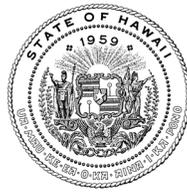


JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 865, S.D. 1

March 3, 2023
10:20 a.m.
Room 211 and Videoconference

RELATING TO HOUSING

The Department of Budget and Finance (B&F) offers comments on this bill.

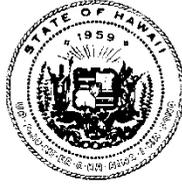
Senate Bill (S.B.) No. 865, S.D. 1: 1) establishes the Affordable, Locally Owned Homes for All (ALOHA) Homes Program within the Hawai'i Public Housing Authority (HPHA); 2) provides for the disposition of lands acquired by HPHA but no longer needed for the ALOHA Homes Program; 3) establishes the ALOHA Homes Revolving Fund (AHRF); 4) authorizes HPHA to sell leasehold units; 5) exempts the sale of leasehold interest for ALOHA homes units from the General Excise Tax; 6) exempts ALOHA Homes Program developments from School Impact Fees; 7) appropriates an unspecified amount of general funds for FY 24 and FY 25 to be deposited into the AHRF and appropriates an unspecified amount of revolving funds from the AHRF for FY 24 and FY 25 for the purposes of this measure; and 8) appropriates an unspecified amount of general funds for FY 24 and FY 25 for the establishment of the following full-time equivalent (FTE) positions: 3.00 FTE Program Managers and 1.00 FTE Development Specialist within HPHA for the ALOHA Homes Program. The measure

provides further guidelines for the establishment of rules and governing principles of ALOHA homes-related development projects, as well as qualifications for residents for the program.

As a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding S.B. No. 865, S.D. 1, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.

JOSH GREEN, M.D.
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

IN REPLY, PLEASE REFER TO:

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
SENATE COMMITTEE ON WAYS AND MEANS

Friday, March 3, 2023
10:20 AM – Room 211, Hawaii State Capitol

In consideration of
SB 865, SD1
RELATING TO HOUSING

Honorable Chair Dela Cruz, and Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide testimony concerning Senate Bill (SB) 865, SD1, relating to housing.

The Hawaii Public Housing Authority (HPHA) supports the enactment of SB 865, SD1, which establishes the ALOHA Homes Program to develop low-cost homes on state-owned and county-owned land in urban redevelopment sites to be sold in leasehold by the Hawaii Public Housing Authority to qualified residents. Exempts certain land from the definition of public lands. Provides for the disposition of lands acquired by the Hawaii Public Housing Authority but no longer needed for the ALOHA Homes Program. Appropriates funds.

The HPHA views this measure as part of the overall solution to assist the State in developing the housing needed to get out of the affordable housing crisis. Over 18 years ago, Act 196 of 2005, as amended by Act 180 of 2006, the Housing and Community Development Corporation of Hawaii (HCDCH) was bifurcated into two separate agencies – HPHA and Hawaii Housing Finance and Development Corporation (HHFDC). At that time the primary purpose of the HPHA was to manage a variety of forms of housing assistance, including public housing, housing assistance payments, rental supplement, and homeless programs. However, the HPHA continued to pursue

the redevelopment of its existing public housing stock as demonstrated through the submission of applications to Federal grant programs such as the HOPE VI Revitalization Grant and the Choice Neighborhoods Initiative.

In 2005, the Hawaii State Legislature and the U.S. Department of Housing and Urban Development (HUD) had the foresight to support the HPHA's efforts to engage in public private partnerships to develop a variety of housing, including public housing, affordable housing, commercial and industrial. These efforts were reinforced with the passage of Act 251, SLH 2022, to ensure that the HPHA continues to be part of the solution for the State's affordable housing crisis.

