

BIA-HAWAII
BUILDING INDUSTRY ASSOCIATION

February 11, 2009

Representative Rida Cabanilla, Chair
House Committee on Housing
Representative Ken Ito, Chair
House Committee on Water, Land & Ocean Resources
State Capitol, Room 309
415 South King Street
Honolulu, Hawaii 96813

Dear Chairs Cabanilla: and Ito and Members of the Committees:

Subject: House Affordable Housing Bills

I am Karen Nakamura, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII will be providing testimony on the following bills dealing with affordable housing.

Bill No.	Proposal	Comments
HB 361	Amends Chapter 201H to expedite the construction of affordable housing units by requiring ministerial permits associated with the project to be issued by the State or county within 45 days of county council approval of the project.	Support
HB 363	Amends Chapter 46 and requires the Counties to provide incentives for the development of affordable housing that may include but are not limited to density bonuses, height waivers, cluster zoning, greater design flexibility, procurement exemptions, waiving water and sewer connection fees, priority infrastructure financing, and site flexibility.	Support
HB 354	Amends Chapter 46 and requires the Counties to accept or reject a dedication request from an affordable, workforce, mixed use, or rental housing project constructed under chapter 201H to connect its infrastructure to the county's infrastructure. If not accepted within 60 days, of filing the request, the infrastructure automatically is dedicated to the County.	Support
HB 1189	Amends Chapter 205 and requires the petitioners for reclassification of district boundaries and developers of 25 or more housing units provide for at least 60% of the units to be affordable housing, of which 25% going to the households earning up to 80% of the area median income.	Oppose

As a matter of background in 2005, the Legislature recognizes that the lack of affordable housing in Hawaii has become a significant problem affecting all segments of society. Each legislative session, more and more people from all walks of life have come to testify on legislative measures related to affordable housing and homelessness. In response to this need, the Legislature passed Act 196, Session Laws of Hawaii 2005 (the "Omnibus Affordable Housing Act"), which included the following:

1. Sale or lease of decommissioned public housing at low cost for renovation by private entities;
2. Use of the dwelling unit revolving fund for permanent construction financing;
3. Increase in the low-income housing tax credit;
4. Grants for low-income rental units;
5. Exemption from the conveyance tax when property is transferred for low-income housing projects;
6. Use of rental housing trust fund moneys for mixed-income affordable housing projects; and
7. Extending the general excise tax exemption for certified housing projects to affordable rental housing.

While Act 196 established measurable goals and laid the foundation for continued progress, more action is clearly needed. Accordingly, the *Joint Legislative Housing and Homeless Task Force* was established by the Act to develop more immediate solutions that can be implemented in the near future to help ease Hawaii's housing shortage and the needs of the homeless.

The Task Force proposed a five-year plan with the goal of developing a substantial number of affordable housing units, as well as an increased number of accommodations and services available to the homeless.

It also recommended that the State become more actively involved in several major areas of concern, including:

1. Leveraging more sources of financing for affordable housing;
2. Making available more public land for the development of affordable housing;
3. Streamlining government approvals and permitting of affordable housing projects;
4. Building more offsite infrastructure to serve affordable housing;
5. Appropriating additional funds for transitional housing, shelters, and services for the homeless population; and
6. Preserving and maintaining the existing stock of public housing and rental units, much of which is badly deteriorated, subject to high vacancy rates and long turnover times, and otherwise not available for needy tenants.

In order to achieve this, the Task Force recommended that the Legislature adopt a five-year plan to implement solutions in each area of concern. Priority actions would include but not be limited to:

- (1) Increase the allocation of conveyance tax revenues to the rental housing trust fund to at least fifty percent, to finance development of at least an additional 2,300 rental units over the next five years (5,238 units if leveraged with other sources).
- (2) Appropriate \$20,000,000 to fund immediate and near-term solutions to the homeless problem through grants-in-aid to innovative nonprofit organizations.
- (3) Create further incentives such as a new noncompetitive state low-income housing tax credit of ten to fifteen percent of project eligible basis, unconstrained by federal law, to leverage private investment funds for development of low- and moderate-income units.
- (4) Identify private and public lands available for affordable housing development, including small state-owned parcels suitable for construction of self-help homes.

- (5) Appropriate approximately \$10,000,000 to repair and modernize 825 vacant units in federal and state public housing projects.

We would strongly suggest that this Committee review the report and assess implementation of the recommendations made as a result of the prior Legislative action.

The underlying problem in the State and all of its counties is the continuing critical shortage of affordable housing. As a matter of policy, the Legislature should recognize that the cyclical housing problems in the State are a function of the overall lack of supply of housing in general.

For many years, government has attempted to address the need for housing by imposing affordable housing requirements on private developers seeking zone changes to permit large residential developments. These requirements have been contained in Unilateral Agreements executed and recorded by the developer/landowner and made a part of zone changes.

