to families at 80 percent of area medium income (AMI) or \$300,000, but this means that the same public subsidies are being given to local families regardless of household income (including the value of the land, public infrastructure, fee waivers, and extra height and density). It might be more equitable to charge a price based on household income (like most affordable housing programs), so that only lower-income families pay a less-than-market price, rather than subsidizing wealthy families. While the State maintains the option to buy back the units on resale, the program does not appear to keep the units affordable over time, since they can be resold at market prices after five years (with 75 percent of the profit going back to the State). A \$300,000 condo would likely more than double in value on resale (especially near rail stations) and no longer be available to local lower and middle-income families. Yes, 75 percent of that windfall profit would go back to

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Committee on Ways and Means
Hawaii State Senate
Senate Bill No. 2946, SD 1
February 28, 2020
Page 2

the program to develop more housing, but all the units would become unaffordable market-priced units over time. It might be preferable to limit appreciation on resale to a formula linked to the Consumer Price Index increases, and help maintain a long-term affordable inventory.

Since some of the State lands that would be used for ALOHA Homes are large tracts, we suggest that some portion of those large tracts be reserved for affordable rental housing. It would be unfortunate to have thousands of homes on hundreds of acres be limited only to people who earn 80 percent of the AMI or greater – especially when the majority of the documented housing need is for families below that threshold. While expanding homeownership is a worthy goal, this Bill would effectively establish large exclusive neighborhoods for middle-income and wealthier homeowners, and not allow lower-income families to live in those neighborhoods. For larger tracts with their own schools, we could even see public schools created with no low-income students. If the ALOHA Homes program is not adjusted to produce those rental units, we suggest that the Bill should specify that some portion of the lands be set aside in each phase of development for rental projects developed via other programs.

We support the intent of Senate Bill 2946, SD 1, and look forward to working with you to refine the Bill so that we can fully support it.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy K. Sokugawa". The signature is fluid and cursive, written over the printed name and title.

Kathy K. Sokugawa
Acting Director

SB-2946-SD-1

Submitted on: 2/25/2020 7:58:14 PM

Testimony for WAM on 2/28/2020 10:56:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Goodman	Testifying for Hawaii Kai Homeless Task Force	Support	No

Comments:

I'm Mike Goodman with the PIC Advocacy Committee & the Hawaii Kai Homeless Task Force. Thank you very much for the opportunity to testify in strong support of SB2946, Aloha Homes.

Aloha homes is the most important affordable housing plan ever proposed in the State of Hawaii, and perhaps the nation. It's the only plan that could radically reduce the cost of market rate housing across the State. Senator Chang, and everyone who supports this should be commended for their vision.

What we're doing now isn't working. Hawaii, along with most of the nation, generally uses subsidies as a strategy to create affordable housing. Subsidies can take many forms including:

1. Offering developers zoning variances and other advantages by creating affordable housing set-asides in luxury buildings;
2. Taxpayer financed affordable housing, and public housing.
3. Public private partnerships OR, giving developers tax breaks or other advantages and incentives.
4. Taxpayer financed rent subsidies.

While these programs certainly helped those lucky enough to get apartments, they've done little to decrease the cost of housing for everyone else. That's because so-called "Affordable housing" is no less expensive to build than market-rate housing. Conventional affordable housing programs don't actually create more affordable housing; They make housing more affordable for some by shifting the cost to someone else. In other words, it's a zero sum game. From a purely economic view, it would be unsustainable for conventional subsidies to operate at the scale necessary to make the supply equal or exceed the demand, and thereby reduce the cost of market rate housing. *In fact, these strategies have never reduced the cost of market rate housing anywhere.*

Aloha homes is different. It's based on a clever idea from Singapore, which was used to create over a million units of affordable housing since the 1940's. It creates more affordable housing by building housing that's more affordable;

Homeowners buy 99 year leasehold interests in projects built on State land. Since no one has to pay for building on the land, the housing cost less to build. Because it's a sustainable economic model, it has the potential to create sixty thousand units or more in Hawaii; Enough to increase the supply and possibly lower the overall the cost of market-rate housing for everyone.