The HPHA published a Request for Qualifications (RFQ), seeking a Master Developer for its upcoming Ka Lei Momi Project. This ambitious public-private partnership (PPP) aims to construct 10,000 new affordable units over the next decade. With access to federal tools and programs like Rental Assistance Demonstration (RAD), Choice Neighborhood Initiative (CNI), Section 18 Demolition/Disposition, and Moving to Work (MTW), the HPHA is well-positioned to utilize mixed-finance strategies through a PPP where these new affordable units are so desperately needed. Additionally, this RFQ calls for up to 1,000 leasehold units with the first 300-unit tower at the Mayor Wright Homes public housing property thanks to the appropriation and legislative intent in the 2022 CIP budget.

Today, as the HPHA continues to look towards the future, it continues to align itself with the current national trends in the redevelopment of its public housing inventory. As the affordable housing crisis has worsened across the nation, and has been magnified here in Hawaii, the Federal government continues to develop new tools and make funding available for PHAs to take advantage of redevelopment programs that were not available over a decade and a half ago. These new programs, such as Mixed-Finance Redevelopment, emphasize the conversion of public housing and promotes the de-concentration of poverty. Through the redevelopment process, a mixture of public housing, affordable housing, market rate and commercial uses will be created to benefit the community.

HPHA's desire is not to remain a static agency, sitting on the sidelines while our community continues to suffer during the housing crisis. Our mission and fiduciary responsibility are to constantly look to the future and to challenge ourselves to make the most of the land, financial and human resources we have to contribute to resolving the housing crisis.

The HPHA appreciates the opportunity to provide the Committee with the HPHA's testimony. We thank you very much for your dedicated support.

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA

P.O. BOX 621
HONOLULU, HAWAII 96809

Testimony of
DAWN N. S. CHANG
Chairperson

Before the Senate Committee on
WAYS AND MEANS
Friday, March 3, 2023
10:20 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
SENATE BILL 865, SENATE DRAFT 1
RELATING TO HOUSING

Senate Bill 865, Senate Draft 1 proposes to establish the ALOHA Homes Program to develop low-cost homes on State owned and county owned land in urban redevelopment sites to be sold in leasehold by the Hawaii Public Housing Authority (HPHA) to qualified residents. The measure also proposes to exempt certain land from the definition of "public lands"; provides for the disposition of lands acquired by HPHA but no longer needed for the ALOHA Homes Program; and appropriates funds. **The Department of Land and Natural Resources (Department) offers the following comments to this measure.**

The purpose of this bill is to increase the number of affordable residential leasehold units for sale to qualified persons, in the State of Hawaii. The measure proposes that the ALOHA Homes units would be built within one mile of the Honolulu Rail Transit System, in urban redevelopment sites. The Department has four parcels adjacent or in close proximity to the planned Keone'ae rail station in East Kapolei, Oahu which would be impacted by this measure. The Department's long-term objective is to lease the parcels for income generating purposes to support the Department's natural resource management and protection programs. The Department also recognizes the State's obligation to provide affordable housing to residents in need and notes that planned uses for the parcels include affordable rental housing units. Other proposed uses include transit oriented mixed uses including commercial, retail, hotel, and medical. Additionally, the Department intends to include light industrial uses for parcels located further away from the rail station. Setting aside the land to another agency will result in a loss of revenue for the Department as some of the housing is planned on the mixed-use site next to the rail station. The Department is already planning on working with Hawaii Housing Finance and Development Corporation (HHFDC) for the housing area located on the parcel east of Kualakai Parkway, Oahu. Beyond generating income to support

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT

LAURA H.E. KAAKUA
FIRST DEPUTY

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES
ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

its programs, the Department believes that the proposed project's multiple uses will be a critical economic, employment and residential component of the East Kapolei community.

The revenues collected by the Department's Land Division cover the entire annual operating budget for the Land Division, the Department's Office of Conservation and Coastal Lands, and the Dam Safety and Mineral Resources Programs of the Department. The revenues fund over 80 Department staff positions, including 5 positions within the Commission on Water Resource Management, and provide funding support to the Division of State Parks and various resource protection programs administered by the Division of Forestry and Wildlife such as the protection of threatened and endangered species, removal of invasive species, and wildland firefighting. Revenues collected by other divisions have supported watershed protection, preservation of cultural and historical sites and public recreational resources. Furthermore, the Department has provided lands for affordable housing projects, often at the expense of generating revenue to support its own programs.

