JOSH GREEN, M.D. GOVERNOR

> SYLVIA LUKE LT. GOVERNOR



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

Statement of **DEAN MINAKAMI**

Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

January 28, 2025 at 1:00 p.m. State Capitol, Room 225

In consideration of S.B. 38
RELATING TO HOUSING.

Chair Chang, Vice Chair Hashimoto, and members of the Committee.

HHFDC <u>supports</u> SB 38, which prohibits the legislative body of a county from making any modifications that will increase the cost of the project.

In many cases, the legislative body will impose conditions on projects that increase project costs. We therefore suggest that the new language in section (C) (i) on page two be amended as follows:

; provided that the legislative body shall not make any modifications or impose conditions that will increase the cost of the project.

Thank you for the opportunity to testify on this bill.

DEPARTMENT OF PLANNING AND PERMITTING KA 'OIHANA HO'OLĀLĀ A ME NĀ PALAPALA 'AE CITY AND COUNTY OF HONOLULU



650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAI'I 96813 PHONE: (808) 768-8000 • FAX: (808) 768-6041 • WEBSITE: honolulu.gov/dpp

RICK BLANGIARDI MAYOR *MFIA*



January 28, 2025

DAWN TAKEUCHI APUNA DIRECTOR PO'O

BRYAN GALLAGHER, P.E. DEPUTY DIRECTOR HOPE PO'O

REGINA MALEPEAI 2ND DEPUTY DIRECTOR HOPE PO'O KUALUA

The Honorable Stanley Chang, Chair and Members of the Committee on Housing Hawaii State Senate Hawaii State Capitol 415 South Beretania Street Honolulu, Hawaii 96813

Subject: Senate Bill No. 38

Relating to Housing

Dear Chair Chang and Committee Members:

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 38, which prohibits the legislative body of a county from making modifications to housing development proposals that would increase the cost of the project.

While the City supports policies that will stimulate affordable housing production, prohibiting the county legislative body from imposing necessary conditions that would increase the cost of the project negates the quality of their review and forces a de facto up or down vote on each project. This could result in good projects being denied because conditions could not be imposed to ensure impacts were mitigated.

Essentially any condition that required a change to the plans and drawings could be argued to increase the cost of the project. Rising consultant fees are, after all, a cost of the project. Furthermore, if the legislative body could not impose conditions to ensure traffic safety measures and infrastructure needs, they may need to deny projects. Then applicants would need to make the changes and start the process over because there would not be room for changes to the plan or collective agreements on pathways forward after the application was received.

It may help you to know that for one 201H project, an applicant requested that the City Council impose a condition to change the project in a way that allayed community concerns. The change did impact the cost of the project, but the applicant

The Honorable Senator Chang, Chair and Members of the Committee on Housing Hawai'i State Senate Senate Bill No. 38 January 28, 2025 Page 2

was able to move forward with the support of both the Council and the community. This was a win-win solution that would not be available if the bill passes in its current form.

To this end, we respectfully oppose Senate Bill No. 38 and request that it not move forward.

Thank you for the opportunity to testify.

Very truly yours,

Dawn Takeuchi Apuna

Director



1050 Bishop St. #508 Honolulu, HI 96813 808-864-1776 info@grassrootinstitute.org

Removing barriers to Hawaii's prosperity

Jan. 28, 2025, 1 p.m.

Hawaii State Capitol

Conference Room 225 and Videoconference

To: Committee on Housing
Sen. Stanley Chang, Chair
Sen. Troy Hashimoto, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: SB38 — RELATING TO HOUSING

Aloha Chair Chang, Vice-Chair Hashimoto and other members of the Committee,

The Grassroot Institute of Hawaii **supports** <u>SB38</u>, which would prohibit Hawaii's county councils from adding requirements that increase costs for a 201H affordable housing project already approved by the Hawaii Housing Finance and Development Corp.

The state's land-use rules are a key driver of Hawaii's housing crisis. As measured by the state's Honolulu Construction Cost Index, the cost for building single-family homes in 2024 was 2.6 times higher than the cost in 2020. For highrises, the cost was 2.5 times higher.¹

The Economic Research Organization at the University of Hawai'i has identified that Hawaii's housing regulations are the strictest in the country, and "local political pressure" on housing developments in the top 5% of communities surveyed. Likewise, UHERO researchers estimated that regulations comprise 58% of the cost of new condominium construction.

