

TESTIMONY BY KALBERT K. YOUNG  
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WATER, LAND, AND HOUSING  
ON  
SENATE BILL NO. 16

February 3, 2011

RELATING TO TRANSIT-ORIENTED DEVELOPMENT

Senate Bill No. 16 establishes a loan guaranty for transit-oriented development projects that include affordable housing which will be administered by the Hawaii Housing Finance and Development Corporation (HHFDC).

The Department supports the intent of this bill which will facilitate the development of transit-oriented development projects that include affordable housing.

Pursuant to Article VII, Section 13 of the Constitution of the State of Hawaii, HHFDC is required to establish and maintain a reasonable reserve requirement for each loan guaranteed under this section. As the bill authorizes HHFDC to guarantee loans, HHFDC will be required to establish, fund, and maintain a reasonable reserve in order to meet the State Constitutional requirements to administer a loan guaranty program.

NEIL ABERCROMBIE  
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

**SENATE COMMITTEE ON WATER, LAND AND HOUSING**

February 3, 2011 at 1:15 p.m.  
Room 225, State Capitol

In consideration of  
**S.B. 16 RELATING TO TRANSIT-ORIENTED DEVELOPMENT**

Chair Dela Cruz, Vice Chair Solomon, and Members of the Committee on Water, Land and Housing,

The HHFDC ***supports the intent*** of this bill, if an appropriation of funds is added to cover the amount of the loan guaranty proposed therein. We defer to the Department of Budget and Finance with respect to the prerequisites of a state loan guaranty.

Next to housing, transportation is the second highest cost for most households. Affordable housing located near transit allows low-income persons and families to live an affordable lifestyle with access to schools, jobs, health care, and social services, among other things. In particular, seniors living near transit are better able to live independently and in less restrictive residential settings for as long as possible. Accordingly, promoting and preserving affordable housing in transit-oriented development districts is an important priority.

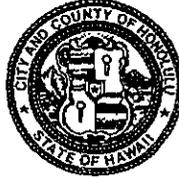
It is HHFDC's understanding that in order for the State to guarantee a loan, the entire principal amount of the loan, in cash, must be committed to cover the obligation in the event of default on the loan. Because HHFDC does not have \$10,000,000 in uncommitted funds available for this purpose, we would require an appropriation of funds in order to undertake this program. We also estimate that \$10,000,000 would be sufficient to assist a developer of a single 60 unit affordable rental housing project in obtaining the private loan portion of the developer's permanent financing package.

Thank you for the opportunity to testify.

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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PETER B. CARLISLE  
MAYOR



DAVID K. TANOUE  
DIRECTOR

JIRO A. SUMADA  
DEPUTY DIRECTOR

February 3, 2011

The Honorable Donovan M. Dela Cruz, Chair  
and Members of the Committee on Water, Land and Housing  
State Senate  
State Capitol  
Honolulu, Hawaii 96813

Dear Chairs Dela Cruz and Members:

**Subject: Senate Bill No. 16  
Related to Transit Oriented Development**

The Department of Planning and Permitting **strongly supports** Senate Bill No. 16, which would support the development of affordable housing as a component of transit-oriented development (TOD), by providing loan guarantees for qualified developers and lenders.

Because one of the fundamental purposes of transit-oriented development is to have residents of the development use mass transit as their primary means of mobility, those residents should be persons likely to use transit. Studies have shown that they tend to be power-wage workers. Transit-oriented development usually involves several elements that increase expenses – high land costs, structured above or below-grade parking, public-use spaces, affordable housing – TOD residential development is typically more expensive. The need to fill development budget gaps means TOD projects almost always involve public money, if not a full fledged public/private partnership, requiring agreements covering joint development, public benefits, prevailing wages, etc that increase development costs.

Transit-oriented development offers many benefits to the State of Hawaii. TOD promotes pedestrian friendly communities; it reduces traffic congestion, air pollution, and dependence on imported oil; it increases transit ridership, making public transportation more economically viable and ensuring greater transportation equity; it can minimize future sprawl, preserving valuable

The Honorable Donovan M. Dela Cruz, Chair  
and Members of the Committee on Water, Land and Housing  
State Senate  
Re: Senate Bill No. 16  
February 3, 2011  
Page 2

agricultural and conservation lands; and it can be a magnet for preferred developments that can stimulate the State's economy.

Because the vast majority of mass transit riders are lower-income populations, commuter rail systems, transit-oriented development, affordable housing, and gentrification are inextricably linked. Left unattended, transit-oriented development will migrate to the high end, displacing lower-income populations. The availability of funding specifically targeted to address these concerns, supporting mixed-income housing at transit stations can be a win-win – supporting transit ridership, promoting regional inclusiveness and revitalizing neighborhoods.

The Department of Planning and Permitting believes that a fund providing loan guarantees to qualified entities for affordable housing projects would expedite the development of mixed-income residential TOD projects and would benefit the State's economy and quality of life for its residents.

Please pass Senate Bill No. 16. Thank you for the opportunity to testify.

Sincerely yours,

David K. Tanoue, Director  
Department of Planning and Permitting

DKT: jmf  
sb16-TODLoan-tw.doc

Honorable Senator Donovan Dela Cruz, Chair  
Honorable Senator Malama Solomon, Vice Chair  
Committee on Water, Land and Housing

**RE: SB 16 relating to Loan Guarantees for Transit Oriented Developments (TOD)  
around the RAIL TRANSIT ROUTE on Oahu up to 10 Million Dollars – STRONG  
OPPOSITION**

Good Afternoon Chair Dela Cruz, Vice Chair Solomon and Members of the Committee of  
Water, Land & Housing:

I am Daisy Murai, a resident and community member of Kapahulu on the Island of Oahu. I understand the  
City & County of Honolulu's High Capacity Transit System or better known as the elevated Fixed  
Guideway, Steel on Steel, Rail Transit System is progressing at a very rapid rate, even though a thorough  
Historical and Archeological Survey has not been completed to determine if the Rail Route is indeed on  
land filled with ancestral bones and ancient Hawaiian temples.

SB 16 will certainly open the doors for many Foreign Investors and Developers to take advantage of  
applying for loan guarantees up to 10 Million dollars at the expense of the tax payers for the State of  
Hawaii. The developers can indeed apply to build affordable housing, care facility and other projects  
for the public's usage, but will \$ 1,500 a month's rent or purchasing the unit for \$ 400,000 be considered  
affordable housing? The developers may also considered a different project for the TOD's, which are not  
suitable for the general public's usage be built, such as reflected by the changes to the Mililani Town Arts  
& Cultural project, which has now changed to several affordable dwellings or the selling of land by  
Kaneohe Ranch to Target in Kailua. The Foreign investors/developers may not even use the Local  
Workers to build the TOD's, which they should employ the Local Labor Force to benefit Hawaii.

These are reasons why I **STRONGLY OPPOSE SB 16.**

Thanking you for the opportunity to speak.

Daisy Murai  
3039 Kaunaoa Street  
Honolulu, HI 96815  
Dated February 2, 2011

Date: February 3, 2011  
Time: 1:15 pm  
Place: Conference Room 225  
FAX: 586-6659 Sgt. at Arms