

Linda Lingle
GOVERNOR



KAREN SEDDON
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
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

March 2, 2009, 1:30 p.m.
Room 308, State Capitol

In consideration of
H.B. 1232
RELATING TO SUSTAINABLE AFFORDABLE HOUSING.

The Hawaii Housing Finance and Development Corporation (HHFDC) **opposes** H.B. 1232.

This measure requires an unspecified portion of housing units in residential developments constructed on state land to be sold pursuant to sustainable affordable leases. Sustainable affordable leases were created by Act 197, Session Laws of Hawaii 2005, and are defined in section 516-1, HRS. We are not aware of any existing sustainable affordable leases and are very concerned that this bill provides for the mandatory sale of an unspecified portion of housing units under these leases. The bill also repeals HHFDC's and the County housing agencies' authority to recapture any subsidy, deferred sales price, or interest on the subsidy or deferred sales price upon resale of an affordable housing property, including properties that were previously sold.

Thank you for the opportunity to testify.



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAOKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
Executive Director

677 Ala Moana Boulevard
Suite 1001
Honolulu, Hawaii
96813

Telephone
(808) 587-2870

Facsimile
(808) 587-8150

E-Mail
ontact@hcdaweb.org

Web site
www.hcdaweb.org

STATEMENT OF

ANTHONY J. H. CHING, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE

HOUSE COMMITTEE ON FINANCE

Monday, March 2, 2009

1:30 P.M.

State Capitol, Conference Room 308

H. B. 1232 – RELATING TO SUSTAINABLE AFFORDABLE HOUSING.

Purpose: This measure requires a portion of housing units in residential developments constructed with State assistance, on land purchased or leased from the State and on land located within a community development district, to be sold pursuant to restrictions that ensure continued affordability over time.

Position: The Hawaii Community Development Authority (“HCDA”) has concerns on this proposal, and **provides comments** on this measure only as they pertain to the HCDA.

The HCDA supports the Legislature’s efforts to insure that reserved housing units developed in Kakaako will remain affordable over time. These efforts, including the requirement in this proposal that the HCDA must manage any reserved housing unit subject to a buy back proposal or developed on State land such that “sustainable affordable leases” are created is laudable, however, we offer the following comments for your consideration with respect to the disposition of reserved housing units by the HCDA.

1. **Restriction on Selling Land in the Kakaako Community Development District.** As a result of past legislative action, the HCDA is prohibited from selling real property in the

Mauka and Makai Areas.¹ Without legislative relief, reserved housing units bought back by the HCDA will not be returned to the market.

2. **HCDA owns no developable land in the Mauka Area.**
Notwithstanding the prohibition, within the Mauka Area, outside of a 10,000 square foot parcel on Cooke Street and two park sites, the HCDA does not own any developable land in the Mauka Area and will not be able to undertake the development of reserved housing projects until that situation changes.
3. **Restriction on Residential Development in the Makai Area.**
The State has significant holdings within the Makai Area which might be developed for reserved housing. However, previous legislative action prevents the HCDA from pursuing or approving the development of any form of residential development on State lands or by a private developer within the Makai Area.
4. **Administration of Reserved Housing Units in Kakaako Mauka.** The HCDA administers its reserved housing buy back program in accordance with those rules administered by the HHFDC and subject of this legislative proposal. Should this legislative proposal be enacted into law, the HCDA will promulgate appropriate rules to comply with the objective that affordable and reserved housing units within Kakaako remain affordable in perpetuity.

Thank you for opportunity to submit this testimony.

¹ As a result of the past legislative action, the HCDA is also prohibited from selling any reserved housing units that may be bought back by the HCDA. The Administration has submitted a proposal this legislative session that would remove the prohibition on selling real property in the Mauka area only.



HB 1232 (HSCR 514) Relating to Sustainable Affordable Housing
House Committee on Finance

March 2, 2009

1:30 am

Room 308

The Office of Hawaiian Affairs supports the purpose and intent of HB 1232 (HSCR 514).

The growing affordable housing problem is one of the most critical issues faced by our communities, especially our Native Hawaiian communities. This issue seems to have many of our families struggling to find adequate housing and to make ends meet.

The state and county governments have not been able to maintain an inventory of affordable housing units in residential developments to meet the demand, therefore, government's kuleana is to ensure the affordable housing constructed with state assistance, on land purchased or leased from the State and on land located in a community development district, to be sold pursuant to restrictions that ensure continued affordability over time.

OHA recognizes that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability, and environmental health be sustained without a coherent and supportive physical framework. This bill will provide some of the much needed framework to effect change in the affordable housing inventory.

Mahalo nui loa for the opportunity to provide this testimony.

February 27, 2009



Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
Committee on Finance
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: H.B. NO. 1232, RELATING TO SUSTAINABLE AFFORDABLE HOUSING

UniDev Hawaii is a “mission driven” company specializing in the development of “reserved housing” that is sold pursuant to ground leases that contain restrictions to ensure permanent affordability. UniDev Hawaii is strongly supportive of H.B. 1232 for the reasons stated below.