¹ "Quarterly Statistical and Economic Report, 4th Quarter 2024," Hawaii Department of Business, Economic Development & Tourism, pp. 107-108.

² Rachel Inafuku, Justin Tyndall and Carl Bonham, "<u>Measuring the Burden of Housing Regulation in Hawaii</u>," Economic Research Organization at the University of Hawai'i, April 14, 2022, p. 6.

³ Justin Tyndall and Emi Kim, "Why are Condominiums so Expensive in Hawai'i?" Economic Research Organization at the University of Hawai'i, May 2024, p. 11.

This suggests reducing the power of Hawaii's county councils over state-approved affordable housing projects could lower carrying costs, which would benefit builders and residents alike.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii





January 27, 2025

Senator Stanley Chang, Chair Senator Troy Hashimoto, Vice Chair Committee on Housing

RE: SB 38 - Relating to Housing

Hearing date: Tuesday January 28, 2025 at 1:00PM

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **Support** of **SB 38 Relating to Housing**. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

SB 38 prohibits the legislative body of a county from making modifications to 201H housing development proposals that would increase the cost of the project.

NAIOP Hawaii supports SB 38, which will reduce risk of the development of affordable housing units under the 201H process. Housing in Hawaii is already costly due to rising construction and material costs and insurance costs. Furthermore, interest rates have significantly risen in the past year, making housing projects nearly infeasible due to the increased costs and lower eligible unit sales prices due to AMI restrictions. Accordingly, SB 38 will reduce the risk of unforeseen project cost increases when developing affordable housing in Hawaii, making more projects feasible under 201H.

We urge the committee to pass SB 38 which supports the development of affordable housing projects. NAIOP appreciates the Legislature's commitment to creating affordable housing for Hawaii residents, and we look forward to working together. Thank you for the opportunity to provide testimony.

Mahalo for your consideration,

Reyn Tanaka, President NAIOP Hawaii





HEARING BEFORE THE SENATE COMMITTEE ON HOUSING HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225 Tuesday, January 28, 2025, 1:00 P.M.

To The Honorable Senator Stanley Chang, Chair The Honorable Senator Troy N. Hashimoto, Vice Chair Members of the committee on Housing

SUPPORT SB38 RELATING TO HOUSING

The Maui Chamber of Commerce **SUPPORTS SB38** which prohibits the legislative body of a county from making modifications to housing development proposals that would increase the cost of the project.

The Chamber notes that for decades, we have witnessed projects that initially met county and state requirements and appeared financially feasible. However, when these projects went before the county council for final approval, new conditions were often imposed. These modifications frequently led to increased costs, making the projects no longer financially viable. As a result, many housing developments were not built, and the housing that had been planned never materialized.

Developers are often unable to obtain accurate estimates for these last-minute conditions and cannot properly assess whether the changes fit within the overall project budget. Many of these conditions involve the development of critical infrastructure, which we believe should be the responsibility of the county and state. By the time developers reach the county council level, they already know what will work financially. Sudden changes during this process create significant challenges and, over the years, have led to a loss of potential housing.

Given the severe housing shortage in both the state and Maui County, we strongly support initiatives that promote, rather than hinder, the development of housing for our residents.

For these reasons we **SUPPORT SB38** and respectfully ask that it be passed.

Sincerely,

Pamela Tumpap

Pamela Jumpap

President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



Testimony of **Lahaina Strong**Before the Senate Committee on **Housing**

In Opposition of Senate Bill No. 38 RELATING TO HOUSING

To Chair Stanley, Vice Chair Hashimoto, and the honorable members of the committee,

We are writing on behalf of Lahaina Strong, an organization deeply rooted in our community's resilience and advocacy. Originally formed in 2018 following the Hurricane Lane fire in Lahaina and revitalized after the devastating fires of August 8, 2023, Lahaina Strong has become the largest grassroots, Lahaina-based community organization, with over 20,000 supporters. Our mission is to amplify local voices and champion community-driven solutions, which are more critical than ever as we continue rebuilding and recovering.

Lahaina Strong stands in **opposition of SB38** and its provisions that diminish the County Council's role, remove its authority to approve housing projects, and undermine the vital need for community input. Ensuring local voices are heard in the decision-making process is essential for responsible and equitable development.

The County Council is the body closest to the people and the realities on the ground, particularly in disaster-affected communities like Lahaina. Ensuring that housing projects align with our community's needs and values requires a process where local voices are heard. The current proposal undermines this essential process by allowing the State to bypass county-level approval for projects that have received state funding. This sets a dangerous precedent and risks disenfranchising communities across Hawai'i.

