



**HAWAI'I COMMUNITY
DEVELOPMENT AUTHORITY**

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CHAIRPERSON

CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

Statement of
CRAIG K. NAKAMOTO
Executive Director
Hawai'i Community Development Authority
before the
HOUSE COMMITTEE ON HOUSING

Friday, March 20, 2026
9:00 am
State Capitol, Conference Room 430 & Videoconference

In consideration of
S.B. 2061, S.D.2
RELATING TO RESIDENTIAL CONDOMINIUMS.

Chairperson Evslin, Vice Chairperson Miyake, and members of the Committee. The Hawai'i Community Development Authority (HCDA) **supports** S.B. 2061, S.D.2 and offers background and context for the committee to better understand why this bill is necessary to move this project forward:

99-Year Leasehold Condominium Program

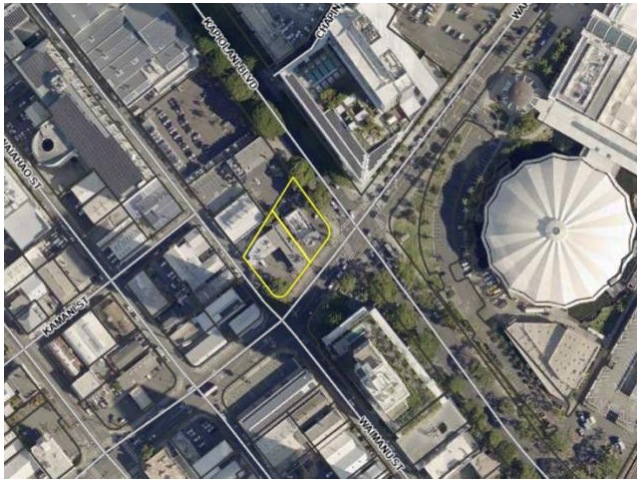
- Established in 2023 by Act 97.
- Facilitated the development of low-cost leasehold residential condominium units for sale to Hawai'i residents on non-ceded state-owned land near public transit stations. Section 206E-282(a), HRS.
- Authorized one (1) project on non-ceded lands within an urban redevelopment 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 the *Hawai'i 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, while owning a leasehold condominium unit in this program.
- Provides HCDA the first right of refusal to purchase, under the current rules, for up to five (5) years.
- If HCDA does not exercise the 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 Kaka'ako 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 an estimated cost for 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
Total	377
Parking	528

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



For illustration purposes only.

Development Cost

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

Soft Cost	
Type	Cost (\$)
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
Total Soft Cost	60,843,740

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

(2025 estimates)

Suggested Development Financing Sources

<u>Suggested Development Financing Sources</u>		
<u>Total Development Cost</u>		<u>\$278,829,647</u>
<u>Capital Stack Source</u>		
<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>
<u>Total</u>	<u>100%</u>	<u>\$278,829,647</u>

Unit Types and Pricing

Unit Type and Pricing					
Affordable Units					
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%
Market Units					
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.

Level of Effort Necessary to get to Pre-Sale	
Task	Cost (\$)
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
Total	13,360,000

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 policies 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 is 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 S.B. 2061 was drafted.

S.B. 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 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 may be sold to qualified residents under Section 201H032, HRS. Page 2, Lines 14 to 19.

Given similar housing units on the market are fee-simple and subject to fewer restrictions than the 99-year leasehold units, we recommend aligning the leasehold restrictions with those applied to 201H developments. This ensures that the primary difference between 201H and 99-year leasehold units will be that the latter will remain leasehold units.

We believe that if the proposed amendments are approved, there will be demand for leasehold units.

HCDA is also considering a fixed lease fee for 99 years, so the buyers will not have the uncertainty of lease fee renegotiation. Combined streamlined restrictions and the sales price advantage, this approach should offset the leasehold nature of the units and support market demand. By contrast, additional restrictions or the uncertainty of lease renegotiation would require substantial price difference from fee-simple units for

the leasehold units to be attractive to buyers, potentially rendering 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. By 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 five (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

changh11@yahoo.com

808.277.1412

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.