The Department understands the need for housing and has historically supported the development of affordable housing through the conveyance or transfer of management of lands to HHFDC for affordable housing or rental projects statewide. In most instances, the lands transferred to HHFDC could have been used for more intensive income producing purposes. Rather, these lands were instead dedicated by the Department to alleviate the significant lack of supply of affordable housing and rental units for the less fortunate citizens of Hawaii. The following affordable housing/rental projects have been supported by the transfer of lands from the Department to HHFDC:

- The Villages of Leiali'i in Lāhaina, Maui, 1,033 acres of land mauka of downtown Lāhaina.
- 690 Pohukaina in Kaka'ako, approximately 2.168 acres in Honolulu's urban core, adjacent to the rail line with access to existing infrastructure.
- Halekauwila Place in Kaka'ako, approximately 1.249 acres adjacent to the 690 Pohukaina project.
- Hale Mōhalu in Pearl City, O'ahu, 4.75 acres of land designated Urban, adjacent to Kamehameha Highway with access to existing infrastructure.
- The Villages of La'i'ōpua, in North Kona, Island of Hawai'i, 802 acres adjacent to Queen Ka'ahumanu Highway between Kona International Airport and Kailua Kona.

The Department further notes that its strategic plan for the development of the four parcels already includes 1,000 affordable and workforce rental housing units that would be located within a one-mile radius of the transit station. This project is in the planning phase, and initial market studies along with agency consultation, indicate that the proposed 1,000 units is the maximum amount that would be feasible for a developer to undertake. Per the Department's East Kapolei Affordable Rental Market Study, "on the supply side, the actual financing and construction cost realities present a high barrier to achieving such a high unit count... These lower Area Medium Income (AMI) units need greater subsidy to offset the costs. And the subsidies currently available do not appear sufficient to fund large-scale production of units serving the lower AMI households." Based on preliminary studies, the areas that are designated for housing units are physically capable of holding a maximum 2,000 units but the East Kapolei Affordable Rental Market Study found that developing that many units is not feasible due to

financing. The Department is currently in the process of conducting an Environmental Impact Statement (EIS) for the project. As the EIS budget is limited, the focus will be to study the most realistic scenario which is 1,000 affordable and workforce rental housing units. The Department is open to further study an alternative for the development of the 2,000 units as part of the EIS but would require additional funding of at least \$1,000,000.00 to do so. Expanding the scope of the EIS would add another 1-2 years to the EIS timeline because it would require that the Department redo its traffic, noise, engineering, and urban design studies.

In addition, the Department has concerns that this measure will result in unrealistic expectations of the volume and density of development around and/or near the rail stations. While in some areas this may be appropriate, such as in the urban core, in others, it may be unsuitable and appear to be disjointed from other nearby developments that were not granted carte blanche on height and housing density requirements. The Department has attended area Neighborhood Board meetings to get community feedback on development of the Department's parcels near the Keone'ae Rail Station, and to observe general community sentiment on density in East Kapolei. If desired by the Legislature, the Department is willing to explore development of 2,000 units with additional funding for the EIS, but cautions that the East Kapolei community and nearby landowners may not support building 2,000 units on the Department's parcels.

Mahalo for the opportunity to comment on this measure.



SIERRA CLUB OF HAWAI'I

SENATE COMMITTEE ON WAYS AND MEANS

March 3, 2023

10:20 AM

Conference Room 211

Offering **COMMENTS on SB865 SD1**: Relating to Housing

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Senate Committee on Ways and Means,

On behalf of our 20,000 members and supporters, the Sierra Club of Hawai'i offers the following **COMMENTS on SB865 SD1**, with a friendly amendment to better realize the intent of this measure to protect our public lands while facilitating affordable housing development.

