HAWAII COMMUNITY DEVELOPMENT AUTHORITY

KAKAAKO
KALAELOA

Linda Lingle
Governor

C. Scott Bradley
Chairperson

Anthony J. H. Ching
Executive Director

461 Cooke Street
Honolulu, Hawaii
96813

Telephone
(808) 594-0300

Facsimile
(808) 594-0299

E-Mail
contact@hcdaweb.org

Web site
www.hcdaweb.org

STATEMENT OF

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

BEFORE THE

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

Monday, February 8, 2010

9:00 A.M.

State Capitol, Conference Room 325

H.B. 2849 – REALTING TO KAKAAKO.

Purpose: Sets the reserved housing requirements for planned development on lots: between 20,000 sf and 80,000 sf at 20% of residential sf/10% of commercial sf; greater than 80,000 sf at 30% of residential sf/20% of commercial sf. A 5% density bonus program is offered for projects which build additional reserved housing sf. Five years after the effective date of the Act, the residential and commercial development percentage is increased by 5% unless the Legislature determines that there is adequate reserved housing in Kakaako at that time. Credits are awarded where affordable rental or for sale units are maintained as affordable for specified periods of time. Exempts reserved housing units from all infrastructure assessments and public facilities fees. Allows the transfer of excess housing credits generated at one project to another in Kakaako in accordance to a specific price schedule. Eliminates the possibility that reserved housing units might be constructed on lots located outside of the Kakaako community development district. Requires that the Authority report the status of the reserved housing program in the Kakaako Community Development District to the Legislature in 2014. Retroactively applies to the unbuilt portions within an approved master plan area.

Position: The Hawaii Community Development Authority (HCDA) agrees that there is a severe shortage of affordable work force housing units in Honolulu, however the HCDA is opposed to the passage of this measure in its current form. This opposition is based on the following reasons.

- The increase in the reserved housing requirement and the creation of a new requirement tied to the square footage associated with commercial development is unreasonable as it does not offer commensurate incentives.
- The creation of a new reserved housing requirement tied to commercial area runs counter to the HCDA objective to produce mixed use projects, will increase the costs of developing the commercial area without any offset and in most cases will only produce a few more reserved housing units (e.g., 10% of 5,000 sf commercial space = 500 sf or one studio reserved housing unit).
- The San Francisco Bay area is a metropolitan area which is similar to Honolulu and also administers a mandatory inclusionary zoning program. However, 25% is the highest share of inclusionary zoning/reserved housing units that they prescribe for development. It is also important to note that incentives are included in their program to offset the cost of providing the reserved housing units.
- The "flexibility" option provides a half credit for each reserved housing unit which is maintained for a period of time (10 to 20 years). Receipt of this credit will likely require that a covenant is placed on the title for the unit in order for the developer to receive the benefit. This system is unwieldy to manage and administer over time. It is also unlikely to serve as an incentive for developers given that their participation in the project does not typically extend out to 20 years.
- The excess reserved housing credit system establishes a pricing schedule which is better left to the market and not the HCDA to determine.
- Elimination of the possibility that a percentage of reserved housing units might be developed on lands outside of the community development district takes away another option by which the increased cost of constructing additional reserved housing units might be met.
- Retroactive application of the increase in the reserved housing requirement upon unbuilt portions of the master plan area will impact the costs and benefits that were originally calculated in the granting of the master plan permit and will likely produce unknown liability for the State.

Thank you for the opportunity to provide comments on this proposal. It is my belief that in its current form, this proposal establishes an unreasonable increase in the requirement without also providing necessary offsets or incentives.

LAND USE RESEARCH
FOUNDATION OF HAWAII
700 Bishop Street, Ste. 1928
Honolulu, Hawaii 96813
Phone 521-4717
Fax 536-0132

Via: WLOtestimony@Capitol.hawaii.gov
HSGtestimony@Capitol.hawaii.gov

February 8, 2010

Opposition to HB 2849 KAKAAKO
(Reserved Housing Increase)

The Honorable Representative Ken Ito, Chair, Vice-Chair Sharon Har
and Members of the House Committee on Water, Land & Ocean Resources,
The Honorable Representative Rida Cabanilla, Vice Chair Pono Chong,
And members of the House Housing Committee,

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 and rational land use planning, legislation and regulations affecting common problems in Hawaii.

LURF supports the development of housing projects in Kaka`ako which include affordable housing units, however, we are **opposed to SB 2849 in its current form and recommend that the bill be deferred until the Kaka`ako stakeholders and government officials can agree on a plan and incentives to increase affordable housing in Kaka`ako**. LURF's opposition is based on, among other things, the following:

- **No rational nexus for square footage requirement.** The proposed bill, which determines the reserved housing requirement based on square footage of residential and commercial projects, is unconstitutional, because there is no legal nexus or proportionality justification for the reserved housing requirement on residential and commercial buildings based on countable floor area, and it lacks a rational nexus to include the square footage of parking lots, elevator shafts, corridors and stairways, etc.
- **No legal justification based on studies, statistics, etc.** The bill is also unconstitutional, because there is no study, statistics or legal policy to justify the new percentages of total square footage to determine the amount of required reserved affordable housing.
- **No adequate economic incentives.** The bill does not include adequate economic incentives to encourage the development of affordable housing;
- **Inconsistent with HCDA's Kakaako plans.** The requirements of this bill are not consistent with the current visions, plans and processes of the Hawai'i Community Development Authority ("HCDA"), which has jurisdiction over the Kaka`ako area; and

- **Unfair implementation procedures.** The following proposed implementation procedures, are fundamentally unfair: the requirement that HCDA to adopt implementing rules without regard to the notice and public hearing requirements of Chapter 91, Hawaii Revised Statutes (HRS), and also the provisions prohibiting HCDA from accepting applications until the rules take effect.

