



**HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY**

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LT. GOVERNOR

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CHAIRPERSON

CRAIG K. NAKAMOTO  
EXECUTIVE DIRECTOR

Statement of  
**CRAIG K. NAKAMOTO**  
**Executive Director**  
Hawai'i Community Development Authority  
before the  
**SENATE COMMITTEE ON HOUSING**  
and the  
**SENATE COMMITTEE ON WATER, LAND, CULTURE AND THE ARTS**

Tuesday, February 17, 2026  
1:00 pm  
State Capitol, Conference Room 225 & Videoconference

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

Chairperson Chang, Chairperson Lee, Vice Chairperson Hashimoto, Vice Chairperson Inouye, and members of the Committees. The Hawai'i Community Development Authority (HCDA) **supports** SB 2061 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.

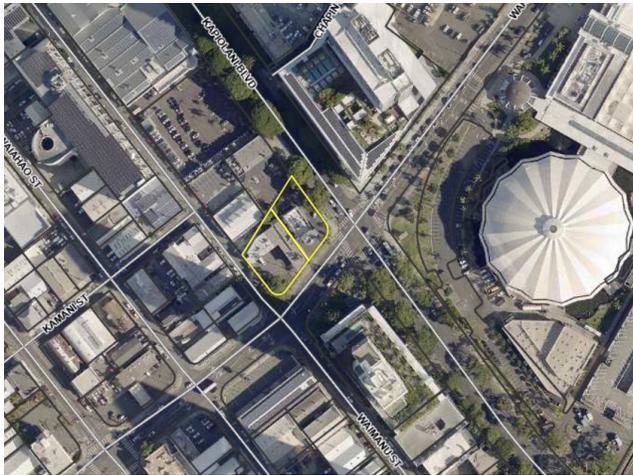
- Provided funding for site selection, pre-development planning, adoption of administrative rules, and community engagement.
- Established program parameters and conditions. Chapter 206E, Part XII.

### **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>



**KO LAILA - CONDOMINIUMS**  
873 KAPIOLANI BLVD. HONOLULU, HI 96814  
PROGRAM PLAN - TOWER FLOOR PLAN

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.

Thank you for the opportunity to testify.



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**The Thirty-Third Legislature  
Senate Committees on Water, Land, Culture and the Arts and on Housing  
Tuesday, February 17, 2026  
Conference Room 225  
1:00 p.m.**

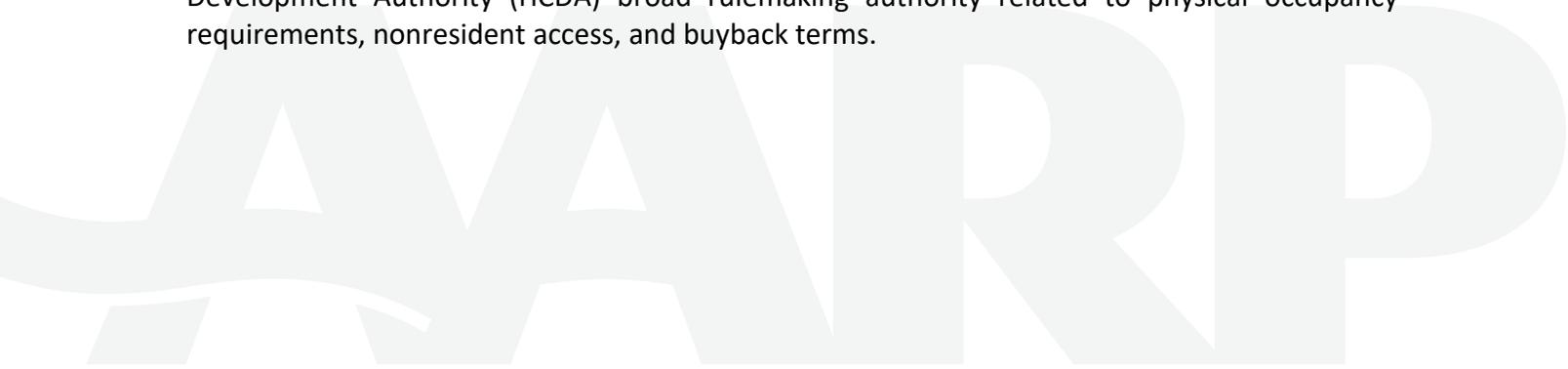
TO: The Honorable Chris Lee, Chair  
The Honorable Stanley Chang, Chair  
FROM: Keali'i S. López, State Director  
RE: Comments for S.B. 2061 Relating to Residential Condominiums