The Sierra Club of Hawai'i appreciates that this measure seeks to strike a balance between achieving its vision of facilitating housing development while protecting the public interest in our public lands. However, the explicit language of this measure mandating the sale of 99-year leasehold interests in condominium and ALOHA Homes units built on state lands could inhibit efforts to negotiate and address the unresolved claims to "ceded" lands acquired without the consent of or compensation to the Native Hawaiian community. This in turn may exacerbate injustices that have rendered our islands ever more vulnerable to climate change, and prevent us from realizing the restorative justice for kānaka 'ōiwi that may be the key to our future resiliency. Accordingly, the Sierra Club of Hawai'i respectfully asks that the language of this measure be amended to clarify that such long-term leases be limited to those involving non-"ceded" lands, by:

Amending page 14, line 11-12, to read as follows:

"sites; provided that each lease for an ALOHA Home built on non-ceded lands shall be for a term of ninety-nine years, and each lease for an ALOHA Home built on ceded lands may be for an initial term of fifty-five years with the privilege of extension to meet the requirements of the Federal Housing Administration, Federal National Mortgage Association, Federal Land Bank of Berkeley, Federal Intermediate Credit Bank of Berkeley, Berkeley Bank for Cooperatives, or Department of Veterans Affairs

requirements; provided that the aggregate of the initial term and extension shall in no event exceed seventy-five years. The rules shall include the following requirements"

And amending page 21, lines 15-17, to read as follows:

"(b) The term of a lease involving non-ceded lands may be for ninety-nine years, and the term for a lease involving ceded lands may be for an initial term of fifty-five years with the privilege of extension to meet the requirements of the Federal Housing Administration, Federal National Mortgage Association, Federal Land Bank of Berkeley, Federal Intermediate Credit Bank of Berkeley, Berkeley Bank for Cooperatives, or Department of Veterans Affairs requirements; provided that the aggregate of the initial term and extension shall in no event exceed seventy-five years. The rules shall include the following requirements"

Mahalo nui for your consideration of this testimony.



March 3, 2023

10:20 a.m.

Conference Room 211 & Videoconference

To: Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: SB865 SD1 — RELATING TO HOUSING

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB865 SD1](#), which would establish the ALOHA homes program to facilitate the development and lease of low-cost homes for Hawaii residents.

The proposal before the committee accurately identifies many of the causes of the state's housing crisis and makes a laudable attempt to eliminate some of the barriers to affordable housing.

In particular, this bill would create thousands of leasehold housing units,¹ which would help ease the demand for housing in Hawaii.

However, we have concerns about the possible unintended consequences of this bill. Among them are:

>> Public sector projects cost more

¹ Stanley Chang, "[ALOHA Homes: An Innovative Solution to Hawaii's Housing Shortage](#)," Presentation at the Hawaii State Capitol, Nov. 16, 2018, video at 30:06.

The bill optimistically posits that the ALOHA Homes program would not end up costing Hawaii's taxpayers, but there is no guarantee that the plan would be economically sustainable without substantial infusions of taxpayer funding, as its supporters intend.

Our experience with the Honolulu rail project is sufficient to demonstrate that projected costs on public works projects do not necessarily reflect actual costs. In any government project, costs are likely to exceed original estimates.

For example, housing constructed pursuant to SB865 would be subject to HRS 104, which requires the use of prevailing wages,² which would raise costs higher than projects built in the private sector.

Additionally, Hawaii "encourages" the use of project labor agreements on projects worth at least \$25 million,³ and this has been demonstrated to raise the cost of government contracts by 12% or more.⁴

So what happens if the construction and maintenance costs of the ALOHA homes outstrip projections? Either the prices of the home leases will go up, undermining the intent of providing low-income residents with low-cost homes, or Hawaii taxpayers will end up footing the bill.

Given that construction costs alone in Honolulu are generally 38% higher than on the mainland,⁵ the only responsible option is to plan for higher-than-expected costs for this project.

Both of these factors would add to construction costs, making it harder for ALOHA homes projects to pencil out.

However, if legislators choose to move forward with this proposal, we suggest taking out the Chapter 104 requirement to use prevailing wages, since it would allow more flexibility to potentially use less expensive labor, which could translate into lower lease prices.

>> 99-year leases

One of our greatest concerns is the 99-year leases that are at the heart of the ALOHA homes program.