We would strongly recommend that the supporters of this bill work with HCDA, which has jurisdiction over Kaka`ako, the Hawai'i Housing Finance and Development Corporation (HHFDC), the major landowners and stakeholders in Kaka`ako and other government agencies to develop a consensus regarding the goals, incentives and implementation of housing projects in Kaka`ako which include affordable housing units.

Background. The history of this bill can be explained in the context of the 1982 Kaka`ako Community Development District Plan, which was a community and government-based plan, and the findings in the recent Standing Committee Report No. 720-08 of the House Committees on Water, Land, Ocean Resources and Hawaiian Affairs and Human Services & Housing. Based on those documents, it appears that the Kaka`ako Community Development District ("Kaka`ako district") was envisioned as a mixed-use community, including residential, commercial, and industrial uses.

The residential development of the district is intended to encompass housing for families of various income levels. The State has invested at least $200 million in public funds and the landowners have also contributed to the infrastructure of the Kaka`ako district to advance this goal. This investment in infrastructure has sparked increased private investment and development plans for the area. However, the Legislature believes that the development projects in recent years have eluded affordable housing and have focused primarily on luxury homes for high-income families and the inundation of retail and commercial developments. The Legislature believes that this bill is necessary to promote the development of affordable housing (for low and moderate income families) in the Kaka`ako district and to achieve the mixed-use community that was intended for the district.

HB 2849. This bill proposes to impose a new reserved housing requirement for residential and commercial planned development permit projects greater than 45 feet in height or containing a floor area ratio greater than 1 1/2 on a lot 20,000 square feet or greater in size in the Kakaako Community Development District, Mauka Area (Kakaako Mauka), and includes the following:

- Between twenty thousand square feet but less than eighty thousand square feet, the reserved housing requirements for any:
  (A) Residential building square footage shall be twenty per cent; and
  (B) Commercial building square footage shall be ten per cent; and
- Eighty thousand square feet or more, the reserved housing requirement for any:
  (A) Residential building square footage shall be thirty per cent; and
  (B) Commercial building square footage shall be twenty per cent.

LURF's Position. LURF appreciates the opportunity to express our views on this matter and while we understand the intent of this bill, we respectfully urge the Committees **not to pass HB 2849 in its current form,** because it unconstitutionally imposes affordable housing requirements without the required legal nexus, it lacks legal justification for the square footage requirements, does not include adequate economic incentives, the proposed implementation procedures are fundamentally unfair, and it is inconsistent with the current visions, plans and processes of the HCDA. Instead of passing this bill, we would strongly recommend that the supporters of this bill work with HCDA, HHFDC, the major landowners and stakeholders in Kaka`ako and other government agencies to develop a consensus regarding incentives and the development of housing projects in Kaka`ako which include affordable housing units.

Based on the above, we respectfully request that **HB 2849 be held** by your Committees.

Thank you for the opportunity to express our **opposition to HB 2849.**

THE GAS COMPANY

P.O. Box 3000
Honolulu, Hawaii 96802-3000
www.hawaiigas.com

February 8, 2010

Testimony for HB 2849 Relating to Kakaako.

Aloha Chair Ito, Vice Chair Har and Members of the Committee on Water, Land, and Ocean Resources:

My name is Stephanie Ackerman, Vice President Public Policy and Communications of The Gas Company. Thank you for the opportunity to provide testimony on HB 2849.

The Gas Company is a public utility that was founded in 1904 and is Hawaii's only government franchised full-service energy company making gas products and services available in Hawaii.

The Gas Company supports the recognition of the public utility obligation and provides for an exemption under "Community service use."

Mahalo for the opportunity to testify on HB 2849.

SERVCO PACIFIC INC.

2850 Pukoloa Street • Suite 300 • Honolulu, Hawaii 96819 • Telephone: (808) 564-1300 • Facsimile: (808) 523-3937 • www.servco.com

February 5, 2010

To: The Honorable Ken Ito, Chair
The Honorable Sharon E. Har, Vice Chair
And Committee Members
Committee on Water, Land & Ocean Resources

The Honorable Rida Cabanilla, Chair
The Honorable Pono Chong, Vice Chair
And Committee Members
Committee on Housing

From: Carol K. Lam (B), Senior Vice President
Servco Pacific Inc.
2850 Pukoloa Street, Suite 300
Honolulu, Hawaii 96819

Hearing Date: Monday, February 8, 2010 at 9:00 a.m.

In Opposition to HB 2846 and HB 2849, Relating to Kakaako

On behalf of Servco Pacific Inc. ("*Servco*"), I submit the following comments in opposition to the adoption of either HB 2846 or HB 2849 (collectively, the "Bills").

Servco owns three (3) properties in the Kakaako Redevelopment District directly affected by the proposed Bills:

(1)	Lexus Dealership/Service Facility:	650 Kapiolani Blvd.	- TMK No. (1) 2-1-046: 001
(2)	Lexus Pre-owned Vehicle Sales:	645 Kapiolani Blvd.	- TMK No. (1) 2-1-047: 005&006
(3)	MI Parts and Service (Toyota):	609 South Street	- TMK No. (1) 2-1-031: 030

While Servco will continue to support a rational, reasonable, balanced and fair reserved housing condition to the development of future residential units in the Kakaako Redevelopment District, it cannot and does not support adoption of either of these Bills. Neither of these Bills will correct nor address in any meaningful way the substantial deficiencies which existed in similar versions of these Bills which were introduced in last year's Legislature. The principal grounds of Servco's opposition to these Bills remain the same as last year.