Moreover, the provision that prohibits the County Council from making any modifications that could increase the cost of a project is deeply concerning. It effectively ties the hands of the County Council, preventing them from addressing

critical design, safety, or infrastructure concerns that could arise during the review process. Responsible development often requires adjustments to ensure a project is sustainable, accessible, and aligned with local needs—adjustments that may incur additional costs but are essential to long-term success. This limitation prioritizes cost savings over the well-being and functionality of our communities.

Additionally, not every island faces the same resource challenges, particularly when it comes to water. Maui, and specifically Lahaina, is grappling with significant water resource issues that must be carefully considered in any housing project. A blanket approval process that removes local oversight risks overlooking these critical factors, potentially leading to projects that fail to address or even exacerbate local needs and concerns.

Lahaina Strong firmly believes in home rule and the importance of maintaining the County Council's oversight to ensure transparency, accountability, and alignment with our unique circumstances. By removing the requirement for county approval and restricting the ability to make necessary project modifications, the proposed Bill concentrates power at the state level, leaving no meaningful avenue for local voices to shape the decisions that directly impact them.

In conclusion, Lahaina Strong urges you to **oppose Senate Bill 38**. Preserving the County Council's authority and ensuring housing projects remain rooted in the communities they are meant to serve is critical to a just recovery and sustainable future. Our collective resilience depends on it.

Mahalo for your attention to this vital matter and your dedication to safeguarding our community.

Sincerely,

Lahaina Strong



Submitted on: 1/27/2025 6:32:37 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Christine Otto Zaa	Testifying for HI Good Neighbor	Oppose	Remotely Via Zoom

Comments:

Aloha Senators,

I strongly oppose SB28. Developers will always make a profit or they won't build. The county councils are not unreasonable and would not burden developers with added costs except for health, safety and community benefit. For example, when the Kobayashi Group's 201H project, Kuilei Place, came before the Honolulu City Council, the developer agreed to increasing the number of affordable units and extending the resident only buying period as a result of the Council requesting changes - added costs that increase affordable units for locals is a good thing.

Thank you,

Christine Otto Zaa, HI Good Neighbor

<u>SB-38</u> Submitted on: 1/25/2025 12:13:35 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sandie Wong	Individual	Support	Written Testimony Only

Comments:

I support SB38 and request that you pass it out.

Thank you.

Submitted on: 1/26/2025 12:23:26 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Seth Kamemoto	Individual	Oppose	Written Testimony Only

Comments:

Limiting the types of modifications that the county's legislative body can make based purely on cost can be self-defeating. For example, many 201H resolutions propose very sweeping fee exemptions (for example BWS hookup waivers) that then get scaled back slightly during the CC resolution process. Even \$1 of reduced fee waiver could be seen as an increase in cost that would not be allowed if this bill were to pass as-written. The city often requests more safety details in the form of requiring more studies and reports (such as TIARs for traffic). These modifications to the resolution, intended to ensure public safety, will increase cost (even if only marginally) and would therefore not be afforded by this bill. Creating a restriction solely on dollar cost limits the opportunity to increase the overall value of a project to the community.

Submitted on: 1/27/2025 8:38:35 AM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Tamara Paltin	Individual	Oppose	Written Testimony Only

Comments:

Aloha e Chair and members,

Mahalo for this oppotunity to testify. There are modifications needed sometimes to make a project better. If the council feels strongly enough about the need for these modifications it is generally reflective of the constituents desires. Perhaps specifying for affordable housing projects and that if modifications are needed that cost extra then affordable housing funds could be used to offset expenses.

Mahalo,

Tamara

Submitted on: 1/27/2025 10:20:12 AM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jolyn Okimoto	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chair, Vice Chair and Members of the Housing Committee,

I am writing to OPPOSE SB38. Proposed developments should continue to be subject to City Council approval, and the Council should be able to make appropriate recommendations, including ones that will increase the project's cost.

For example, if the City Council were to recommend safety measures such as guardrails, access ramps or other improvements, such recommendations should not be excluded because of cost.

Section 201H-38, HRS, is already problematic and should not be strengthened. If anything, it should be repealed because its exemptions are too great.

Thank you for your time and consideration.