Senate Committee on Ways and Means
February 28, 2020 at 10:56 a.m.
State Capitol Conference Room 211

SUPPORTING SB 2946 SD 1

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.

Hawaii faces a critical need for affordable housing because so many people are struggling financially. About half of Hawaii's residents do not have enough to pay for all of their basic needs because their earnings are not enough to cover Hawaii's high cost of living. These are the people who are a paycheck or two away from homelessness.

State and county housing agencies have been trying to create affordable housing for decades. But development costs are so high and the shortage of affordable housing is so great that they have been able to create only a fraction of what is needed.

This bill proposes a new approach to developing affordable housing. It uses the highly successful Singapore model, but adapts it to fit Hawaii's circumstances. Singapore was facing a housing crisis half a century ago, when its government was determined to take action. Since then Singapore has been able to develop nearly a million residential units for its citizens that today house 80% of them. A government agency plans, develops, and constructs the housing units, which are integrated with commercial, recreational, and social urban amenities. These dense, mixed-use walkable developments are environmentally efficient and minimize the need for personal vehicles.

For Honolulu, the rail transit system that is under construction would further reduce the need for personal vehicles. The State is the largest landowner along the rail line, owning about 2,000 acres. Since the cost of that land would be zero, the development of affordable housing is realistic.

This bill requires homes to be priced to be affordable to individuals or families earning 80% of the area median income -- or \$300,000 -- whichever is less. It is designed for residents who need housing by requiring the following:

- (1) The owner must be a resident of Hawaii.
- (2) The owner must live in the housing unit.
- (3) The owner or spouse of the owner or anyone else living in the housing unit may not own any other residential property.

The shortage of affordable homes in Hawaii is so great that residents are leaving to relocate on the mainland where housing costs are lower. This bill has the potential to significantly increase the supply of affordable housing for the people of Hawaii.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
THURSDAY, FEBRUARY 28, 2020 AT 10:56 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and
Members of the Committee on Ways and Means,

TESTIMONY IN SUPPORT OF SB2946 RELATING TO HOUSING

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our support of SB2946.

As affordable housing and rentals are one of our top priorities, we support this bill that is another tool in the toolbox for addressing our housing crisis. We also appreciate that this is a statewide effort and addresses many topics the community is concerned about such as ensuring the units are owner-occupied and for residents.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

Pamela Tumpap

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.



CATHOLIC CHARITIES HAWAI'I

TESTIMONY IN SUPPORT OF SB 2946 SD1: Relating to Housing

TO: Senator Donovan M. Dela Cruz, Chair, Senator Gilbert S. C. Keith-Agaran, Vice Chair; and Members, Committee on Ways and Means

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i

Hearing: **Friday, 2/28/20; 10:56 AM; CR 211**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members, Committee on Ways and Means:

Thank you for the opportunity to provide testimony **in support** of SB 2946 SD1, which establishes the ALOHA Homes program to develop low-cost homes on state-owned and county-owned in urban redevelopment sites to be sold in leasehold. I am Rob Van Tassell, with Catholic Charities Hawai'i. We are also a member of Partners in Care.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 70 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

While we have usually focused on the need for affordable rental units to house our most vulnerable and at-risk citizens, we now join the cohort of supporters for ALOHA Homes. As a State, we **MUST** find housing solutions that enable our young workers, the future of our State, to continue living in Hawaii. Dense, high-rise living is the wave of the future, especially for our island state. We support the concept of ALOHA Homes which promotes higher density along the rail line, for truly affordable housing for owner occupants. The mix of transportation and commercial activities may reduce the dependence upon cars and the oil/gas they require. This supports other State goals to "go green". We support state land being used for leasehold condos which would not only reduce the initial cost of these units but also reduce speculation which drives up prices over time.

The innovative ideas in ALOHA Homes may need further refinement. We need to start now to investigate innovative construction methods and other advancements in technologies to make lower cost housing feasible. We must also remember that we are building communities, not just housing, which can support and enhance the lives of our Hawaii residents for years to come.

We applaud you for your focus to find new innovative ways to create for-sale units which are truly affordable for Hawaii's workforce and the critical ALICE population. The **KEY** is the cost. Keeping the cost of a unit down to \$300,000 to \$350,000 would give hope to so many of our struggling families.

Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.



DEMOCRATIC PARTY OF HAWAI'I
HAWAIIAN AFFAIRS CAUCUS

TESTIMONY WITH COMMENTS ON
SB 2946, SD1, Relating to Housing
Decision Making, Friday, Feb 28, 10:56 a.m., Conf Rm 211

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S. C. Keith-Agaran, Vice Chair
Members of the Committee on Ways and Means

Aloha,

The Executive Committee of the Hawaiian Affairs Caucus of the Democratic Party of Hawai'i appreciates the intent of this measure to address the dire housing needs of Hawai'i's residents, and that contains provisions to transfer a number of ALOHA home units to the DHHL or OHA.

However, we have grave concerns about the length of the proposed 99-year leasehold interests in public lands, which may include Public Land Trust lands as well as "ceded" lands taken through the unlawful overthrow of the Hawaiian Kingdom, and to which Native Hawaiians maintain unrelinquished claims. Extremely long-term multi-generational leases, such as those proposed, may inadvertently create a sense of entitlement on the part of lessees that has led and may continue to lead to the alienation of public and "ceded" lands. We foresee that after three generations over a course of a 99-year period, such families would seek to have legislation to authorize permanent ownership "in perpetuity."

Mahalo for your consideration of our comments.

Respectfully,

/s/ Leimomi Khan, Chair



Senate Committee on Ways and Means
February 28, 2020 at 10:56 a.m.
State Capitol Room 211

Supporting SB 2946 SD 1

Faith Action for Community Equity is an association of religious and community organizations driven by a spiritual commitment to improve the quality of life for all of the people of Hawaii by addressing the root causes of social justice challenges.

The Aloha United Way commissioned a report entitled, "ALICE: A Study of Financial Hardship in Hawaii." ALICE is an acronym for Asset Limited, Income Constrained, Employed. The ALICE population is comprised of people who have jobs, yet do not earn enough to afford the basic necessities because of Hawaii's high cost of living. They are a paycheck or two away from homelessness, and they include retail salespersons, waiters and waitresses, cashiers, administrative assistants, janitors, housekeepers, landscapers, teaching assistants, and mechanics.

In Hawaii, 37% of the households are ALICE. They earn between \$30,000 and \$75,000 a year, which is below the median household income. Another 11% of the population live below the poverty level. In total, 48% of Hawaii households are ALICE and below.

State and county housing agencies have been trying to create affordable housing for decades. But development costs are so high and the shortage of affordable housing is so great that traditional programs have been able to create only a fraction of what is needed.

This bill proposes a new approach to develop affordable housing that adapts the highly successful Singapore model to fit Hawaii's circumstances. Half a century ago Singapore faced a crisis of a shortage of affordable housing that was much more severe than what Hawaii faces today. The Singapore government committed itself to taking action to build housing that would be affordable to all of its citizens.

Since then Singapore has been able to develop nearly a million residential units that today house 80% of its population. A government agency plans, develops, and constructs housing units that are integrated with commercial, recreational, and social urban amenities. These dense, mixed-use walkable developments are environmentally efficient and minimize the need for personal vehicles.

For Honolulu, the rail transit system would further reduce the need for personal vehicles. The State is the largest landowner along the rail line, owning about 2,000 acres. Since the cost of that land would be zero, the development of affordable housing is realistic.

Faith Action for Community Equity supports this bill because it has the potential to significantly increase the supply of affordable housing for those who need it most – ALICE families.



Environmental Caucus of The Democratic Party of Hawai'i

Thursday, February 28, 2020

Senate Bill 2946, SD 1
Testifying in Strong Support

Me ke Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the Way and Means Committee

The Environmental Caucus of the Democratic Party, reiterates its strong **support of SB2946, Relating to the Aloha Homes Program**. This bill is part of the initiative to embrace Aloha 'Aina through a Green New Deal for Hawaii working families, correcting the effects of economic inequality.