1. Limited and Unfair Application. These Bills address a proposed change for only one (1) small area of the State located in the City and County of Honolulu. It unfairly singles out and imposes on all major developments within the Kakaako Redevelopment District a reserved or affordable housing requirement which is not applicable to any other area or district in the State of Hawaii.

2. Existing Rules Not Proven to Be Inadequate. Kakaako Mauka already has an established reserved housing policy under the existing Kakaako Mauka Area Plan and Rules (the "***Rules***") administered by the Hawaii Community Development Authority ("***HCDA***"). This is not a new requirement for Kakaako Mauka but has been in place for a long time. The current requirement is that any multi-family residential development within Kakaako Mauka shall provide for at least 20% in number of the total residential dwelling units in the Project as "reserved housing units". In fact, reserved housing units have been developed and provided in Kakaako Mauka pursuant to the existing Rules, but

unfortunately not as many reserved housing units have been constructed as would be desirable since the establishment of HCDA. However, that is more a result of several periods of stagnant economic growth over this time period than for lack of an appropriate requirement for such housing in the Rules. As noted above it is unfair to saddle one (1) small area of the State with a statutory requirement to address a state wide problem, especially where a reserved housing requirement already exists and has not been shown to be inadequate.

2. <u>No Rationale for Radical Change</u>. The proposed statutory change from unit numbers to floor area as the measure for reserved housing, when coupled with the percentage increases for all major developments within Kakaako Mauka will radically increase the required portion of a major development required to be committed to reserved housing units. Even more troublesome is that it will now include commercial floor area (and industrial floor area under HB 2846) in the calculation and potentially impose a newly created reserved housing obligation on a primarily commercial development within Kakaako Mauka which qualifies as a major development. If Kakaako Mauka is to be a place to work, play, and live then such an imposition on commercial floor area and principally commercial developments is counterproductive, as job creation should be encouraged not discouraged. This is especially true in these economic times.

3. <u>No Demonstrated Evidence that Change will Result in Increased Reserved Housing</u>. Both of these Bills appear to operate on the proposition that if the Legislature mandates a higher reserved housing requirement in Kakaako Mauka that it will come to pass. Servco does not believe that dictating a result is the way to address the affordable housing issue in the current Hawaii economy. The existing Kakaako Rules on reserved housing units have a demonstrated history of not discouraging redevelopment. To proceed forward with a mandated increase in these requirements without any empirical studies is shortsighted. Servco believes that a study of Hawaii's past history on this matter and other jurisdictions would show that a requirement significantly larger than the one already established under the Kakaako Mauka Rules has generally failed. In Servco's view, it will require a fair and equitable contribution from many different stakeholders---the landowner, the housing developers, construction lenders, contractors, government and the public all working together toward a viable solution. It is unfair to burden one group with the cost and burden of trying to solve this problem. Unfortunately, that is exactly what either of these Bills would do.

Further, in a Construction Task Force report that was just recently released, it recognized the need to reduce affordable/workforce housing requirements in order to stimulate immediate housing construction. It was reported that affordable/workforce housing requirements could be "so onerous" as to "prevent the construction of affordable housing" and therefore working against the very thing it is supposed to achieve.

4. <u>Avoidance of Chapter 91 Rule Making is Unwarranted</u>. Both Bills include provisions that HCDA shall adopt rules without regard to the public notice and hearing requirements of Section 91-3, HRS or to submit a small business impact review requirements of Chapter 201M, HRS. The disregard of the Chapter 91 rule making procedures under Section 7 and avoidance of Chapter 201M would establish a bad precedent.

5. <u>Unequal Application</u>. Both Bills prohibit HCDA from accepting any application for a planned development permit or major development on a development lot of one acre or greater in area until new or amended rules are adopted by HCDA. Any applications which do not fall within this category may continue to proceed. This unfairly allows the landowners of a smaller property the ability to use their property over those with the larger parcels who will be prohibited from using their property during this unknown time period.

Bill 2849 also gives a developer of a major development under an approved master plan four (4) years to obtain all necessary permits, complete required grading and infrastructure improvements and commence construction of the major development before the new measure applies to the properties covered by the master plan approval. No such benefit is provided to the lesser landowners within Kakaako Mauka and no reasoning is provided for this unequal application.

6. No Disproportionate Benefit from HCDA Improvement Districts. The introductory recitals to Bill 2849 state that the State has spent substantial amounts to improve infrastructure in Kakaako and that this has disproportionately benefitted the landowners in Kakaako Mauka without a commensurate public benefit delivery of reserved housing units. This statement fails to note the truth that the individual private landowners benefitted by such infrastructure improvements were assessed and subsequently paid an improvement district fee to cover the determined portion of such infrastructure improvements in the area. There is no special, unique, or uncompensated infrastructure benefit which has been provided to the private landowners in Kakaako Mauka.

7. Real World Application to Servco Properties. Application of either of these Bills to the Servco properties in Kakaako Mauka demonstrates in a real sense the flawed nature of these Bills. Servco has for many years maintained and operated on its Kakaako Mauka properties commercial-industrial operations in connection with its Toyota and Lexus car dealerships and service operations. These activities provide a convenient downtown location for those persons who work in downtown Honolulu. In doing so, Servco provides jobs for approximately 125 persons and a vital and necessary service both to residents of Kakaako Mauka and the greater Honolulu community who work in downtown Honolulu. If Servco were to elect to expand its dealership and service facilities on its Kakaako Mauka properties it might be required as a cost for the expansion of its commercial uses to include within its expansion plans floor area for reserved housing units. This provides no incentive for Servco to undertake any major expansion of its commercial uses on its Kakaako Mauka properties. In reality it would likely result in a decision not to expand such commercial uses, and thus no future contributions by Servco in bringing new jobs into Kakaako Mauka or expanding its services for local residents. If you applied this same scenario to other owners/users of land in this area, this negative incentive would basically operate as a moratorium on improving and expanding existing commercial facilities in Kakaako Mauka.