² [SB1_SD1](#) of 2021, p. 13 which states, "Development shall be subject to chapter 104."

³ "[Council approves PLAs despite many concerns](#)," Grassroot Institute of Hawaii, Oct. 9, 2019.

⁴ "[Honolulu City Council's PLA proposal is pilau](#)," Keli'i Akina, Grassroot Institute of Hawaii, Oct. 20, 2019; Paul Bachman and David G. Tuerck, "[Project Labor Agreements and the Cost of School Construction in Ohio](#)," The Beacon Hill Institute, May 2017, p.1; and Vince Vasquez, Dr. Dale Glaser and W. Erik Bruvold, "[Measuring the Cost of Project Labor Agreements on School Construction in California](#)," National University System Institute for Policy Research, 2011, p. 10.

⁵ "ENR Square Foot Costbook 2019 Edition," Engineering News-Record, 2018, p. 174.

Buying a 99-year lease means that one day the leaseholders will no longer have the right to occupy their units. In essence, the leases trade temporary stability for long-term headaches concerning transfer and value. This makes leasehold properties less valuable and less desirable than comparable properties that could be purchased fee simple.

Another strike against leasehold units is that in some instances they cannot be borrowed against for a loan, which takes away the ability of their occupants to borrow against the properties to start a business, invest or otherwise contribute to the local economy.

One of the reasons that home ownership is considered a path to upward mobility is because it creates equity. But the ALOHA homes program is not providing people with the advantage of home ownership. It is simply providing them with shelter and robbing them of the opportunities and financial security that flow from home ownership.

The example of the Hawaiian Home Lands program with its 99-year leases should be enough to demonstrate that leaseholds create administrative headaches for both the government and the lessees. What they don't create is intergenerational wealth, though we acknowledge that this proposal would nonetheless add to Hawaii's housing stock.

>> Traps the tenant

Another concern is that under the ALOHA Homes plan, the leaseholders face limits on their ability to sell their leases.

This bill says that if the leaseholders want to sell their unit, the state would get the right of first refusal. Moreover, the price at which a leaseholder could sell, either to the state or another buyer, would be fixed according to a formula determined by the state.

There also would be limits on the ownership of other real property while one is the leaseholder of an ALOHA home.

If enacted into law, the bill would incentivize holding on to the leasehold for as long as possible over purchasing another property — even when the “need” for an ALOHA home has passed.

Thus, the ability of the program to address perpetual shortages in affordable housing would be limited to the state's ability to build new homes.

>> No incentive to improve the property

Property improvements generally are made by owners who hope to profit from the increased value they create. However, because the ALOHA homes program limits the ability of lessees to profit from the sale of their properties, there would be little incentive to improve the units.

When improving and caring for a property is disincentivized, repairs and maintenance often fall by the wayside. Therefore, ALOHA homes units could eventually fall into disrepair.

The effect would be similar to that of rent-controlled apartment buildings in New York and San Francisco, where the lack of financial incentive to spend on upkeep has resulted in neglected, deteriorating buildings — with their physical state matching their reduced and restricted market prices.

To address this potential problem, the bill includes a requirement that each development establish an operating and maintenance program, along with the funding to cover that cost.

This requirement would further increase the price of each project, and it is not clear if this would even help much, since tenants still would not have any incentive to upkeep their units, which they do not own, over the long term.

To put it bluntly, the ALOHA homes program risks becoming another government housing project in the worst sense of the term.

Allowing the homes to be sold one day fee simple would at least create an incentive to invest in the maintenance of the property.

>> Does not provide rentals

The ALOHA homes program would have a limited effect on the amount of housing available and would not lower the cost of rent, since no new rentals would be added to the housing stock. Thus, while the intent of SB865 is to address Hawaii's lack of affordable housing, the bill overlooks a significant factor in the housing market — rentals — especially for those who cannot make use of the program.

>> Suggestions

Hawaii has the most restrictive barriers in the nation to the creation of housing,⁶ so we urge lawmakers to reduce those regulations regardless of the outcome of this bill.