The State of Hawaii currently imposes affordability requirements for projects assisted by the Hawaii Housing Finance and Development Corporation (“HHFDC”). Under Section 201H-47, Hawaii Revised Statutes, with respect to the transfer of real property sold under Chapter 201H, HHFDC has the first option to purchase the real property at a formula price for a period of ten years. The formula price includes the original cost to the purchaser, the cost of any improvements added by the purchaser and simple interest at one percent per year. If the owner wishes to transfer the property and HHFDC does not exercise its purchase option, then HHFDC may require the owner to sell the property to a “qualified resident” on terms that preserve the intent of Sections 201H-47, 201H-49 and 201H-50.

After this ten-year period, the owner may sell the property *free of any price restrictions* as long as the owner repays HHFDC for any subsidy or deferred sales price made by HHFDC in the original acquisition, development, construction and sale of the real property, plus interest on the subsidy at 7% per year. At the time of sale, the owner must also pay to HHFDC a share of appreciation as determined under HHFDC rules.

The current statutory scheme does not ensure permanent affordability to future buyers, and eventually allows state-assisted “affordable housing” to convert to market rate pricing. The current system can create a “windfall” for families who keep the units beyond the ten-year buy-back period and thus are able to sell their “affordable home” at market prices.

Under H.B. 1232, affordability resale restrictions would remain in place beyond the current 10-year restricted period. After that period, the property could be sold for a price that does not exceed the “maximum resale price.” The same limit would apply

UniDev Hawaii, LLC

1100 Alakea Street

Suite 1550

Honolulu, Hawaii 96813

Phone: 808.536.1110

Fax: 808.536.1104

www.unidevllc.com

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
Committee on Finance
February 27, 2009
Page 2 of 2



during the first ten years if HHFDC did not exercise its purchase option. In both cases, the maximum resale price would be defined as the sum of the current owner's purchase price for the property, plus *appreciation limited to increases in the Consumer Price Index*, plus the cost of all capital improvements made by the current owner. With these changes, all affordable housing built with HHFDC assistance should remain affordable in perpetuity.

The bill would also impose affordability requirements for housing developed on land purchased or leased from the State of Hawaii even if there is no HHFDC assistance under Chapter 201H. In such developments, at least a specified percentage of the total residential floor area in the development would have to constitute "affordable housing" and be sold pursuant to "sustainable affordable leases," as each term is defined in the bill.

Finally, the bill would amend Section 206E-15, HRS, to require any residential project constructed within a community development district to provide at least 20 percent of the total residential floor area as "reserved housing" that is affordable to households with incomes at or below 140 percent of median family income. If sold rather than rented, the reserved housing would have to be sold pursuant to sustainable affordable leases. The reserved housing requirement would be increased to 25 percent with respect to planned developments located on lots of three acres or more or that are part of a master planned area.

H.B. 1232 would allow homebuyers who are subject to its provisions to obtain all the benefits of homeownership, including the ability to build equity in a home, lock in their monthly costs, ensure continued occupancy and take full advantage of all state and federal tax benefits associated with mortgage interest and real property taxes. However, resale prices would be limited so that these homes would remain affordable to families earning 140% of AMI or less over the life of the dwelling, thereby assuring that generations of Hawaiian families will have access to affordable housing, not just the lucky few that are "first in" the door.

Very truly yours,

UniDev Hawaii, LLC

By 
Jeffery A. Minter
Its President

UniDev Hawai'i, LLC

1100 Alakea Street

Suite 1550

Honolulu, Hawaii 96813

Phone: 808.536.1110

Faxmile: 808.536.1104

www.unidevllc.com



The House Committee on Finance

March 02, 2009

1:30 p.m.

H.B. 1232 Relating to Sustainable Affordable Housing—Continued Affordability

The University of Professional Assembly supports H.B. 1232 as key to developing and maintaining affordable housing for a wide range of Hawaii citizens including faculty at the University of Hawaii. Over the past six years, UHPA has advocated for a mechanism that establishes affordable resale in perpetuity. H.B. 1232 does this while allowing homeowners to build equity and use various Federal income tax deductions.

Many young faculty are discouraged by the lack of affordable housing in Hawaii. UHPA surveyed its membership and found 40% were not home owners. There was significant interest in obtaining affordable housing and it was a factor in whether existing faculty would make a long term commitment to remain here. Newly hired faculty note the high cost of rent and ask whether they would be able to purchase a home as they progress professionally.

H.B. 1232 is a positive approach to creating affordable housing that is a significant incentive to attract and retain the workforce that Hawaii needs.

Respectfully submitted,

A handwritten signature in black ink that reads "Kristeen Hanselman".

Kristeen Hanselman
Associate Executive Director

UNIVERSITY OF HAWAII
PROFESSIONAL ASSEMBLY

1017 Palm Drive · Honolulu, Hawaii 96814-1928
Telephone: (808) 593-2157 · Facsimile: (808) 593-2160
Web Page: <http://www.uhpa.org>