Based on the above we urge the Committee to oppose further action on either Bills as they fail to adequately and fairly address the intended purpose.

Thank you for allowing us to share our concerns and reasons for opposing these Bills with you.

HAWAIIAN DREDGING
CONSTRUCTION COMPANY

P.O. Box 4088
Honolulu, HI 96812-4088
Phone: (808) 735-3211
Fax: (808) 735-7416

2/5/10

The Honorable Representative Ken Ito, Chairperson
Committee on Water, Land & Ocean Resources

The Honorable Representative Rida Cabanilla, Chairperson
Committee on Housing

Hawaii State Capitol, Room 325
415 South Beretania Street
Honolulu, Hawaii 96813

RE: HB 2849 RELATING TO KAKAAKO—Monday, February 8, 2010, 9:00 AM, Room 325

Dear Chairs, Vice Chairs, and Committee Members:

My name is Kirt Pruyn, and I am the Manager of Business Development & Community Relations for Hawaiian Dredging Construction Company. Founded 108 years ago, our company is Hawaii's largest and oldest full-service general contractor, currently employing about 600 employees.

Well, here we go again—supporting affordable housing legislation like HB 2849 like we have done in years past.

As a construction industry leader that has built thousands of affordable housing units in Kakaako...downtown Honolulu...on the ewa plain...and on our neighbor islands:

- We encourage legislation that will inspire and incentivize (that actually is a word) housing that is affordable to our local residents. And that will create jobs for our industry. These are two goals that are critically vital to our State's health.

- We see the need for such housing especially in our urban core where business and recreation opportunities abound...and where such affordable housing is barely available.

- Kakaako is the most likely urban core area. Kakaako is "shovel ready" because the newly upgraded infrastructure—at the taxpayers' considerable expense—is fully capable of new high rise residential development. Most of Honolulu's urban core infrastructure is "maxed" out. Not so in Kakaako.

- Our industry needs jobs. I sat here a year ago and said the same thing. It has gotten worse. Many thousands of jobs have been lost. At Hawaiian Dredging, our work force has dropped from 1,200 folks in 2008 to 600 now. Over __% of construction workers have lost their jobs.

- Public construction projects are keeping our industry alive—but competition for this limited work is fierce. Private construction is nonexistent.

- Building affordable housing projects—especially in Kakaako where the demand for such would be so high—and where private financing is available, given such demand—would get our workers employed and prevent further disastrous layoffs.

- It's a 2-for-1....housing and jobs.

- The need is now. There are strong incentives in this bill. This is an improved version of last year's SB 1350 that was passed and then vetoed by the Governor.

I will close with two comments.

We are talking about private funded workforce housing development here—not public funded low cost housing. This will house our teachers, policemen, entrepreneurs, and employed construction workers, and our recent university graduates...who otherwise will relocate to the mainland.

Finally, we are relying on your abilities and motivations as Hawaii's legislative stewards to pass reasonable and balanced legislation to help our people.

Mahalo for your valuable time and consideration.

Aloha,

Kirt Pruyn
Manager, Business Development & Community Relations
808-735-7411

Testimony of
Dexter Okada, President
U. Okada & Co., Ltd.
Before the

COMMITTEE ON WATER, LAND, & OCEAN RESOURCES

Rep. Ken Ito, Chair
Rep. Sharon E. Har, Vice Chair

COMMITTEE ON HOUSING

Rep. Rida Cabanilla, Chair
Rep. Pono Chong, Vice Chair

February 8, 2010, Committee Hearing
Conference Room 325
9:00AM
House Bill 2849
Relating to Kaka'ako

Chair Ito, Chair Cabanilla and Committee Members:

I am opposed to House Bill 2849.

I am Dexter Okada. As a disclosure, I am a member of the Hawaii Community Development Authority. But I am testifying as the president of U. Okada & Co., Ltd., a third generation small family business and property owner that has been located on Queen Street in Kaka'ako for over fifty years. I am here also representing the Kaka'ako Business and Landowners Association, a group of small businesses and small landowners located in Central Kaka'ako.

Central Kaka'ako is made up of small properties, from 30,000sq.ft. to as small as 2,700sq.ft., that occupy approximately one-third of Kaka'ako Mauka that is makai of Kapiolani Boulevard(see attached map). This is in correction to the statement in the beginning of HB2849 that states "...there area but a few large landowners in Kaka'ako...". Of the "...millions of dollars in clean-up and the building of infrastructure..." invested in Kaka'ako only a small portion has been in Central Kaka'ako and the benefits to Central Kaka'ako is questionable. Central Kaka'ako is the home to 154 small businesses, commercial, light industrial, service, and wholesale businesses; it is not a high density residential community. To revitalize Central Kaka'ako is a very daunting task. Flexibility and creativity are keys to the revitalization, NOT mandates. Inclusion of small businesses and properties in this bill will kill the incentives to come up with these solutions. Central Kaka'ako will deteriorate further and eventually the small businesses will have to close up shop. In our economy, we need more jobs not less.

HB2849 does exclude industrial use which makes it a little better then HB2846. But the inclusion of commercial at 20,000 sq/ft makes it worse. Past testimony by developers have said that the current requirement of 20% of the total UNITS is risky at best for a residential development. So whether it is 10% or 20% of the COUNTABLE FLOOR AREA, it would be impossible for a commercial development.

One idea that has come up to help small industrial businesses and property owners is to form a joint venture and develop an industrial condominium. Such a joint venture would more than likely be greater than 20,000 sq.ft. To help make the project financially feasible might be to add commercial space on the upper floor or even a small restaurant. But HB2849 would negate this flexibility since it would require the 10 or 20% requirement on the space occupied by the commercial use.