We also recommend creating some mechanism by which the properties could be sold fee simple, perhaps at the end of the leasehold period.

⁶ Carl Bonham, Justin Tyndall and Rachel Inafuku, "Measuring the Burden of Housing Regulation in Hawaii," The Economic Research Organization at the University of Hawaii, April 14, 2022.

Additionally, the section should be deleted that allows the state for the purpose of building ALOHA Homes to take private property through eminent domain. This would otherwise present a grave worry to private landowners across the state.

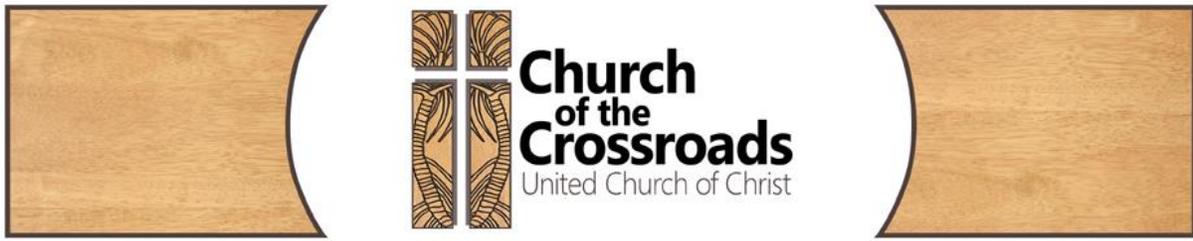
We applaud the bill's exemption from the general excise tax in Section 3, and impact fees in Section 4, since these exemptions would at least help lower the price of the units.

Finally, we are open to further discussions about options that could improve on the ALOHA Homes model.

Thank you for the opportunity to submit our comments.

Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii



A Just Peace and Open and Affirming Congregation

TESTIMONY IN SUPPORT OF BILL SB 865, SD 1

Senate Committee on Ways and Means
March 3, 2023 at 10:20 a.m., Conference Room 211 & Video

Church of the Crossroads, Hawaii's first deliberately interracial congregation now in its 100th year, remains committed to celebrating diversity by challenging economic injustice. SB 865 tackles our high cost of living — 2/3rds above the national average — driven by our housing crisis.

Crossroads strongly supports SB 865, SD 1. It would create the ALOHA Homes program utilizing State land to develop homes for all Hawaii residents at prices they can afford.

The Aloha United Way commissioned a report entitled, "ALICE: A Study of Financial Hardship in Hawaii." ALICE — **A**sset **L**imited, **I**ncome **C**onstrained, **E**mloyed. The ALICE population is comprised of people who have jobs, yet do not earn enough to afford the basic necessities because of Hawaii's high cost of living. They are a paycheck or two away from homelessness.

Prior to Covid 19, 37% of the households were ALICE, earning between \$30,000 and \$75,000 a year, below the median household income. Another 11% of people were below the poverty level. So 48% of Hawaii households were ALICE and below. Since then, that proportion has risen to 59%.

Governor Green says we need 36,000 housing units. The National Low Income Housing Coalition estimates that Hawaii faces a shortage of more than 40,000 homes for families earning incomes of 50% or below of the area median income. A Department of Business, Economic Development and Tourism report put the need at 72,000 through this decade.

Traditional State and county housing programs rely heavily on government subsidies because land costs and development costs are so high. Since the subsidies are limited, only a fraction of our needed housing has been built.

ALOHA Homes' SB 865 is structured revenue neutral. It does not depend on subsidies. It represents an approach to affordable housing that has worked in Singapore, in Vienna, and in Helsinki, now reinvented to fit Hawaii's circumstances.

Singapore has developed nearly a million residential units that today house 80% of its population. In **Vienna**, the successful government program — the City has multiple times been named the "most livable" — puts 60% of its population in government homes. **Helsinki's** livable public housing shelters less than 20%, sufficient to end homelessness in that city. In these three cities, agencies plans, develop, and construct housing units integrated with commercial, recreational, and social urban amenities. Their attractive, dense, mixed-use walkable developments are environmentally efficient and minimize the need for personal vehicles.