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**The Thirty-Third Legislature
House Committee on Housing
Friday, March 20, 2026
Conference Room 225
1:00 p.m.**

TO: The Honorable Luke Evslin, Chair
FROM: Keali'i S. López, State Director
RE: Comments for S.B. 2061, SD2 Relating to Residential Condominiums

Aloha Chair Evslin and Members of the Committee:

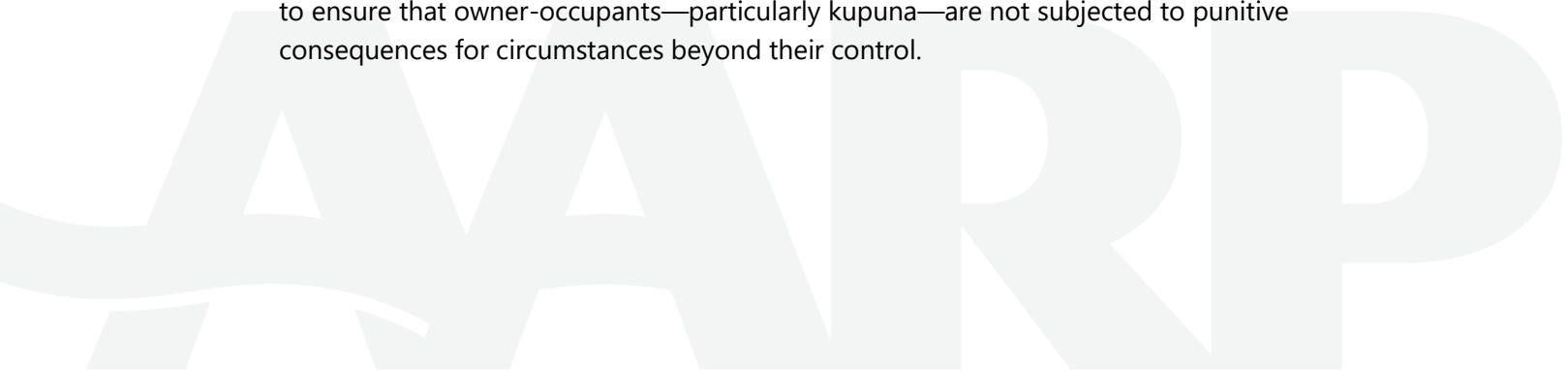
AARP Hawai'i appreciates the opportunity to provide updated comments on **S.B. 2061 SD2**. AARP is a nonprofit, nonpartisan organization dedicated to empowering people 50 and older to choose how they live as they age. Access to stable and affordable housing is central to this mission and essential to supporting aging in place.

While AARP supports efforts to promote responsible homeownership and ensure long-term affordability, **S.B. 2061 SD2 continues to raise significant concerns for older homeowners and long-term residents**. After reviewing the Senate Draft 2, we note that the bill does **not** incorporate the safeguards we recommended in our earlier testimony.

Enforcement and Forced Sale Provisions: The bill maintains strict owner-occupancy enforcement but still lacks **statutory standards, due process requirements, hardship exemptions, or mitigation criteria** to ensure that forced sale authority is used only as a last resort. Older adults commonly experience temporary absences caused by medical care, hospitalization, rehabilitation, or caregiving responsibilities. Without clear protection, these residents remain vulnerable to unnecessary displacement.

Recommendation:

AARP Hawai'i urges the Committee to add clear statutory guardrails governing enforcement, including hardship exemptions; proportional penalties; and required due process protections to ensure that owner-occupants—particularly kupuna—are not subjected to punitive consequences for circumstances beyond their control.



HCDA Rulemaking Authority Over Occupancy and Access: S.B. 2061 SD1 continues to grant the Hawai'i Community Development Authority broad rulemaking discretion over physical occupancy requirements and nonresident access without requiring exemptions for medical, caregiving, or other necessary absences. These types of absences are common among older residents and must not jeopardize their ability to remain housed.

Recommendation:

Direct HCDA to include clear, mandatory exemptions for:
medical treatment or recovery; caregiving responsibilities; and;
other reasonable life circumstances in any rules pertaining to occupancy or access.

Buyback Pricing and Homeowner Equity: The SD2 version maintains HCDA's authority to set the buyback price "to be determined by the authority," without transparency standards or pricing principles. This creates uncertainty for long-term homeowners, many of whom rely on their home equity as their primary financial asset.