J. Okimoto, resident of Honolulu

Submitted on: 1/27/2025 10:49:02 AM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
robin knox	Individual	Oppose	Written Testimony Only

Comments:

I am opposed to this bill. County Councils need to be able to make modifications in keeping with the wishes of their constituents. At the time of legislative action it will not be possible to know whether or not it increases cost, and cost alone should not be a determining factor in project modifications

Submitted on: 1/27/2025 12:14:43 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
ellen sofio	Individual	Oppose	Remotely Via Zoom

Comments:

Ellen Sofio

2708 Hipawai Place

Honolulu, Hawaii 96822

Testimony in Opposition to SB 38

This looks to be yet another bill from Senator Stanley Chang written on behalf of the developers, greedy landowners, construction union lobbyists and private construction lobbyists, not on behalf of his constituents.

I read the bill but still am relying on the verbiage in the summary which I did not see explicitly in the bill. The summary basically says that the legislative body of a county from modifying housing proposals in a way that would increase the costs of the project.

It's not clear to me as a non attorney if the Department of Planning and Permitting is considered a "legislative body" or if that terminology would only apply to the City Council. So in the absence of clarification I will assume that the DPP would fall under that description.

council to impose requirements to protect public health and safety or to protect the environment is not not good for the public welfare.
I oppose this bill and would ask that you vote decisively against it.
Sincerely,
Ellen Sofio M.D.
Mānoa

Anything that removes discretion or jurisdiction or capability of either the DPP or the city



Submitted on: 1/27/2025 1:26:50 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dave Watase	Individual	Oppose	Written Testimony Only

Comments:

Aloha, I oppose SB38 because the enormous exemption powers of 201H-38 can negatively impact decades of land use protections and significantly change the composition of neighborhoods and communities from its roots in the name of affordable housing. These impacts and changes are so drastic and quick that you have C&C of Honolulu approved 201H-38 projects like Pahoa Ridge where a 200' apartment building will stand 5' away on the property line (zero setback) next to a wooden residential home where otherwise it would be impossible. Example, a tripling of the FAR in conjunction with exemptions for height and setback restrictions is the same as tripling the land values of the owner because otherwise they would need 3x the property size. The end result is you get a structure in a neighborhood that obviously doesn't fit in or match the community. Another example is the Kuulei Place with 1005 units, 1670 parking stalls, standing at 400' tall in an area with traditionally zoned with a height limits of 150' which under current land use zoning can only be reached with a big enough property to provide the proper FAR and building setbacks. The end result is the Kuulei Place doesn't fit into the community and did not even require an Environmental Assessment let alone an Environmental Impact Statement when it is clear to the eye that this is significant and Neighborhood Boards were not even presented with the project.

I believe any 201H-38 project like Kuulei Place which is obviously misplaced and a developers dream should have required Legislative approval to insure that the community has a say and is protected. I am all for fast tracking affordable housing and the need for affordable housing.

I oppose SB38 because 201H-38 projects need to have more safeguards and not less especially when involving privately owned properties. 201H-38 powers should be restricted to Government lands, 100% funded and 100% owned government projects, and TOD areas.

Mahalo, Dave Watase



Submitted on: 1/27/2025 2:40:28 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Brett Kurashige	Individual	Oppose	Written Testimony Only

Comments:

I am submitting testimony in strong opposition to SB38

(https://www.capitol.hawaii.gov/sessions/session2025/Bills/SB38_.pdf) which proposes to amend Hawaii Revised Statutes 201H-38 by adding language stipulating the State would essentially revoke the authority of County representative bodies/appointed officials to "approve, approve with modification, or disapprove the (proposed affordable housing) project by resolution should County government "make any modifications that will increase the cost of the (proposed affordable housing) project."

In my opinion, SB38 potentially constrains County governments from carrying out their duty to review and approve and make modifications as necessary to developments within their County jurisdictions for safety and well-being of County communities. We can all agree that County governments are ultimately responsible for all County-level infrastructure and services as well as the general well-being of communities within their respective Counties. Why constrain County governments from doing their job?

A hypothetical example: Say a proposed 150 unit affordable housing development comes before the County Council for review. Suppose there is only a single 18 foot access road (with street parking) for that proposed development which runs through an established neighborhood. For practical safety reasons, the County would not approve the development unless that access road was widened to support the addition of 150 housing units to the existing neighborhood. Of course, any required additional infrastructure (e.g., widening streets) increases development cost. As currently written, SB38 would constrain County governments from doing their job.

It would be far better, in my opinion, for State and County governments to work together in a Pono and community-friendly way to preserve our precious Aina and make permanent progress of truly affordable housing solutions for local residents and families.