However, the Legislature realized that there are segments of the housing market that cannot be accommodated by the private sector developers. What is needed is a comprehensive approach to address the existing and future housing needs for the residents of the State.

The purpose of this policy is to establish clear and comprehensive housing program to address Oahu's pressing needs for housing.

The housing market can be grouped into the following three basic segments with the associated "tools" listed that would increase the overall supply in the particular market segment:

1. Public Assisted Housing (Rentals)

The Public Assistance group is defined as household with annual income of 60% and below of the HUD median income for a family of four. This group requires significant public financial assistance in building and/or operating housing units

- a. Tools

- i. .5% Real Property Tax—The recent City Charter Amendment allows for the .5% of the annual real property taxes in the City and County of Honolulu to be used for affordable housing to those in the 50% and below income group;
- ii. Direct subsidies, grants and appropriations;
- iii. Low Income Federal Tax Credits;
- iv. Other?

2. Affordable/Workforce Housing (For Sale and Rentals)

The Affordable/Workforce Housing group is defined as households with annual income between 61% and 80% for rentals and between 81% and 140% for sale of the HUD median income for a family of four.

- a. Tools

- i. Inclusionary zoning (i.e. 30% of the units priced at affordable);

- ii. Target and construct infrastructure capacity in areas where the City identifies for growth;
- iii. Incentives:
 - 1. Permitting—discretionary versus ministerial approvals
 - 2. Density bonus to off-set affordable/workforce units
 - 3. Other?

3. Market Housing (For Sale and Rentals)

The Market Housing group is defined as households with annual income above 141% of the HUD median income for a family of four.

b. Tools

- i. Target and construct infrastructure capacity in areas where the City identifies for growth;
- ii. Target communities for more market units if more than 30% of the total units in the area are priced for affordable/workforce households
- iii. Incentives:
 - 1. Permitting—discretionary versus ministerial approvals
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The overall goal of the proposed legislation should be to increase the supply of housing for all income levels. This can be done by stimulating the market in certain areas to provide more incentives to build targeted housing product types. This approach allows the policy makers to focus on increasing unit counts in the various product types as opposed to trying to “regulate” the market.

It provides a different approach to increasing the supply of housing in Hawaii by reducing the uncertainty in the development of the targeted product types and allow for a variety of delivery options depending on market conditions. It also allows the market conditions to dictate supply of product type.

We appreciate the opportunity to express our views on this matter.



Executive Vice President & Chief Executive Officer
BIA-Hawaii



February 11, 2009

Representative Rida Cabanilla, Chair
 HOUSE COMMITTEE ON HOUSING
 State Capitol, Room 309
 415 South King Street
 Honolulu, Hawaii 96813

Dear Chair Cabanilla:

Subject: House Affordable Housing Bills

My name is Dean Uchida, Vice President of the Hawaii Developers' Council (HDC). We represent over 200 members and associates in development-related industries. The mission of Hawaii Developers' Council (HDC) is to educate developers and the public regarding land, construction and development issues through public forums, seminars and publications.

It is also the goal of HDC to promote high ethics and community responsibility in real estate development and related trades and professions.

The HDC will be providing testimony on the following bills dealing with affordable housing.

Bill No.	Proposal	Comments
HB 361	Amends Chapter 201H to expedite the construction of affordable housing units by requiring ministerial permits associated with the project to be issued by the State or county within 45 days of county council approval of the project.	Support
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HB 1189	Amends Chapter 205 and requires the petitioners for reclassification of district boundaries and developers of 25 or more housing units provide for at least 60% of the units to be affordable housing, of which 25% going to the households earning up to 80% of the area median income.	Oppose

As a matter of background in 2005, the Legislature recognizes that the lack of affordable housing in Hawaii has become a significant problem affecting all segments of society. Each

legislative session, more and more people from all walks of life have come to testify on legislative measures related to affordable housing and homelessness. In response to this need, the Legislature passed Act 196, Session Laws of Hawaii 2005 (the "Omnibus Affordable Housing Act"), which included the following:

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7. Extending the general excise tax exemption for certified housing projects to affordable rental housing.

While Act 196 established measurable goals and laid the foundation for continued progress, more action is clearly needed. Accordingly, the *Joint Legislative Housing and Homeless Task Force* was established by the Act to develop more immediate solutions that can be implemented in the near future to help ease Hawaii's housing shortage and the needs of the homeless.

The Task Force proposed a five-year plan with the goal of developing a substantial number of affordable housing units, as well as an increased number of accommodations and services available to the homeless.