Aloha Chair Lee, Chair Chang, and Members of the Committees:

My name is Keali'i López, and I serve as the State Director of AARP Hawai'i. AARP is a nonprofit, nonpartisan, social impact organization dedicated to **empowering people fifty and older to choose how they live as they age**. We advocate at the state and federal level on issues that matter most to older adults and their families. Access to stable, affordable housing is central to AARP's mission of ensuring residents can age with dignity and remain in their communities. On behalf of our 135,000 members statewide, thank you for the opportunity to **provide comments on S.B. 2061**.

Access to housing that supports long-term stability is **essential for aging in place and maintaining strong communities**. AARP supports policies that promote responsible homeownership, prevent displacement, and help Hawai'i residents particularly **working families and older adults remain in the communities** where they work, raise families, and care for loved ones.

As drafted, S.B. 2061 requires at least **60 percent** of condominium units within urban redevelopment sites to be set aside for **owner-occupied residential use** for a minimum of **10 years** from initial purchase. The bill further requires that **100 percent** of units be initially offered for owner-occupant purchase, with up to **40 percent** allowed to be sold to "qualified residents" only after 60 days if unsold. The measure **imposes strict owner-occupancy enforcement provisions** including prohibitions on renting or subleasing and authorizes penalties for noncompliance up to and including **forced sale**. The bill also grants the Hawai'i Community Development Authority (HCDA) broad rulemaking authority related to physical occupancy requirements, nonresident access, and buyback terms.



While AARP appreciates the intent to promote owner-occupancy and discourage speculative investment, we **respectfully raise concerns** about unintended consequences that could undermine housing stability particularly for older homeowners.

#### **Forced Sale as an Enforcement Mechanism**

Authorizing penalties “up to and including forced sale” raises significant consumer protection concerns, especially for older homeowners. Many older adults may temporarily fall out of technical compliance due to medical treatment, rehabilitation, caregiving responsibilities, or other unavoidable life circumstances. The bill does not establish statutory standards, mitigation criteria, or due process protections to ensure that forced sale is used only as a last resort.

**Recommendation:** AARP urges the Committee to provide clear guidance either through statutory amendment or committee report language establishing guardrails, proportional enforcement standards, and hardship exemptions to prevent unnecessary displacement of owner-occupants.

#### **Broad Occupancy and Access Rulemaking Authority**

The bill authorizes HCDA to adopt rules governing minimum physical presence and limits on nonresident access, without statutory direction or required exceptions. This authority could unintentionally penalize older residents who must spend extended time away from their homes for medical care, recovery, or family support, placing their housing security at risk.

**Recommendation:** AARP strongly encourages the Committee to clarify legislative intent by directing HCDA to include explicit exemptions for health-related absences, caregiving needs, and other reasonable life circumstances in any occupancy or access rules.

#### **Buyback Pricing and Homeowner Equity**

S.B. 2062 grants HCDA a right of first refusal with a buyback price “to be determined by the authority,” without statutory guidance. This lack of transparency raises concerns about fairness, predictability, and the ability of homeowners particularly those on fixed incomes to retain reasonable equity in what is often their largest financial asset.

**Recommendation:** AARP urges the Committee to establish clear parameters or principles for buyback pricing to ensure transparency, protect homeowner equity, and maintain public trust in the program.

AARP Hawai'i supports legislation that advances long-term housing stability, responsible homeownership, and community continuity. However, without appropriate guardrails, **S.B. 2061** risks creating instability for the very residents it aims to support particularly older adults aging in place.

S.B. 2061 Relating to Affordable Housing  
February 17, 2026  
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Accordingly, **AARP Hawai'i respectfully urges** the Senate Committees on Water, Land, Culture and the Arts and on Housing **to provide clear guidance** in its committee report **addressing enforcement limits, hardship protections, and transparency standards** should the Committees decide to move this measure forward.

