



SCR86

URGING THE CITY AND COUNTY OF HONOLULU TO REFRAIN FROM APPROVING INTERIM PLANNED DEVELOPMENT-TRANSIT PROJECTS THAT ALLOW CASH PAYMENTS IN LIEU OF AFFORDABLE HOUSING REQUIREMENTS

Senate Committee on Public Safety, Intergovernmental, and Military Affairs
Senate Committee on Housing
Senate Committee on Transportation and Energy

March 29, 2017

1:15 p.m.

Room 225

The Administration of the Office of Hawaiian Affairs (OHA) will recommend that the Board of Trustees **COMMENT** on SCR86, which urges the City and County of Honolulu to refrain from approving Interim Planned Development-Transit (IPD-T) permits that allow cash payments in lieu of any affordable housing construction requirements.

As stated in Act 130 (2016) and referenced in SCR86, transit-oriented development (TOD) was clearly envisioned as an opportunity to “guarantee, for present and future generations, those elements of choice and mobility that insure that individuals and groups may approach their desired levels of self-reliance and self-determination.”¹ Affordable housing is a vital component to fully realizing this vision, for many in the Native Hawaiian community, as well as for state residents generally.² Not surprisingly, county ordinances reflect an express desire for affordable housing development to result from TOD projects.³

However, recent county proposals have sought to allow TOD residential projects seeking IPD-T permits to avoid actually constructing affordable units, through the payment of an “in-lieu fee” to county affordable housing funds. As illustrated in years past, such cash in-lieu payments have often times failed to lead to the eventual creation of much-needed affordable units. The in-lieu fee amounts required under such proposals have also not appeared commensurate with developers’ avoided-costs in not being required to actually construct affordable units; developers will likely only continue to seek permit approvals with such in-lieu fees, as the more financially attractive option. **The continued use of in-lieu fees to relieve developers of affordable housing construction requirements could therefore lead to a**

¹ See HRS §226-4.

² The 2016 Hawai‘i Housing Planning Study shows that the projected Native Hawaiian and state housing demand is almost entirely for units that are affordable, rather than for market-rate or other ‘gap’-rate units. **The study also shows that a majority, or 53%, of the state’s projected housing demand is for units affordable to those at 60% of the area median income or below.** SMS, HAWAI‘I HOUSING PLANNING STUDY 34 (2016), available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf.

³ In order to qualify for a high degree of flexibility from development standards and land use/zoning restrictions under county ordinances, an IPD-T-permitted project must currently meet four requirements, one of which relates to affordable housing development.

substantial number of TOD residential projects that do not include any affordable units, frustrating a key vision of TOD itself.

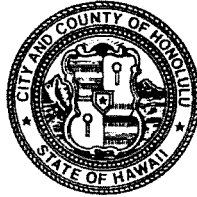
To avoid such an outcome, OHA has suggested to the county to establish clear and well-vetted affordable housing policies prior to any further issuance of ITD-P permits, that may otherwise establish unfavorable precedent for future development proposals. Such policies should, at a minimum, specifically clarify the percentages of new units that must be affordable, for the range of potential future residential TOD projects; the types of developments, if any, that may merit in-lieu fee alternatives to the actual construction of affordable housing units; the methodology by which such fees will be calculated; and how the in-lieu fees will be used to meaningfully contribute to the development of affordable housing.

Mahalo nui for the opportunity to comment on this measure.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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March 29, 2017

The Honorable Clarence K. Nishihara, Chair
and Members of the Committee on
Public Safety, Intergovernmental
and Military Affairs

The Honorable Will Espero, Chair
and Members of the Committee
on Housing

The Honorable Lorraine R. Inouye, Chair
and Members of the Committee on
Transportation and Energy

Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chairs Nishihara, Espero, Inouye, and Committee Members:

Subject: Senate Concurrent Resolution 86
Relating to In-lieu Fees

The Department of Planning and Permitting (DPP) **offers comments** on Senate Concurrent Resolution 86, which urges the City to refrain from approving Interim Planned Development-Transit (IPD-T) projects that allow cash payments in lieu of affordable housing requirements.