It also recommended that the State become more actively involved in several major areas of concern, including:

1. Leveraging more sources of financing for affordable housing;
2. Making available more public land for the development of affordable housing;
3. Streamlining government approvals and permitting of affordable housing projects;
4. Building more offsite infrastructure to serve affordable housing;
5. Appropriating additional funds for transitional housing, shelters, and services for the homeless population; and
6. Preserving and maintaining the existing stock of public housing and rental units, much of which is badly deteriorated, subject to high vacancy rates and long turnover times, and otherwise not available for needy tenants.

In order to achieve this, the Task Force recommended that the Legislature adopt a five-year plan to implement solutions in each area of concern. Priority actions would include but not be limited to:

- (1) Increase the allocation of conveyance tax revenues to the rental housing trust fund to at least fifty percent, to finance development of at least an additional 2,300 rental units over the next five years (5,238 units if leveraged with other sources).
- (2) Appropriate \$20,000,000 to fund immediate and near-term solutions to the homeless problem through grants-in-aid to innovative nonprofit organizations.

- (3) Create further incentives such as a new noncompetitive state low-income housing tax credit of ten to fifteen percent of project eligible basis, unconstrained by federal law, to leverage private investment funds for development of low- and moderate-income units.
- (4) Identify private and public lands available for affordable housing development, including small state-owned parcels suitable for construction of self-help homes.
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We would strongly suggest that this Committee review the report and assess implementation of the recommendations made as a result of the prior Legislative action.

The underlying problem in the State and all of its counties is the continuing critical shortage of affordable housing. As a matter of policy, the Legislature should recognize that the cyclical housing problems in the State are a function of the overall lack of supply of housing in general.

For many years, government has attempted to address the need for housing by imposing affordable housing requirements on private developers seeking zone changes to permit large residential developments. These requirements have been contained in Unilateral Agreements executed and recorded by the developer/landowner and made a part of zone changes.

However, the Legislature realized that there are segments of the housing market that cannot be accommodated by the private sector developers. What is needed is a comprehensive approach to address the existing and future housing needs for the residents of the State.

The purpose of this policy is to establish clear and comprehensive housing program to address Oahu's pressing needs for housing.

The housing market can be grouped into the following three basic segments with the associated "tools" listed that would increase the overall supply in the particular market segment:

1. Public Assisted Housing (Rentals)

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The overall goal of the proposed legislation should be to increase the supply of housing for all income levels. This can be done by stimulating the market in certain areas to provide more incentives to build targeted housing product types. This approach allows the policy makers to focus on increasing unit counts in the various product types as opposed to trying to “regulate” the market.

It provides a different approach to increasing the supply of housing in Hawaii by reducing the uncertainty in the development of the targeted product types and allow for a variety of delivery options depending on market conditions. It also allows the market conditions to dictate supply of product type.

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HOUSE COMMITTEE ON HOUSING

**February 11, 2009
 State Capitol, Room 309
 415 South King Street
 Honolulu, Hawaii 96813**

Subject: House Affordable Housing Bills

Chair Cabanilla and members of the committee:

My name is Jim Tollefson, President of the Chamber of Commerce of Hawaii. The Chamber of Commerce of Hawaii works on behalf of its members and the entire business community to:

- Improve the state's economic climate
- Help businesses thrive

The Chamber of Commerce of Hawaii will be providing testimony on the following bills dealing with affordable housing.

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We appreciate the opportunity to express our views on this matter.



Via Capitol Website

February 11, 2009

**House Committee on Housing
and
House Committee on Water, Land and Ocean Resources
Wednesday, February 11, 2009 at 9:00 AM, CR 309**

**Testimony in Support of HB 354. Relating to Affordable Housing
(County affordable housing incentives)**

The Honorable Chairs Cabanilla and Ito, Vice-Chair Chong/Har
And HSG-WLO Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide our testimony **in support** of the HB 354 which requires counties to accept or reject a public infrastructure dedication that has been developed as part of a housing project within 60 days of the dedication request.

Background. The lack of affordable housing remains a significant problem affecting Hawaii. Finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, and state and county agencies, and members of the housing industry and business community. For the past two years, LURF has participated in a statewide task force comprised of representatives from all four counties, business, labor, developers, architects, nonprofit providers of services, the State, and the legislature, whose purpose was to identify, address and propose regulatory reform and solutions to remove the barriers to the production of affordable housing. **HB 354** is part of the legislative recommendations of that task force.

HB 354. The purpose of this bill is to implement the legislative recommendations of the task force by requiring counties to accept or reject a public infrastructure dedication that

has been developed as part of a housing project when the infrastructure has been constructed to county building code standards, within sixty days of the dedication request to ensure that the delivery of affordable housing is not delayed.