Mahalo for the opportunity to submit testimony in opposition to SB38.



Submitted on: 1/27/2025 4:41:56 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Janyce Mitchell	Individual	Oppose	Written Testimony Only

Comments:

I strongly oppose this change to Hawaii Revised Statutes 201H-38.

This amendment to HRS 201H-38 eviscerates the authority of the county to properly manage projects within the county. The new language states that the County can approve, disapprove or approve with modifications plans for affordable housing projects but "**shall not** make any modifications that will increase the cost of the (proposed affordable housing) project." This is a bad result for all residents of the county.

Suppose a project is proposed, but has inadequate sewer infrastructure on site for the proposed number of units. Under the new language, the County could not approve the project with the requirement that the developer provide additional infrastructure on site. This outcome may be contrary to the goals of 201H-38 of facilitating affordable housing projects. The County may be forced to disapprove the project and have the developer submit a new proposal. This may significantly delay forward movement of the project or sufficiently discourage the developer to abandon plans for affordable housing. If the County instead approves the project with the hope (but not requirement) that the issue is addressed, the result may be substandard housing for those who need it most and added danger to the community at large. In either case, the authority of the County is significantly restricted without improving the quality and availability of affordable housing.

Please, allow the counties to continue to adequately review and manage all projects, including those for affordable housing. Please vote no on this SB38.

Thank you for your time and attention.



Submitted on: 1/27/2025 5:21:12 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Bianca Isaki	Individual	Oppose	Written Testimony Only

Comments:

I'm writing in strong opposition to SB38, which would deprive county councils of their ability to impose requirements on housing developments that could increase the cost of development. There are many reasons to make developers, and not the public, liable for the cost of development. HRS 201H fast-tracked housing is already exempt from so many kinds of review. This bill would only stymie the ability of the counties to conduct meaningful review.

Yours,

Bianca Isaki



Submitted on: 1/27/2025 8:03:58 PM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Makana Hicks	Individual	Oppose	Written Testimony Only

Comments:

This bill is if nothing else horrifically vague. What constitutes a cost could be anything. Asking for a printed copy of the plan would increase the costs of the project. Who gets to decide what counts as increasing costs is never mentioned. Vague law, is bad law.





Housing Hawaiʻi's Future PO Box 3043 Honolulu, HI 96802-3043

January 28, 2025

TO: Chair Chang and members of the Senate Housing Committee

RE: SB 38 RELATING TO HOUSING.

Dear Chair Chang and Committee Members,

Housing Hawai'i's Future is a nonprofit dedicated to creating opportunities for Hawai'i's next generation by ending the workforce housing shortage.

We support SB 38, a measure that prohibits county councils from increasing the cost of affordable housing.

Projects that seek 201H-38 approval supplement Hawai'i's inventory of workforce housing. However, history shows that when these projects become subject to county approval, their timelines and construction costs can increase due to 'not-in-by-backyard' (NIMBY) opposition.

The result is not better housing. Instead, concessions extracted from county review processes increase the cost of housing, stifling housing projects. Housing unaffordability—or the lack of more workforce housing—is the product of unnecessary risk, uncertainty, and delay to well-scrutinized developments.

The result is a housing crisis. And here we are.

We need to expedite the construction of affordable workforce housing.

We are grateful for your careful consideration of SB 38.

Thank you,

Lee Wang Executive Director Housing Hawai'i's Future lee@hawaiisfuture.org Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
perry@hawaiisfuture.org



Submitted on: 1/28/2025 1:00:45 AM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kelly Nishimura	Individual	Oppose	Written Testimony Only

Comments:

I oppose this bill, as an advocate of affordable housing and responsible development. Bills such as SB38 favor developers over the needs and interests of our communities.



Submitted on: 1/28/2025 3:15:59 AM

Testimony for HOU on 1/28/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Whitney Bosel	Individual	Oppose	Written Testimony Only

Comments:

I submit testimony here to convey that I strongly oppose SB38. You get what you pay for in this world, and demanding that the county not request any changes to a proposal that may increase its costs constrains the county in ways that may endanger people, and also is not always possible to predict. Saying the county couldn't call on a project to be improved, so that it better serves the residents it would house, or better use or maintain precious resources we all rely on, or better integrate into the land we share here, because it MAY incur increased costs is a terrible requirement, with many possible negative rammifications. I urge you to reconsider this bill.