In HB2849 Section 2 part (d), "All reserved housing units developed shall be exempt from all infrastructure assessments..." This section will put an unfair burden on the small businesses and property owners. If reserved housing is built in Central Kaka'ako, it would require infrastructure improvements. So, if HB2849 is passed, the assessment cost of the infrastructure improvement for the reserved housing would unfairly fall on the shoulders of the small businesses and property owners in the area.

In the recent past, the Hawaii Community Development Authority(HCDA) has been heavily criticized by the community and the Legislature for a lack in transparency. HCDA has made a concerted effort to address this criticism. HB2849 Section 7 goes against this effort for transparency.

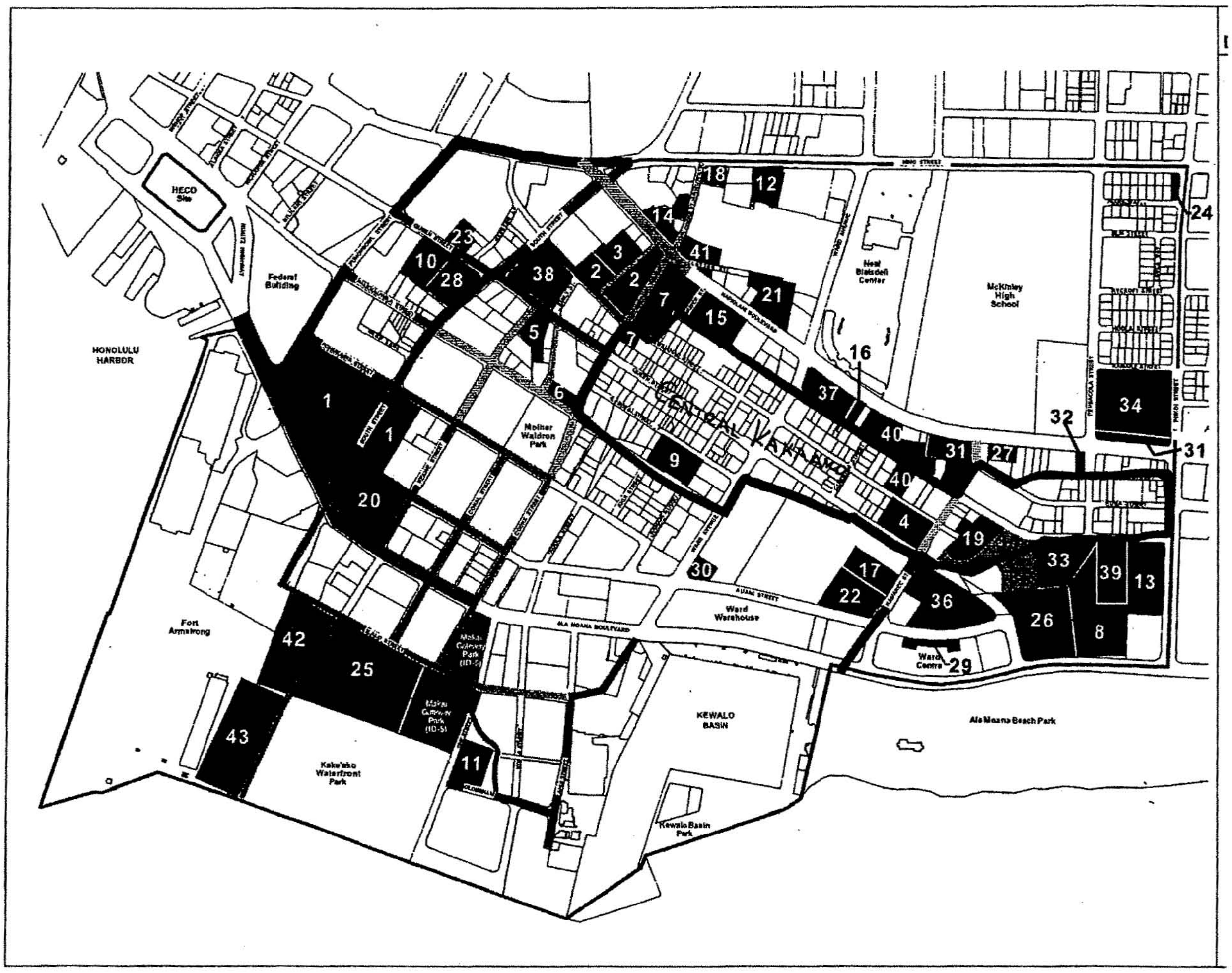
For some landowners, their property is a nest egg for their family. HB2849 will seriously devalue our nest egg. HB2849's onerous mandate will devalue the market value of our property.

HB2849 will not create more reserved housing in Central Kaka'ako. But it will make the revitalization of Central Kaka'ako more difficult or maybe even impossible. It will probably result in the loss of small businesses and jobs in Central Kaka'ako.

HB2849 uses the words "partner with" and "encourage" but yet, HB2849 mandates reserved housing requirements. The redevelopment of Kaka'ako is a difficult task and the housing problem is also a difficult task. The solution has to be creative. The process has to be collaborative. So, instead of creating mandates that will make the task even more difficult, proponents of reserved housing should collaborate with the Kaka'ako community to come up with a win-win solution.