We understand the concern reflected by this Resolution regarding the recent City approval of the Manaolana Place project. Rest assured that this project's approval, which accepted in lieu fees rather than actual units, is NOT representative of the City's primary strategy to address our affordable housing crisis.

Our proposed Affordable Housing Requirement (AHR) bill will be submitted shortly to the Honolulu City Council. It addresses many aspects of our affordable housing shortage, and analyzed the need by household income levels, location, and housing type, and whether the units will be offered for sale or for rent. The recommended strategy first and foremost promotes the provision of housing, on-site and off-site, rather than in lieu fees. However, we need the option of in lieu fees

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Hawaii State Senate

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because for some projects it is not realistic to provide the affordable housing, and we believe developments need options on how to address the need.

Manaolana Place is one such project. It is located across the Convention Center and will include a hotel and luxury condominiums. Approval was not granted on the basis of its contribution to affordable housing, but because it provides economic revitalization to a stagnant neighborhood, will improve circulation in the area, and provide a gateway function to Waikiki. It is a catalytic project for other transit-oriented developments in the area.

Manaolana Place is not the type of project that lends itself to sharing a property with affordable housing. The maintenance costs alone will make affordable housing units infeasible. In lieu fees received from this project can be used on a more affordable site, and will yield more units than the number that could be provided onsite. Therefore, in lieu fees were accepted for this particular project.

The Senate Concurrent Resolution 86 targets just one component of the City's carefully crafted strategy, and it would be regrettable to believe the Manaolana Place project is precedent-setting with respect to City policy. We do not favor fees over units. We have taken the last two years to formulate our affordable housing program, and believe it reflects a carefully crafted strategy that will increase production of affordable housing for all development types and income levels. We would be happy to make a presentation on our AHR.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Kathy Sokugawa', with a stylized, flowing script.

Kathy Sokugawa
Acting Director



March 27, 2017

From: George S. Massengale

To: Committee on Public Safety, Intergovernmental, and Military Affairs
Committee on Housing
Committee on Transportation and Energy

Date: Hearing March 29 2017 at 1:15 P.M.

Subj: SCR86, URGING THE CITY AND COUNTY ON HONOLULU TO REFRAIN
FROM APPROVING INTERIM PLANNED DEVELOPMENT-TRANSIT
PROJECTS THAT ALLOW CASH PAYMENTS IN LIEU OF AFFORDABLE
HOUSING REQUIREMENTS.

TESTIMONEY IN SUPPORT

Committee Chairs, Senator Nishihara, Senator Espero, and Senator Inouye and members to the joint committees. I am here today on behalf of Hawaii Habitat for Humanity Association, and our two Habitat Oahu affiliates Honolulu and Leeward, to testify in support of SCR86.

As a nonprofit housing developer we frequently offer testimony at various city council committee hearings and the city council, regarding our opposition to allowing high end condominium developers to abnegate their obligation to build affordable housing by paying an in lieu fee of \$45.00 per sq. ft.

We should point out that this fee is totally inadequate giving the fact the construction for a basic low-rise apartment building is calculated at \$300.00 plus per. sq. ft., or higher.

We strongly believe that SCR86 will send a strong message to our city council members that they have a responsibility to ensure that high end developers actually build affordable housing for individuals and families with an adjusted monthly income of between 40 and 80%. To use a well know idiom "hold their feet to fire".

The city council and the mayor need to make it very clear to developers if they want to build a half-billion-dollar condominium project, they need to have in place a viable plan to build affordable apartment rentals and/or ownership units.

In closing we would ask that you move this resolution forward. SCR86 is well thought out resolution that has the potential to increase our affordable housing stock for our low income residents and families.

Respectfully,

George S. Massengale
Director, Community Engagement