Recommendation:

AARP Hawai'i again urges the Committee to establish statutory guidelines to ensure fairness, transparency, and predictability in buyback pricing, thereby protecting homeowner equity and maintaining trust in the program.

AARP Hawai'i strongly supports policies that create stable housing opportunities and strengthen community continuity. However, **without the inclusion of appropriate safeguards**, S.B. 2061 SD2 risks placing owner-occupants—especially older adults—at risk of housing instability. We respectfully request that the House Committee on Housing amend the bill or provide clear committee report guidance

Mahalo for your attention to Hawai'i's housing needs and for your commitment to protecting residents at every stage of life.



OFFICE OF HAWAIIAN AFFAIRS

‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai

TESTIMONY IN OPOSITION OF SENATE BILL SB2061 SD2
RELATING TO RESIDENTIAL CONDOMINIUMS

Ke Kōmike Hale o ke Kuleana Hale Noho
(House Committee on Housing)
Ke Kapitala ‘o Hawai‘i
Hawai‘i State Capitol

Malaki 20, 2026

9:00 am

Lumi 2430

Aloha Chair Evslin, Vice Chair Miyake, and Members of the Committee on Housing:

The Office of Hawaiian Affairs (OHA) **OPPOSE SB2061 SD2.**

OHA supports policies that promote long-term owner occupancy and reduce speculative use of housing on public lands. In 2023, the Legislature deliberately limited the ninety-nine-year leasehold program to one project on “non-ceded lands,” recognizing the heightened constitutional obligations associated with Public Land Trust held for the benefit of Native Hawaiians and the general public. While the current structure of the 99-year lease hold program is for “one project on non-ceded lands within and urban redevelopment site¹,” OHA is concerned that the original intent of the ALOHA Homes program to prioritize housing stability, rather than speculation, is changed in this measure.

OHA therefore opposes this bill, insofar as changes to the program that allow for non-owner occupied use, as well as lease to individuals who already own property, demonstrate a willingness to expand the program beyond its original scope. Should the Committees nonetheless move this measure forward, OHA respectfully urges the inclusion of the following suggested amendment to HRS § 201H-9(c), in order to minimally recognize and protect Native Hawaiian claims to “ceded” lands which may be subject to the broad leasing authorities of HHFDC:

“(c) The corporation may lease or rent all or a portion of any housing project and establish and revise the rents or charges therefor. The corporation may sell, exchange, transfer, assign, or pledge any property, real or personal, or any interest therein to any person or government. Notwithstanding any provision in this chapter or its parts and

¹ See HRSS206E-282

subparts to the contrary, with regards to real property set aside or leased to the corporation that was classed as government or crown lands prior to August 15, 1895, or exchanged for such lands, any lease, sublease, rental, exchange, transfer, assignment, or pledge of such property or interests in such property by the corporation for an aggregate period of longer than 65 years shall be made subject to terms and conditions approved by the board of trustees of the Office of Hawaiian Affairs. Such terms and conditions shall include provisions that reflect the maintained claims of native Hawaiians in the “ceded” lands corpus, such as provisions requiring rights of first refusal, transfers or commitments of resources for programs serving native Hawaiian interests, equity recaptures, affordability requirements based on native Hawaiian housing demand data, a reservation of the rights and interests of a native Hawaiian self-governing entity in such lands, or any other relevant provision.”

For these reasons, OHA respectfully urges the Committee to **defer** this measure.

Mahalo for the opportunity to submit testimony.

**TESTIMONY OF WILLIAM YUEN TO THE HOUSE COMMITTEE
ON HOUSING IN SUPPORT OF SB 2061, SD2**

My name is William Yuen, and I'm testifying in support of SB 2061, SD2. 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 develop a high rise condominium 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. HCDA is proposing a predominately affordable housing project with a limited number of market priced units that are necessary to subsidize the cost of producing affordable units.

As an attorney working with HCDA's developer partner for this project, I appreciate the difficulty HCDA encounters in implementing its goal of producing more affordable housing in urban communities. I support these amendments as necessary to bring this project to fruition.