Thank you,

Dexter Okada
President, U. Okada & Co., Ltd.
Kaka'ako Business and Landowners Association



HECO Site
Federal Building
HONOLULU HARBOR
Fort Armstrong
Mother Waldron Park
Neal Blaisdell Center
McKinley High School
Ward Warehouse
Ward Centre
KEWALO BASIN
Kewalo Basin Park
Ala Moana Beach Park
Kaka'ako Waterfront Park
Makai Gateway Park
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43

MOMI CAZIMERO
222 Kawaiku'i Place
Honolulu, HI 96821
Ph: 808.373.2427
Cell: 808.282.5803
Email: momi.cazimero@hawaiiantel.net

February 5, 2010

Committee on Water, Land & Ocean Resources
Representative Ken Ito, Chair
Representative Sharon Har, Vice Chair

Committee on Housing
Representative Rida Cabanilla, Chair
Representative Pono Chong, Vice Chair

Subject: **In Support of House Bill 2849**
Hearing – February 8, 2010, 9:00am in Room 325
Testimony Submitted Via Web

In 2009 I supported Senate Bill 1350. That bill passed the Legislature but was vetoed by Governor Lingle.

House Bill 2849 clarifies and addresses Governor Lingle's concerns. What I consider unfortunate is that House Bill 2849 reduces the original Kakaako Plan of 1982 from 14,250 apartments for the low and middle income earners to approximately 5,500 apartments.

Although I have spent 3 sessions lobbying for the original mandate, I recognize the compromises that reduce the requirement for affordable housing in Kakaako to approximately 20%. This appears to be the antithesis to Hawaii's workforce needs, because the State's workforce makes up 80% of our population.

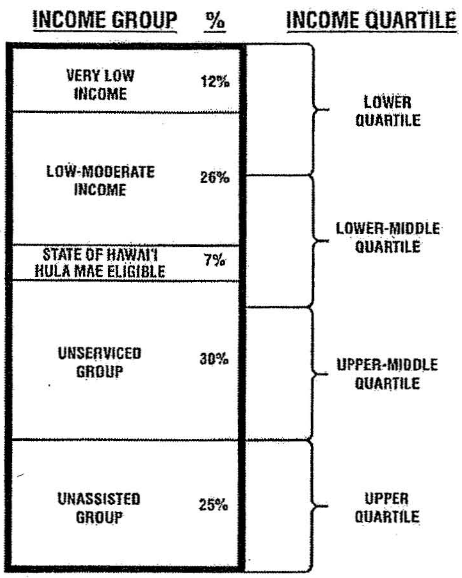
Please don't let our low and middle income workforce, who need housing in the urban core, wait another year for a solution.

Attached:
1. Kakaako – Then and Now
2. Kakaako – Smart Growth in the Urban Core Starts with Affordable Housing
3. Kakaako Comparison of Affordable and Luxury Development

KAKA'AKO THEN and NOW

KAKA'AKO was designated a Redevelopment Area in 1982. Its primary goal was to develop workforce housing in the urban core of Honolulu.

THE ORIGINAL Kaka'ako Redevelopment Plan* (shown below) **projected the future distribution for housing with greater accuracy than has been achieved to date by HCDA.**



*Percentage of Projected Housing Units by Income Group

Three years ago, a kama'aina family of four sold their single-family home in Waipahu and bought a condominium in Kaka'ako. The shorter commute time to their office, children's schools and the proximity to entertainment, restaurants and shopping provides less traffic time.

The HCDA and local government leaders need to put the best interest of people first, and fulfill the original promise.

THEN: TO BOOST economic development, the Hawaii Legislature in 1976 designated Kaka'ako for urban redevelopment, and in 1982, created the Hawaii Community Development Authority to meet the following goals for housing in the area:

Kaka'ako would be the site of 19,000 housing and condominium units in 30 years and comprise a mix of:

- Approximately 75 percent of the units (14,250) would be affordable; of that, 20 percent would be government-restricted and reserved for low-income residents.
- The remaining 25 percent (4,750) would be luxury units
- The state government would own the air rights above 45 feet in height and over 1.5 density of the land to ensure the Kaka'ako Redevelopment Plan.

NOW: SINCE THE HCDA's birth 27 years ago, the state government has invested $500 million in the Kaka'ako Redevelopment Area. To date, Kaka'ako has only produced 2,000 affordable apartments.

LUXURY APARTMENTS have been built for the second home market. These high priced apartments remain unoccupied most of the year, and have swallowed up 65,000 housing units throughout Hawaii.

On the other hand, residents whose taxes paid for the infrastructure in Kaka'ako to enable high density development are experiencing a shortage of affordable housing, even while working at second jobs.

THE TYPICAL, MIDDLE-CLASS family earning between $50,000 and $100,000 per household simply cannot afford to buy brand-new condominiums in Kaka'ako. The average price of a two-bedroom condo unit in urban Honolulu is upwards of $600,000, out of range for many people.

As a result, working families have no choice but to live in decades-old apartments in the city, or in brand-new town homes on the outer fringes of Oahu. Without new development for the middle income households in the urban core of Honolulu, the greater the loss of Hawaii's middle class culture.

KAKA'AKO

Affordable Housing is Workforce Housing for the Middle income and Subsidized Housing for the Low-income.

80% of the state's work-force families earn $100,000 and less, but only **10%** of the floor area built to date in Kaka'ako is affordably priced for rent or purchase for the working families.

Estimated Construction Jobs During Recession

Affordable Housing %	New Construction	Job Projection
25%	10 projects	3,000
30%	13 projects	3,400
35%	15 projects	4,500
40%	18 projects	5,400

After renting their Makiki apartment for more than five years, this kama'aina couple, a husband and wife in their early 30s, is scheduled to move to the Mainland in February 2010 for better economic opportunities. They plan to buy their own home on the Mainland, where prices are more affordable than Hawaii.

