



**HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY**

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Statement of  
**CRAIG K. NAKAMOTO**  
**Executive Director**  
Hawai'i Community Development Authority  
before the  
**SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**  
Thursday, February 26, 2026  
9:45 am  
State Capitol, Conference Room 229 & Videoconference

In consideration of  
**SB 2061, SD1**  
**RELATING TO RESIDENTIAL CONDOMINIUMS.**

Chairperson Keohokalole, Vice Chairperson Fukunaga, and members of the Committee. The Hawai'i Community Development Authority (HCDA) **supports** SB 2061, SD1 and offers background and context for the committees to better understand why this bill is necessary to move this project forward:

**99-Year Leasehold Condominium Program**

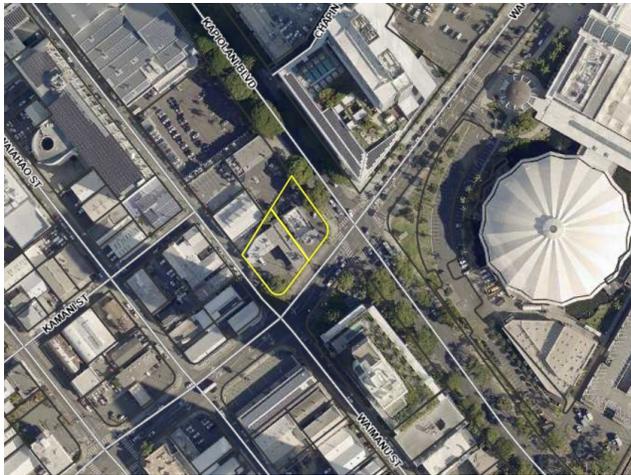
- Established in 2023 by Act 97.
- Facilitated the development of low-cost leasehold residential condominium units for sale to Hawaii residents on non-ceded state-owned land near public transit stations. Section 206E-282(a), HRS.
- Authorized one (1) project on non-ceded lands within an urban redevelopment site selected by HCDA. Section 206E-282(b), HRS.
- Authorized HCDA to sell the leasehold interest in residential condominium units located on non-ceded state lands for lease terms of 99 years. Section 206E-284(a), HRS; Section 206E-293(b), HRS.
- Provided funding for site selection, pre-development planning, adoption of administrative rules, and community engagement.
- Established program parameters and conditions. Chapter 206E, Part XII.

### **Key Act 97 Requirements**

- Requires buyers to be qualified residents of the State as defined in Hawaii Revised Statute (HRS) section 201H-32
- Requires buyers to be owner-occupants.
- At least 50% of the units may be sold to individuals with an income of up to 140% of area median income.
- Prohibits ownership interest in other residential/non-residential real properties is while owning the leasehold condominium unit.
- Provides 1<sup>st</sup> right of refusal to purchase to HCDA, which by rules, gave HCDA that right for up to 5 years.
- If HCDA does not exercise right to purchase, the unit must be sold to an eligible buyer.
- Upon the death of the owner, provides for transfer of the condominium units to qualified heirs.
- Units shall be sold by the owner to another eligible buyer.
- Prohibits rental/sublease of the condominium unit.
- Requires HCDA to promulgate rules. Section 206E-284, HRS.

### **Post-Establishment Actions**

- Public outreach was conducted.
- Administrative rules were promulgated.
- The HCDA Kakaako board selected, per Act 97, the parcels located at the corner of Kapiolani Boulevard and Ward Avenue, as the development site. (See the google aerial view map on the next page)



### **Pre-development Work**

- HCDA procured a developer, Ko Laila, LLC, as the developer for the project.
- Working closely with HCDA, Ko Laila performed due diligence work, including feasibility studies, market studies, capital stack, preliminary design, unit mix, pricing, cost per unit and cost of the development.
- Upon the completion of the due diligence work, the parties anticipated proceeding to pre-sales.

**Proposed Development Program**

Development Program	
Unit Type	Count
1 Bed/1 Bath	153
2 Bed/2 Bath	121
3 Bed/2 Bath	96
4 Bed/3 Bath	7
<b>Total</b>	<b>377</b>
<b>Parking</b>	<b>528</b>

Floor Area	
Type	Area (SF)
Residential	369,344
Commercial	10,426
Common Amenity Area	20,568
Parking	216,551
<b>Total</b>	<b>616,889</b>



For illustration purposes only.