The pertinent provisions of HB 354 add a new section to Chapter 46 as follows:

"§46- Time limit on acceptance or rejection of affordable, workforce, mixed use, and rental housing infrastructure dedicated to counties. A county shall accept or reject a dedication request from an affordable, workforce, mixed use, or rental housing project constructed under chapter 201H to connect its infrastructure to the county's infrastructure, including but not limited to its roadways, water, sewer, and drainage systems, upon the payment of the applicable meter and connection fees and utility costs; provided that the infrastructure conforms to county building codes; and provided further that the dedicated infrastructure is certified to be in compliance by either the county inspector responsible for accepting dedicated infrastructure, or a third-party licensed building inspector. If the infrastructure dedication is not accepted or rejected by the county within sixty days of the dedication request, the infrastructure shall be automatically dedicated to the county."

Section 3 of HB 354 also proposes an addition to HRS Section 264-1, as follows:

(3) Dedication of public highways or trails shall be deemed to have taken place if the road, alley, street, bikeway, way, lane, trail, or bridge is part of an affordable housing development, provided that it conforms to county building codes; and provided further that the dedicated infrastructure is certified to be in compliance by either the county inspector responsible for accepting dedicated infrastructure, or a third-party licensed building inspector. Dedication shall be deemed to have taken place if the infrastructure dedication is not accepted or rejected by the county within sixty days of the dedication request.

LURF's Position. HB 354 is being proposed because there has been an apparent problem with the delay of counties in affirmatively accepting or rejecting public infrastructure improvements that have been developed as part of a housing project. Thus, it is necessary to expedite such infrastructure dedication requests involving affordable housing projects, because of the increased cost incurred with any delays in housing projects are ultimately paid by consumers. This bill provides some assurance to the developer that dedication of infrastructure will happen within a set amount of time (60 days for filing for dedication), if all conditions for dedication listed in the Bill are met.

The housing crisis in Hawaii has affected many families who are now forced to live with extended families because of high costs. Access to affordable housing is critical to our communities and any further delay of any affordable housing type projects will cause an even bigger crisis in the near future.

Based on the above, we respectfully request your **favorable consideration of HB 354.**

Thank you for the opportunity to express our **support for HB 354.**



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

Testimony of
Linda L. Smith
Senior Policy Advisor to Governor Lingle
Chairperson, Affordable Housing Regulatory Barriers Task Force

Before the
HOUSE COMMITTEES ON HOUSING AND WATER, LAND, & OCEAN RESOURCES
Wednesday, February 11, 2009, 9:00 a.m.
Room 309, State Capitol

H.B. 354 RELATING TO AFFORDABLE HOUSING

Chairs Cabanilla and Ito, Vice Chairs Chong and Har, and members of the Committees, thank you for the opportunity to provide testimony in **support** of House Bill 354 **with amendments**.

This bill requires counties to accept or reject public infrastructure dedications that have been developed as part of an affordable housing project within 60 days of the dedication request. If the county fails to act on the request, the infrastructure will be automatically dedicated upon verification that it complies with county building codes. The purpose of establishing a timeframe for infrastructure dedication is to create predictability and defer delays in the development of affordable housing.

On behalf of the Affordable Housing Regulatory Barriers Task Force, the Administration recommends that section 2 of the bill, which amends chapter 46 of the Hawaii Revised Statutes, be amended to add a definition of "third-party building inspector" for the sake of clarity. The new definition should be inserted on page 3, line 9 and reads as follows:

"For the purposes of this section "third-party building inspector" means a licensed private sector inspector that is contracted by a state or county agency to perform building plan review functions including but not limited to building inspections, mechanical inspections, electrical inspections, and plumbing inspections."

Thank you for the opportunity to provide testimony in support of House Bill 354.

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 HOUSING
HOUSE COMMITTEE ON WATER, LAND & OCEAN RESOURCES**

February 11, 2009, 9:00 a.m.
Room 325, State Capitol

In consideration of
H.B. 354
RELATING TO AFFORDABLE HOUSING.

The HHFDC supports H.B. 354. This bill requires counties to accept or reject requests for dedication of infrastructure for an affordable, workforce, mixed-use, or rental housing project constructed under Chapter 201H, Hawaii Revised Statutes within 60 days of filing under specific circumstances. H.B. 354 would help affordable housing developers by making it easier to develop affordable housing by limiting the amount of time the developer is responsible for maintaining the infrastructure and enabling the developer to get back its surety bond in a reasonable amount of time.

The HHFDC respectfully requests that this bill be amended to clarify the intent and to ensure that it effectuates its stated purpose. Specifically, we request that the Committees adopt the following amendments:

1. Page 2, line 17 should be amended by adding the phrase ", within sixty days from the date of the request,";
2. Page 4, lines 14 and 15 should be amended to read as follows:

"The counties shall accept dedication of public highways or trails if the road, alley, street"
3. Because building codes change substantially over time, amend page 3, line 2, and page 4, line 18 of S.B. 444 to add the phrase "at the time of construction" after the words "county building codes".

Thank you for the opportunity to testify.