SMART GROWTH IN THE URBAN CORE STARTS WITH MORE AFFORDABLE HOUSING

Workforce Housing Reverses the Brain Drain – Over the past two decades, thousands of young, talented workers left the Islands for better living conditions elsewhere, resulting in a brain drain. What we are lacking are apartments, with monthly rents ranging from $1,000 to $2,000 per unit or monthly payments equal to 35% of household income, to attract college graduates and young professionals who comprise the majority of Oahu's workforce.

Affordable Housing Requires Energy and Maintenance Efficiency – Buildings with central air-conditioning, swimming pools, and other upgraded amenities result in higher maintenance fees ranging from $400 to $1,000 per month. Buildings with basic amenities have lower energy consumption and maintenance fees ranging from $200 to $300 per month.

Workforce Housing Encourages Growth in Medicine, Science and Education – Hawai'i has two established industries: universities and hospital systems. Given the salary range associated with the medical, sciences and higher education professions, affordable housing is necessary to help all entities grow and thrive. Quality of life is a deal-breaker when competition elsewhere ensures affordable housing to attract professionals to build their industries and communities.

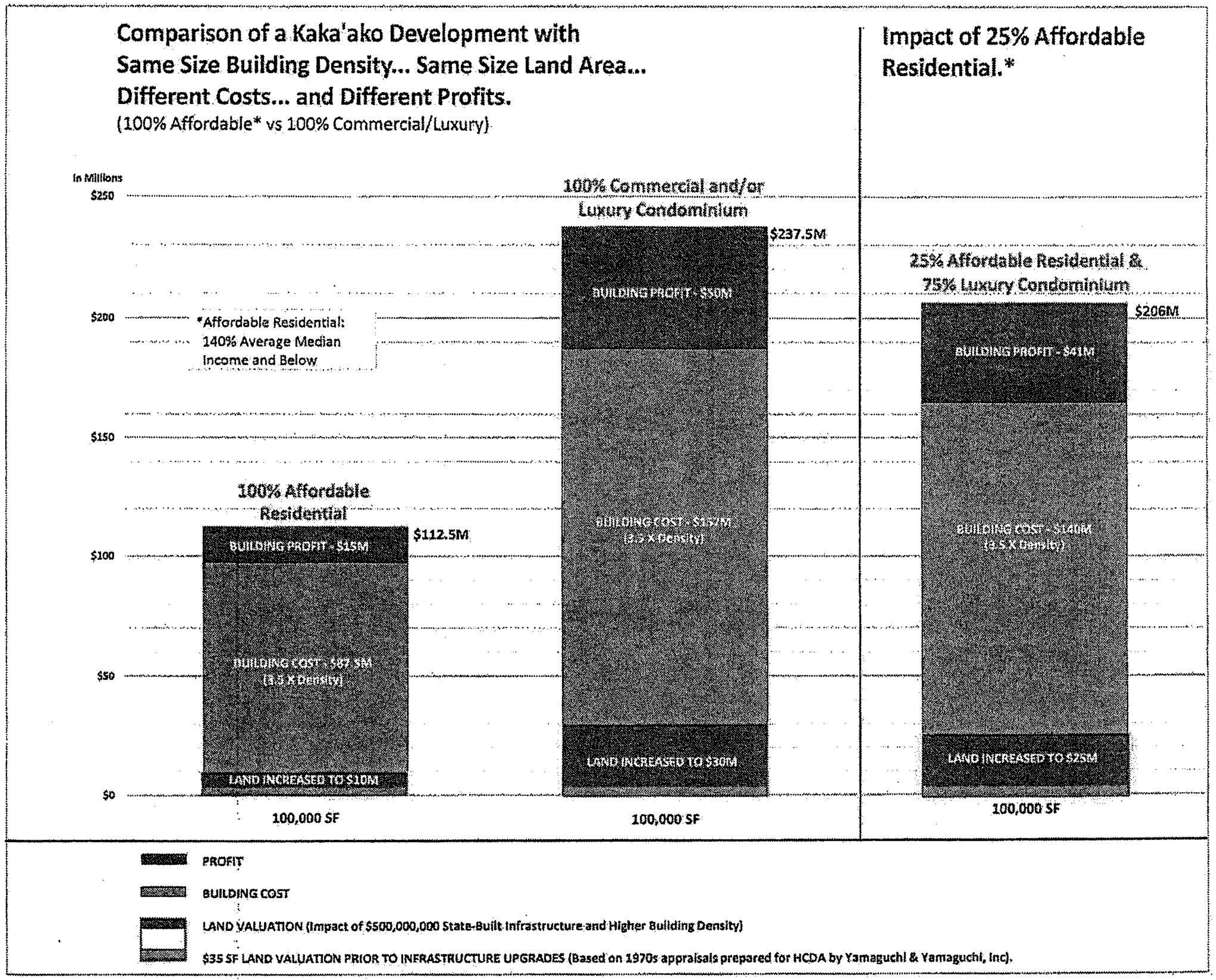
Affordable Housing Improves the Economy – New building projects could supply 3,000 construction jobs and 3,000 affordable apartments in the next 10 years. This, in turn, will reverse the construction industry's estimated 40 percent unemployment rate.

Workforce Housing Market – There is a viable market for unsubsidized affordable housing. Middle-class, Honolulu residents who earn between 80 percent and 140 percent of the state's median income ($50,000 to $100,000) have the earning capacity to buy brand-new urban apartments priced from $250,000 to $500,000. Unfortunately, such prices rarely exist. More units must be built in urban Honolulu to meet this niche.

Affordable Housing Financing is Available – Given the recession's negative impact on commercial real estate, it makes economic sense to invest in affordable housing. Because of shortages and demands, private sector financial institutions, including local banks, are willing to finance affordable housing projects.