**Development Cost**

<b>Hard Cost</b>	
<b>Type</b>	<b>Cost (\$)</b>
Site Improvements	1,195,000
Parking	36,380,568
Commercial	2,971,410
Common Amenity Area	5,285,976
Residential	161,772,672
<b>Sub Total</b>	<b>207,605,626</b>
Hard Cost Contingency	10,380,281
<b>Total Hard Cost</b>	<b>217,985,907</b>

<b>Soft Cost</b>	
<b>Type</b>	<b>Cost (\$)</b>
Architectural/Engineering	10,380,200
Permits	3,840,600
Marketing/Advertising	934,200
Insurance	7,266,100
Legal/Accounting	3,114,000
Project Administration	2,076,000
Development Overhead	5,323,386
Development Fee	5,323,386
Soft Cost Contingency	2,013,572
Financing Cost	20,572,295
<b>Total Soft Cost</b>	<b>60,843,740</b>

Total Development Cost: \$278,829,647  
 Average Development Cost Per Unit \$739,601  
 Average SF Cost \$452

**Suggested Development Financing Sources**

<b><u>Suggested Development Financing Sources</u></b>		
<u>Total Development Cost</u>		<u>\$278,829,647</u>
<b><u>Capital Stack Source</u></b>		
<u>Senior Construction Loan</u>	<u>65%</u>	<u>\$181,239,271</u>
<u>Mezzanine Loan ( DURF)</u>	<u>18%</u>	<u>50,189,336</u>
<u>Developer Equity</u>	<u>3.98%</u>	<u>11,085,438</u>
<u>HCDA Equity (CIP)</u>	<u>5.38%</u>	<u>15,000,000</u>
<u>Buyer's Deposit</u>	<u>7.64%</u>	<u>21,315,602</u>
<b><u>Total</u></b>	<b><u>100%</u></b>	<b><u>\$278,829,647</u></b>

**Unit Types and Pricing**

Unit Type and Pricing					
<b>Affordable Units</b>					
Type	No	Min Price	Max Price	Avg. Price	Avg. AMI
1Bed/1Bath	153	\$368,400	\$644,700	\$558,303	113%
2Bed/2Bath	73	\$650,500	\$725,300	\$690,558	124%
<b>Market Units</b>					
2Bed/2Bath	48	\$887,800	\$974,200	\$912,579	
3Bed/2Bath	96	\$957,300	\$1,207,300	\$1,063,583	
4Bed/3Bath	7	\$1,330,300	\$1,390,000	\$1,360,000	

**Post-Due Diligence and Next Steps**

With the pre-development work largely completed, the level of effort and next steps were significant. The estimated total cost to undertake the next steps would need to be funded by the state.

<b>Level of Effort Necessary to get to Pre-Sale</b>	
<b>Task</b>	<b>Cost (\$)</b>
Various Technical Studies/Surveys	230,000
Design Development Plans and Specifications	2,135,000
Loan negotiation/Construction contract negotiation/HHFDC Application	875,000
Pre-Marketing	170,000
Demo/AIS/HazMat/ALTA Survey/Technical reviews	1,035,000
Construction Documents & Specifications	6,370,000
Project Management	1,315,000
Sales Office/Marketing	1,230,000
<b>Total</b>	<b>13,360,000</b>

### **Why Did We Decide to Pause?**

We decided to pause the project in September 2025. There were many factors that were considered before deciding to pause the project and not undertake the next steps.

- Increase in the development cost, including the cost of construction.
- Changes in the global and national economy, federal tariff policy and uncertainty about the consequences of the tariff policy on development costs.
- General national economic outlook.
- Uncertainty over the DURF appropriation.
- Local market sales of similar residential units.
- Price differential between the 99-year leasehold units and the similar residential units may not be attractive enough to buyers.
- More restrictions in the 99-year leasehold units vs. similar residential units, such as leasehold vs. fee simple, perpetual owner-occupant requirement, prohibition on owning other real estate, and sales restrictions.

