

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
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IN REPLY REFER TO

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

HOUSE COMMITTEE ON HOUSING

March 18, 2009 9:30 a.m.
Room 325, State Capitol

In consideration of
S.B. 754, S.D. 1
RELATING TO AFFORDABLE HOUSING.

The HHFDC supports the intent of S.B. 754, S.D. 1 as it relates to Chapter 201H, Hawaii Revised Statutes (HRS), as long as its implementation does not impact or replace the priorities set forth in the Executive Biennium Budget for Fiscal Year 2009-2010. We defer to the Hawaii Public Housing Authority, and to the Counties, respectively, with respect to the bill's impact on Chapters 356D and 46, HRS.

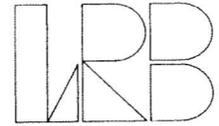
S.B. 754, S.D. 1 asks the Legislative Reference Bureau to review these HRS chapters and make recommendations for strengthening State housing laws. The HHFDC supports efforts to improve housing policy and promote affordable housing development.

Thank you for the opportunity to testify.

Ken H. Takayama
Director

Charlotte A. Carter-Yamauchi
First Assistant

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LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
415 S. Beretania Street, Room 446
Honolulu, Hawaii 96813

Testimony

SB754, SD1

RELATING TO AFFORDABLE HOUSING

Testimony by the Legislative Reference Bureau
Ken H. Takayama, Director

Presented to the House Committee on Housing

Wednesday, March 18, 2009, 9:30 a.m.
Conference Room 325

Chair Cabanilla and Members of the Committee:

I am Ken Takayama, Director of the Legislative Reference Bureau. Thank you very much for the opportunity to testify on S.B. No. 754, S.D. 1. The Bureau takes **no position** either for or against this measure, but offers the following **comments**.

1. This bill directs the Bureau to review state and county laws relating to affordable housing, to identify strategies to "strengthen" Hawaii's housing laws.
2. We assume from some of the other provisions of the bill that "strengthen" means "calculated to increase the supply of affordable housing in the State".
3. The review called for is a big job, as the bill is drafted broadly. However, if the Legislature wants us to do this study, we will do so to the best of our ability.

Thank you for this opportunity to testify. I am open to any questions you may have.

BIA-HAWAII
BUILDING INDUSTRY ASSOCIATION

March 18, 2009

Representative Rida Cabanilla, Chair
HOUSE COMMITTEE ON HOUSING
State Capitol, Room 325
415 South King Street
Honolulu, Hawaii 96813

Dear Chair Cabanilla:

Subject: S.B. No. 754 SD 1, Relating to Affordable Housing

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.

The purpose of this bill is to require the legislative reference bureau to review the state and county laws related to affordable housing, in particular chapter 201H, Hawaii Revised Statutes, relating to the Hawaii housing finance and development corporation; chapter 356D, Hawaii Revised Statutes, relating to the Hawaii public housing authority; and chapter 46, Hawaii Revised Statutes, relating to county organization and administration, to recommend strategies to strengthen Hawaii's housing laws.

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 these past legislative efforts be considered by the LRB should this bill proceed.

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. This effort should establish clear and comprehensive housing programs to address the States' 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
 - 2. Other?

The overall goal 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 would recommend that this approach be considered by the LRB should this bill move forward.

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



Chief Executive Officer
BIA-Hawaii



March 18, 2009

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

Dear Chair Cabanilla:

Subject: S.B. No. 754 SD 1, Relating to Affordable Housing

My name is Shane Peters, 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 purpose of this bill is to require the legislative reference bureau to review the state and county laws related to affordable housing, in particular chapter 201H, Hawaii Revised Statutes, relating to the Hawaii housing finance and development corporation; chapter 356D, Hawaii Revised Statutes, relating to the Hawaii public housing authority; and chapter 46, Hawaii Revised Statutes, relating to county organization and administration, to recommend strategies to strengthen Hawaii's housing laws.

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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6. Use of rental housing trust fund moneys for mixed-income affordable housing projects; and
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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 these past legislative efforts be considered by the LRB should this bill proceed.

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. This effort should establish clear and comprehensive housing programs to address the States' pressing needs for housing.

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b. Tools

- i. Target and construct infrastructure capacity in areas where the City identifies for growth;
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HOUSE COMMITTEE ON HOUSING
Wednesday, March 18, 2009
9:30 a.m.
Conference Room 325
State Capitol

Subject: S.B. No. 754 SD 1, Relating to Affordable Housing

Chair Cabanilla, Vice Chair Chong 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 purpose of this bill is to require the legislative reference bureau to review the state and county laws related to affordable housing, in particular chapter 201H, Hawaii Revised Statutes, relating to the Hawaii housing finance and development corporation; chapter 356D, Hawaii Revised Statutes, relating to the Hawaii public housing authority; and chapter 46, Hawaii Revised Statutes, relating to county organization and administration, to recommend strategies to strengthen Hawaii's housing laws.

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