



KAMEHAMEHA SCHOOLS

Testimony to the House Committee on Housing
Hearing Date: Wednesday, February 11, 2009
10:30 a.m. – Conference Room 325

Sydney Keli'ipuleole
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Kamehameha Schools

Thank you for the opportunity to comment on HB No. 1591.

Kamehameha Schools respectfully opposes this measure.

Kamehameha Schools broadly supports the increasing availability of affordable housing throughout Hawai'i. We believe that the housing crisis in Hawai'i is real and requires immediate action. We also believe it is critically important to implement policies that will result in the construction of new affordable units (or retention of existing supply) and not have the unintended and ironic consequence of inhibiting construction altogether.

Our overarching comment is that provisions in statute, rules and policies concerning affordable housing must be viewed collectively for their contribution to an overall effective policy that promotes actual development of affordable housing. Legislating a prescribed percentage of "affordable" units in specific districts or communities will not accomplish the desired result. To be truly effective, we must find ways to build low-to-gap group housing throughout our state. We believe that a range of strategies will help provide realistic options for many Hawaii residents. We want to engage in constructive dialog with you and key stakeholders and thank you for allowing us to highlight several key issues.

Address the Need for Housing Broadly.

The basis for mandating construction of affordable housing should be tied to market residential units constructed and should be considered on a statewide or at least island-wide basis. We would propose a statewide, coordinated effort to set a maximum level, such as 10 percent of residential units constructed with the opportunity for developers to donate land within the state (or island) in lieu of on-site construction. The governing agencies would have discretion to set the appropriate level depending on market conditions and other considerations. This will result in many more units of affordable housing across the state being built. And it will not inhibit, the way a higher mandated threshold might, construction in Kaka'ako.

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Provide Meaningful Incentives - Facilitate Free Award of Development Credits and Trade Between Developers.

Credits for developing affordable housing should to be transferrable between developers (across the state or the island) and credits should be granted on a pro-rata basis when developed for residents with a lower median income than required by law or when committed to a longer than statutory period. This will promote construction. Without these kinds of policies, developers find it economically infeasible to construct projects even when land is free or already paid for.

For example, we believe that units designed and offered to residents with income at 70 percent of the average median income should be given double the credits as those offered to residents at 140 percent of average median income. This type of a program serves two important needs: 1) it encourages developers to target more than just the 140% median income populace, thereby creating broader access to affordable housing units and 2) it helps target housing opportunities to greater at risk income categories.

Similarly, the state should be concerned with the preservation of existing affordable housing stock as much as creating new housing stock. Currently, most ordinances require new reserved housing units to remain in the affordable housing pool for a period of 10 years. Since a unit removed from the affordable housing pool exacerbates the need for new units to be constructed, investors and developers should be incentivized to preserve affordable units. One easy strategy is to give twice the credit for an affordable unit dedicated for a 20-year period than a unit dedicated for a 10-year period. Another option is to create legislation that allows owners of existing, older housing product to upgrade and then income restrict their units and sell credit to developers of new housing. This provides the dual benefit of improving older housing stock that is increasingly in disrepair and preserving affordable housing stock for longer periods, thereby reducing the need to build replacement housing as redevelopment occurs in older communities.

Provide Flexibility.

In the Kaka'ako area, which is so close to many jobs in the Honolulu urban core, the HCDA should be given the flexibility to allow for fewer or even zero parking spaces per unit to lower costs. Some cities set maximum parking limits to encourage more people to use other mobility methods. Rental housing can also provide access to many who might not otherwise be able to afford home ownership.

While many jurisdictions recognize and provide credit for rental housing, they often punish developers of rental housing by establishing lower income threshold exist relative to "for sale" housing. This restricts adding viable units to the market. Across the island and the state such flexibility can promote the development of true affordable housing.

The worldwide economic turmoil has put Hawai'i in an precarious position financially. We commend the State Legislature for seeking ways to stimulate economic activity in our state that also provides housing options for more of our residents and families. Unfortunately, this measure will not accomplish that objective.

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IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

February 11, 2009, 10:30 a.m.
Room 325, State Capitol

In consideration of
H.B. 1591
RELATING TO HOUSING.

The Hawaii Housing Finance and Development Corporation (HHFDC) **strongly opposes** H.B. 1591, which would require that affordable for-sale units in projects assisted by the HHFDC or the County housing agencies be restricted as affordable housing in perpetuity. Although this bill's effective date is July 1, 2009, it will impact existing affordable for-sale projects.

Homeownership has historically been the primary means of attaining middle class status. Policies that prevent homebuyers from realizing a reasonable equity gain from their homes deny them of the opportunity to move up in social class, thus denying them the main benefit of homeownership.

We also believe the bill would hinder a homebuyer's ability to obtain mortgage financing due to the perpetual resale restrictions for the property. Because of limitations placed on the resale of the property, HHFDC or the County housing agencies may have to provide guarantees for conventional mortgage loans.

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. Deferred sales price payments are made as homeowners sell their units or make small payments, or in small payments over time. As of December 31, 2008, HHFDC had \$214,308.50 in deferred sales price receivables still outstanding.

Thank you for the opportunity to testify.