The Caucus supports comments made by the Office of Hawaiian Affairs regarding the protection of State lands from alienation. While we do not see a problem with 99 year leases, we can accept OHA's proposal for 75-year limitation. Most importantly, given the commitment of the State to accept the responsibilities to beneficiaries of the Hawaiian Homes Commission Act of 1920, as a condition of acceptance into Statehood, the Caucus also supports a preference given to HHCA beneficiaries in the Aloha Homes Program.

The Caucus also supports the comments of the Honolulu Department of Planning and Permitting regarding offering rental housing along with lease ownership.

And finally, the Caucus is aligned with Faith Action – Housing Now in its concerns for making housing available at construction prices reflecting the absence of land cost in the end price of leasehold or rental housing.

In the tradition of support for Hawaii working families, with special note on the growing inequalities within our communities, it is essential that we make these adjustments for less fortunate members of our family. As an element of the initiative to assure affordable housing for all Hawaii working families, the Environmental Caucus Green New Deal Housing Committee strongly urges prompt passage of this bill. It is apparent from a number of comments made in support of this program that there may be technicalities to be worked out to solidify the program, and we join others in understanding this necessity.

Mahalo for this opportunity to testify,

/s/ Charley Ice
Chair, Green New Deal Housing Committee
Environmental Caucus
Democratic Party of Hawai'i



Young Progressives Demanding Action
P.O. Box 11105
Honolulu, HI 96828

February 28, 2020
10:56 AM

TO: Senate Committee on Ways & Means
RE: Testimony in Support of SB2946 SD1 With Amendments

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, Members of the Senate Committee on Ways & Means,

Young Progressives Demanding Action (YPDA) advocates for public policies that reflect the values of young people throughout the State of Hawai'i. YPDA is in **Support** of **SB2946**, Relating to Housing **With Amendments**.

Honolulu's Worst in the Nation Housing Shortage Created Housing Crisis

Honolulu's housing shortage is the largest in the nation. There are less than 42 homes available for every 100 adults, where most cities have more than 50. Hawaii's refusal to ensure a sufficient housing stock has resulted in out of reach housing prices. We are officially in a housing crisis. The responsibility falls on the state to end this housing crisis.

End the Shortage, Provide Units for Low-Income Residents

This ALOHA Homes plan will take a two pronged approach to this crisis. It proposes to significantly increase the housing stock while also ensuring that the units that are built are available at affordable prices for the local residents.

As this is the only reasonable plan that has been proposed by any legislator to address the housing crisis, it's imperative that the state do everything in its power to implement this as robustly as possible.

Amend Lease Lengths to Protect the Community's Interest in Public Lands and Native Hawaiian's Land Claims

Many lands that we now consider “public lands” are lands that were owned by the Kingdom of Hawai‘i at the time of the overthrow in 1893. These lands were then forcefully passed on to different governing structures that Hawai‘i had for the decades that followed until it finally passed on to the State of Hawai‘i. Attempting to address the injustice of forced land transfer, the State of Hawai‘i and the United States currently serve as trustees of the land for Native Hawaiians and the people of Hawai‘i.

People living in Hawai‘i have in some shape or form benefitted from public trust lands. We in turn have a kuleana to properly take care of our lands, keep public lands in public hands, and ensure that we protect and preserve our natural resources for future generations to come. We also have an obligation to meaningfully address social, cultural, and historical injustices done in our lands. Standing in solidarity with the Native Hawaiian community and making sure their interests in our lands and natural resources are fully met.

To begin this process, YPDA joins the call for the committee to amend the measure to reduce the length of the lease terms for the use of public lands for affordable housing from 99 years to at maximum 75 years. It is our understanding that this wouldn’t affect the continuation of affordable housing projects being financed. At the same time, this would mitigate the risk of these public lands being converted to fee simple when the leases are done because simply put, we cannot lose public lands. This amendment would ultimately insure three things. We would still be able to take care of our public lands, we would be able to begin to do what is right and fulfill our moral obligations to Native Hawaiians, and at the same time still address the need for actual affordable housing for all residents of Hawai‘i.