Mahalo for your consideration and for your continued commitment to addressing Hawai'i's housing challenges in a way that **protects residents at every stage of life.**

Henry Chang, Project Manager  
Ko Laila LLC  
[changh11@yahoo.com](mailto: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.

**SB-2061**

Submitted on: 2/13/2026 7:02:56 PM

Testimony for WLA on 2/17/2026 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, Support the INTENT

2061 SB RELATING TO RESIDENTIAL CONDOMINIUMS.

TO INCLUDE DHHL

**LATE**

**SB-2061**

Submitted on: 2/16/2026 2:23:34 PM

Testimony for WLA on 2/17/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Rebecca Kauwe	Individual	Support	Written Testimony Only

Comments:

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

My name is Rebecca Kauwe. I support the intent of SB2061 to expand rental assistance and reduce housing instability. However, I must **oppose this bill until real, enforceable action is taken** to protect tenants from mismanagement, unsafe conditions, and abusive practices that continue unchecked in subsidized and assisted housing.

**The Problem Is Not Just Affordability — It's Mismanagement**

Even when assistance exists, tenants routinely face:

- hazardous living conditions
- unresponsive or unqualified management
- violations of safety and privacy laws
- retaliation for reporting issues
- inconsistent or false ownership disclosures

These failures create instability that no amount of funding can solve.

**This mismanagement is a major driver of Hawai'i's revolving door of homelessness.**

**Mass Turnover of Tenants and Staff**

Properties lacking accountability experience:

- constant staff departures due to unsafe or chaotic work environments
- high tenant turnover caused by unresolved safety issues
- entire communities destabilized by mismanagement

A rent supplement program cannot succeed if the conditions tenants move into **are unsafe, unregulated, or poorly managed.**

**Existing Laws Already Being Violated**

- **HRS §521-42** requires landlords to maintain safe, habitable units.

- **HRS §521-51** protects tenant privacy from unauthorized entry.
- **HRS §521-67** requires disclosure of the actual owner or managing agent.
- **HRS §521-74** prohibits retaliatory eviction for reporting violations.
- **Fair Housing Act** protects tenants from discrimination.

Yet these laws are frequently **ignored**, leaving tenants vulnerable.

### **Tenant Rights Must Be Non-Negotiable**

- Right to safe, habitable housing
- Right to privacy and freedom from unauthorized entry
- Right to non-retaliation
- Right to transparent disclosure of ownership and management
- Right to timely repairs and emergency responses

### **What Action Must Be Taken**

- Require ownership and management transparency
- Mandate adherence to HRS tenant protection laws
- Tie rent assistance to verified compliance and safety checks
- Extend benefits to private owners willing to accept vouchers to increase availability

### **Conclusion**

I support the goal of SB2061—but **oppose its passage** until strong accountability, tenant protections, and enforcement mechanisms are included. Without them, this bill risks feeding the same mismanaged systems that have already pushed too many into homelessness.

Mahalo,  
**Rebecca Kauwe**

## TESTIMONY OF WILLIAM YUEN TO THE COMMITTEES ON HOUSING AND WATER, LAND, CULTURE AND THE ARTS IN SUPPORT OF SB 2061

My name is William Yuen, and I'm testifying in support of SB 2061. 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 designated a 0.6 acre 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 a demonstration project affordable and attractive for Hawai'i residents while assuring its financial feasibility. As an attorney working with HCDA's developer partner, I suggest the adding the bolded phrase to the proposed amendments to HRS Section 206E-283(a):

"[[§206E-283]] Rules; guidelines. "(a)  
[Residential] At least sixty per cent of the residential  
condominium units within urban redevelopment sites shall  
~~[not be advertised for rent, rented, or used for any  
purpose other than owner occupied residential use.]~~ be set  
aside for **sale to individuals or households with an income  
of up to one hundred forty per cent of the area median  
income and for** owner-occupied residential use for not less  
than ten years from the date of initial purchase of the  
unit. The authority, by rule, shall establish penalties  
for violations of this subsection up to and including  
forced sale of a residential condominium unit within an  
urban redevelopment site.

The purpose of this change is to clarify that the owner-occupancy requirements will apply to affordable priced units in the project.