For Honolulu, the rail transit system would further reduce the need for personal vehicles. The State is the largest landowner along the rail line, owning about 2,000 acres, land we should dedicate to ALOHA Homes for the people of Hawaii. Mahalo.

LATE

SB-865-SD-1

Submitted on: 3/3/2023 10:21:21 AM

Testimony for WAM on 3/3/2023 10:20:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|---|---------------------------|------------------------|
| David Z. Arakawa | Testifying for Land Use Research Foundation of Hawaii | Support | Written Testimony Only |

Comments:

The Land Use Research Foundation of Hawaii **supports SB 865**, which establishes the ALOHA Homes Program to develop low-cost homes on state-owned and county-owned land in urban redevelopment sites to be sold in leasehold by the Hawaii Public Housing Authority to qualified residents; exempts certain land from the definition of public lands; provides for the disposition of lands acquired by the Hawaii Public Housing Authority but no longer needed for the ALOHA Homes Program; and appropriates funds for the ALOHA Homes Program.

Hawaii has a critical shortage of affordable housing, and the ALOHA Homes proposal is an alternative that can facilitate the building of new homes.

SB-865-SD-1

Submitted on: 3/2/2023 1:48:07 PM

Testimony for WAM on 3/3/2023 10:20:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|---------------------|---------------------------|------------------------|
| Nani | Individual | Oppose | Written Testimony Only |

Comments:

Aloha Chair, Vice Chair and members of the committee,

My name is Nani and I oppose SB 865 relating to housing and Aloha Housing.

Although we all agree there needs to be a plan for homelessness. This bill and Aloha homes plan will only continue to drive up the cost of housing here in Hawaii. Currently Koa ridge that was intended to help with affordable homes. Affordable home plan have an continue to be driven by profit versus commitment to helping our “houseless” community afford homes and our people of Hawaiian ancestry continue to stay in Hawaii. There is a completely separate need to tackle our homeless issue in Hawaii. The current track record of affordable homes being built in Hawaii has only perpetuated the foreign ideas and culture of multi-level density structures that do cultivate the Hawaiian heritage that many of us generational Hawaiian seek, but continue to be just out of reach of due to the rapid rising cost of housing here. There is another way, this current plan has many unintended consequences that further crush the culture that Hawaii should be and once was known for. The upper end of \$300,000 for a 500 sq.ft. home with no yard does NOT perpetuate any type of Hawaiian culture who is root in preserving and being good stewards of this a’ina.

With the I oppose and Aloha home program should be further vetted.

Thank you,

Yvette

SB-865-SD-1

Submitted on: 3/2/2023 5:20:59 PM

Testimony for WAM on 3/3/2023 10:20:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|---------------------|---------------------------|---------------------------|
| Bruce Anderson | Individual | Support | Written Testimony Only |

Comments:

I support SB 865. We need do do whatever we can to encourage truly affordable housing for Hawaii residents, and to ntake advantge of any benfit that comes from the horribly expensive light rail system the taxpayers have been saddled with.

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

March 3, 2023 at 10:20 a.m., Conference Room 211 & Video

Linda Rich in Strong Support of SB865

Aloha,

I urge the legislature to move this bill forward. The lack of affordable housing is at a crisis level in Hawaii . We cannot continue to make small advances that fail to acknowledge the ever growing need for truly affordable housing. Here at last is a plan that would make a significant impact. It is time to make a serious investment in the future of Hawaii and the welfare of our moderate and low income families. Our young families are leaving. Our essential workers can't find homes to live in. Luxury condominiums and gated communities continue to be built to accommodate the wealthy, often standing empty as investment properties, and yet out teachers, first responders, social workers, as well as minimum wage earners struggle to find an affordable dwelling.

We look to the state government, you, our legislators, to ensure that the welfare of Hawaii's citizens is supported. This bill offers a better solution to our housing crisis than anything else that has been put before you. The people of Hawaii need homes. Please pass SB865.

Mahalo for the opportunity to testify.