Snapshot of Kaka'ako

DEVELOPMENT	YEAR COMPLETED	AVG. 1-BR PRICE/SIZE	AVG. 2-BR PRICE/SIZE	AVG. MO. MAINT.FEE
AFFORDABLE				
1133 Waimanu	1995	$346,000/523 s.f.	$401,000/705 s.f.	$293
Honuakaha	1995	$247,000/508 s.f.	N/A	$333
LUXURY				
Keola Lai	2008	$475,000/678 s.f.	$620,000/1,011 s.f.	$559
Ko'olani	2006	N/A	$821,000/1,192 s.f.	$737



Disclosure: These graphs illustrate the importance of the State of Hawaii's infrastructure expenditures and upgrades. The graphs represent concepts that suggest the proportions applicable for developments which could vary with market conditions.

February 4, 2010

IN SUPPORT OF HOUSE BILL 2849

Testimony for House Bill 2849

Workforce housing in Kakaako is one of the keys to smarter growth and future sustainability of our economy and community for the City of Honolulu and State of Hawaii. There is strong demand for workforce housing (residents who earn 80% - 140% median income) as evidenced in Honolulu and in other urban cores of cities across the U.S. Many young professionals desire to be close to their places of employment and also to the retail and entertainment centers which are typical in the urban core of larger cities. The "live, work, and play" concept of living is attractive to the younger generations. They have accepted living in high-rise apartment buildings as a way of life today. High-rise apartment buildings are also the best models for providing affordable residential apartments in the urban core due to their higher densities and economies of scale.

Kakaako is the last part of the Honolulu urban core that possesses the greatest potential to be developed with more work force housing. It also has the infrastructure to accommodate high-rise apartment buildings due in large part by the State investing over $500 million in the Kakaako infrastructure through HCDA as the redevelopment agency created by the State of Hawaii in 1976.

To date, the current inventory for the workforce housing is very sparse in Kakaako. Most of the current inventory is in luxury residential apartments. We need more workforce housing in Kakaako, hence, House Bill 2849 will help to provide it by requiring as well as incentivizing more workforce housing which are affordable to this younger generation of professionals.

Providing affordable workforce housing for them is not only a necessity but a smart move in positioning our City and State for a healthier and sustainable economic future.

Please vote for more affordable workforce housing in Kakaako as it is a vote toward an important stake for the future of our City of Honolulu and State of Hawaii.

Mahalo,

Ken Matsuura
A Citizen Concerned for the Future
Sustainability of Honolulu and Hawaii

KAMEHAMEHA SCHOOLS

TESTIMONY TO THE HOUSE COMMITTEE ON WATER, LAND, & OCEAN RESOURCES
AND THE COMMITTEE ON HOUSING
By
Sydney Keli`ipule`ole, Director
Endowment/Residential Assets Division
Kamehameha Schools

Hearing Date: Monday, February 08, 2010
9:00 a.m., Conference Room 325

February 5, 2010

TO: Rep. Ken Ito, Chair
Members of the Committee on Water, Land, & Ocean Resource
And
Rep. Rida Cabanilla, Chair
Members of the Committee on Housing

RE: H.B. No. 2849 - Relating to Kaka`ako

Thank you for the opportunity to comment on H.B. No. 2849.

The Construction Industry Task Force Recommendations were prepared in response to Senate Concurrent Resolution No. 132, S.D.1 (2009). At page 19 of its report, the task force recommends the enactment of *"statewide affordable/workforce housing guidelines that reduce county requirements by forty per cent"* with the legislation finding *"that the State's and counties' affordable and workforce housing requirements often result in significant delays prior to the start of construction. In fact, some requirements are so onerous that, in certain circumstances, the requirements prevent affordable and workforce housing from being built."*

Kamehameha Schools respectfully submits that H.B. No. 2849 takes a direction that is contrary to the task force's recommendation.

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

February 4, 2010

SUPPORT – HB2849

NOT SUPPORT – HB2846

To: *Committee on Water, Land, & Ocean Resources*
Representative Ken Ito, Chair
Representative Sharon Har, Vice Chair

Committee on Housing
Representative Rida Cabanilla, Chair
Representative Pono Chong, Vice Chair

Citizen Testimony from:

Marshall Hung as a member of a Limited Liability Company develops unsubsidized work force apartment housing for middle income households of $50,000 to $100,000 per annum in urban Honolulu. He believes that the majority of new residential development in Kakaako should be for Hawaii's residents because it is the optimal solution for reversing the brain drain and providing the needed work force housing in the urban core.

We are in **support** of HB2849, which is the compromised SB1350 of 2009, which got vetoed by Governor Lingle. From reading HB2849, it has the necessary incentives for new construction to start in Kakaako during the next 5 years. It is a reduction from the 1982 target of 14,250 apartments for the low and middle income households to approximately 5,500. This Legislation for 20 to 30 percent affordable housing in Kakaako is for 80% of the working population in Hawaii – a low percentage because of Landlord lobbying. However, it represents a compromised solution from the 2008 and 2009 Legislative sessions.

We are **not in support** of HB2846 because it does not have the necessary incentives to start new construction in Kakaako during the slow economic times that Hawaii faces. HB2846 does not address the master plans of General Growth Properties and Kamehameha Schools. In doing so, the status quo remains and a repeat of very little new construction will probably occur over the next 25 years for affordable housing in Kakaako. Be the Legislature reminded that 28 years have passed since the public purpose and rules of the Redevelopment Neighborhood were published in 1982. This Legislation from the Executive Director Anthony Ching does not read like what the taxpayers of Hawaii would expect out of the leader of the Redevelopment Authority for Kakaako. With all respect to Mr. Ching, we cannot support HCDA's HB2846.

Respectfully Yours,

Marshall Realty, Inc.

Marshall Hung

Marshall Hung, its President