### **Recommendations**

- Delay development of the project.
- Observe the sales of other projects in the district. If the number of sales are not good, it could be an indication that 99-year leasehold project may not be feasible.
- Consider revising the perpetuity owner-occupancy and restriction on owning other real estate; this will make the 99-year leasehold project much more competitive in the market.
- National economic outlook may improve in the next few years, reducing development risk.

We met with Senator Chang to discuss possible revisions to the program conditions and SB 2061 was drafted.

**SB 2061 Revises the Restrictions**

- Extraneous language, relating to renting, subleasing, was removed because the remainder of that definition of “owner-occupied residential use” relates to owner-occupancy. Page 1, Lines 6 to 8.
- Instead of 100% of the units being subject to a perpetual owner occupancy requirement, 60% of the units (the affordable units) must be owner-occupied for 10 years from the initial purchase of the unit, and the market units (40%) do not have owner-occupancy restrictions. Page 1, Lines 11 to 17.
- Contracts for design, development, and construction are exempt from Chapter 103D, but must meet all prevailing wage requirements. Page 2, Lines 7 to 10.
- All of the units in the project must be offered initially for owner-occupied residential use for 60 days. After 60 days, 40% of the remaining units must be sold to qualified residents under Section 201H032, HRS.

Given similar housing units in the market for sale as fee-simple without as many restrictions as the 99 Year leasehold units, we recommend that the restriction should be paired to be similar to restrictions on 201H developments. That way the only difference between 201H developments and 99-year leasehold development will be that the units will remain leasehold units. We believe that if the suggested amendments are approved, there will be demand for leasehold units. Also, HCDA is considering the lease fee to be fixed for 99 years so the buyers will not have the uncertainty of lease fee renegotiation. The paired down restrictions combined with fixed 99-year lease fee, and the sales price difference should compensate for the units being leasehold units and should support demand. Additional restrictions and uncertainty of lease renegotiation will require substantial price difference from fee-simple, for-sale units for the leasehold units to be attractive to buyers and will make the project financially infeasible.

Currently, as planned, the project is slightly revenue positive since HCDA will have ownership of the parking garage and commercial units. For providing \$15 million in equity HCDA will own the parking and commercial space in the project, whose construction value is approximately \$40 million.

Parking for the project will be unbundled and leased separately from the residential units. Buyers will have the right to lease parking space but will not be required to do so, giving buyers flexibility. Also, owners can opt to lease parking at any time during the ownership of the unit.

Additionally, HCDA will receive the revenue from parking and commercial space, which will be substantial over a long period of time and could be used for issuing revenue bonds for financing future projects.

We also note that the administrative rules for the 99-Year Leasehold Condominium Program, HAR 15-223 has provisions for HCDA's first right of refusal and a formula for establishing purchase price if HCDA purchases the units. HAR 15-223 requires that the owner of the condominium must first offer the unit to HCDA if the owner intends to sell the unit within 5 years from the date of initial purchase. The HCDA purchase price is indexed to the Consumer Price Index.

Thank you for the opportunity to provide testimony.

Henry Chang, Project Manager

Ko Laila LLC

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## TESTIMONY OF HENRY CHANG IN SUPPORT OF SB 2061

My name is Henry Chang and I am in support of SB 2061. This bill provides important amendments to Act 97, the 99 year leasehold program enacted to promote the creation of affordable housing. HCDA and our team have assessed the feasibility of a demonstration project and believe these amended development criteria will support the success of the project.

**TESTIMONY OF WILLIAM YUEN TO THE SENATE COMMITTEE ON COMMERCE  
AND CONSUMER PROTECTION IN SUPPORT OF SB 2061, SD1**

My name is William Yuen, and I'm testifying in support of SB 2061, SD1. Act 97 of the 2023 session established the 99 year leasehold program to stimulate development of affordable leasehold residential condominium projects for Hawai`i residents on non-ceded state-owned land near public transit stations.

The Hawai`i Community Development Authority (HCDA) has acquired a site in Kakaako for a demonstration project, and has engaged an experienced affordable housing developer to plan a high rise project on the site.

HCDA believes these proposed amendments to HRS Chapter 206E are necessary to keep the demonstration project affordable and attractive for Hawai`i residents while assuring its financial feasibility. As an attorney working with HCDA's developer partner for this project, I appreciate the difficulty HCDA encounters in implementing its affordability goal, and I agree that these amendments are necessary to bring the project to fruition.