Linda Rich

**TESTIMONY OF ELLEN GODBEY CARSON
IN STRONG SUPPORT OF SB865, SD1**

I strongly support SB865, SD1, the ALOHA Homes bill. While I write as an individual, I have served as President and director of Institute for Human Services, advocate for Faith Action for Community Equity Housing Now, and member of the Church of the Crossroads Peace, which have strongly supported the ALOHA Homes model.

I believe the ALOHA Homes bill is the game changer we need. We need a way to create affordable housing that will be sustainable and budget neutral, with non-profit approaches to building tens of thousands of affordable units quickly. SB65 is designed to do just that. It also offers much needed community planning for our transit oriented areas in ways that will enhance the sense of community for those of us living in urban Honolulu.

ALOHA Homes (the Singaporean model of housing) are the only proposal I've seen in my 30+ years of living in Hawaii that have any hope of making a major change in the supply of affordable housing units, in a way that is sustainable and budget neutral, using market forces and creative intelligence instead of taxpayer subsidies.

I have traveled to Singapore to explore their affordable housing model, which allows approximately 90% of their population to own their own home, at affordable prices, on an island that shares many of the same daunting challenges we have in Hawaii. Our current methods for creating affordable housing in this state have been inadequate, incremental, unbelievably slow and tedious. We have failed to create the critical mass of new affordable housing we need.

In my opinion, these bills deserve our strongest support. Let's give them a chance to work in Hawaii. It's true that there will be much to be worked out in details of how best to make a Singaporean model work in Honolulu. That's why these bills need all of us working together toward this goal, to help Hawaii create a new model for sustainable affordable housing in the United States.

Respectfully submitted,

Ellen Godbey Carson
Honolulu, Hawaii
March 3, 2023

SB-865-SD-1

Submitted on: 3/3/2023 8:02:52 AM

Testimony for WAM on 3/3/2023 10:20:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|---------------------|---------------------------|---------------------------|
| Valerie Wayne | Individual | Support | Written Testimony Only |

Comments:

We are in desperate need of affordable housing on Oahu, and this bill offers a reasonable, significant solution to that problem by building homes along the rail route. I support this bill enthusiastically as one of the best ways to address our problem in the near future. Please move it forward and vote for it!

LATE

SB-865-SD-1

Submitted on: 3/3/2023 9:30:55 AM

Testimony for WAM on 3/3/2023 10:20:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|---------------------|---------------------------|------------------------|
| Richard Tillotson | Individual | Support | Written Testimony Only |

Comments:

Aloha,

I strongly support this bill and urge you all to do also. Homelessness is affecting every neighborhood in Hawaii, and this bill will benefit the constituents in ALL your districts.

- Our housing crisis has pushed Hawaii's cost of living 2/3 higher than the rest of the country, with 59% of our people 1-2 paychecks from homelessness or already there. We lose a higher share of people to the rest of the U.S. than all but four states. A majority of native Hawaiians now live on the mainland.
- SB865 would enable tens of thousands of needed homes for residents to be built on 2,000 acres of state land along the proposed rail line at no net cost to taxpayers.
- The projects would be attractive, dense, with retail, recreational, medical, and social amenities a walk away and transit nearby.

Please support SB685!

Thank you for considering my testimony and mahalo for your service.

Aloha,

Richard Tillotson

LATE

SB-865-SD-1

Submitted on: 3/3/2023 10:03:04 AM

Testimony for WAM on 3/3/2023 10:20:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|---------------------|---------------------------|------------------------|
| Elizabeth Nelson | Individual | Support | Written Testimony Only |

Comments:

I fully support SB865. Our housing crisis just gets worse every year and we do not seem committed to really providing housing that most of the residents of Hawaii can afford. Houselessness is a huge problem and residents are moving to the continent because they cannot afford to live here.

SB 865 would enable tens of thousands of needed home for residents to be built on state land along the proposed rail line at no net cost to taxpayers. The projects would be attractive, dense and with retail, recreational, medical and social amenities a walk away and transit nearby.

This sounds like a very reasonable solution to me. Thank you for your consideration.

Elizabeth Nelson

Kaneohe