Young Progressives Demanding is in **Support With Amendments of SB2946 SD1.**

Mahalo for the opportunity to testify,

Nate Hix
Economic Justice Action Committee Chair
Young Progressives Demanding Action (YPDA)
Email: nate.hix@gmail.com

Jun Shin,
Environmental Justice Action Committee Chair
Young Progressives Demanding Action (YPDA)
Cell: 808-255-6663
Email: junshinbusiness729@gmail.com

SB-2946-SD-1

Submitted on: 2/25/2020 8:39:15 PM

Testimony for WAM on 2/28/2020 10:56:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Colby Takeda	Individual	Support	No

Comments:

I wholly support legislation that improves the availability of affordable housing in Hawaii.

Thank you for this opportunity to testify in support

-Colby Takeda

Resident of Mililani

SB-2946-SD-1

Submitted on: 2/26/2020 10:44:50 AM

Testimony for WAM on 2/28/2020 10:56:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Leatrice Maluhia Kauahi	Individual	Comments	No

Comments:

I am a retired banker; mortgage lender, and manager with 42 years in the industry as an individual I submit my comments:

1. I am very concerned when a property is developed for owner-occupants on "leasehold" terms it will be subject to the 1984 Land Reform Act and be available for eminent domain condemnation and sale of fee interest.

2. If item #1 is applicable, I believe and cannot approve the development of ceded lands if it will be subject to the sale of the fee interest. All ceded lands, with a minimum of 20% of the units, must not be subjected to this sale of the fee in order for the protection of the revenue of 20% of income.as stated in our State of Hawaii Constitution. Ceded lands cannot be lost forever. Lost of our ceded lands cannot be allowed.

3. AMI and terms of leases need to be addressed with the Mortgage Bankers' Association so

they will be able to provide mortgages that can be sold to the FREDDIE MAC, FANNIE MAE,

GINNIE MAE,ETC. or the State of Hawaii float bonds for the purchase of these loans.

4. Rental units are needed in order for our people to get to a point they will be able to qualify for

for a loan to purchase a unit. Having FHA programs available to put funds aside each month as a savings program to be able to meet down payment requirements is needed and worked in the past. In order to move forward, look to past.

SB-2946-SD-1

Submitted on: 2/26/2020 4:29:05 PM

Testimony for WAM on 2/28/2020 10:56:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark K.Wilson III	Individual	Support	No

Comments:

SB-2946-SD-1

Submitted on: 2/26/2020 11:13:17 PM

Testimony for WAM on 2/28/2020 10:56:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Bruce Anderson	Individual	Support	No

Comments:

I support SB 2946 as an excellent way to increase truly affordable housing to Hawaii residents. I lived for a number of years in Singapore and know that this approach can be very successful if done correctly. These housing units are treasured by the residents of Singapore and are well kept up both by the owner/residents and the government of Singapore. From my direct observation one of the keys to the success of the continued management of this program is the way they compensate their government employees. They benchmark the salaries and benefits of their government employees to private sector employees of similar responsibility. They also are careful to fully fund the resources required for government programs. That allows them to recruit and keep top notch employees at every level. It also reduces the influence that private companies have over decision making, because the government employees have the skills and resources to do their jobs without having to depend on private sector assistance. It is a good idea, but can't be implemented halfway.

TESTIMONY IN SUPPORT OF SB 2946: Relating to Housing

LATE

TO: Senator Donovan M Dela Cruz, Chair; Senator Gilbert S.C., Keith -Agaran, Vice Chair;
Committee on Ways and Means

RE: SENATE BILL NO. 2946, RELATED TO HOUSING

FROM: Rodney Rodrigues, BSW Student, Native Hawaiian

Hearing: Friday, February 28, 2020

Thank you for the opportunity to provide testimony in support of SB 2946, which establishes the ALOHA Homes program to develop low-cost homes on state-owned and county-owned in urban redevelopment sites to be sold in leasehold. My name is Rodney Rodrigues.

As Hawaii is faced with the critical crisis related to housing shortage, I am feeling very optimistic about this bill. So many people are struggling to make ends meet financially. With this bill, there is an opportunity for families to benefit from such a measure.

The need for affordable housing has been an issue for a long time now. I feel this is one of many steps needed to achieve one common goal, and that is to end Hawaii's homelessness crisis.