

SB758

Linda Lingle  
GOVERNOR



KAREN SEDDON  
EXECUTIVE DIRECTOR

## 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

IN REPLY REFER TO

Statement of  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the  
**SENATE COMMITTEE ON EDUCATION AND HOUSING**

February 4, 2009 1:15 p.m.  
Room 225, State Capitol

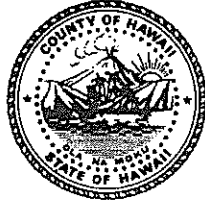
In consideration of  
**S.B. 758**  
**RELATING TO AFFORDABLE HOUSING.**

The Hawaii Housing Finance and Development Corporation (HHFDC) supports the intent of S.B. 758, which requires new for-sale housing developments of an unspecified size to provide at least 30 percent affordable housing. The bill could help to increase the supply of affordable for-sale housing.

It is unclear whether the privately developed projects could be assisted with expedited processing under section 201H-38, Hawaii Revised Statutes. We suggest the bill be amended to clarify its intent in that regard.

Thank you for the opportunity to testify.

William P. Kenoi  
Mayor



Stephen J. Arnett  
Housing  
Administrator

County of Hawaii  
**OFFICE OF HOUSING AND  
COMMUNITY DEVELOPMENT**

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February 3, 2009

The Honorable Norman Sakamoto, Chair  
The Honorable Michelle Kidani, Vice Chair  
and Committee Members  
Committee on Education and Housing

Twenty-Fifth Legislature  
Regular Session of 2009

**SUBJECT: Senate Bill 758**  
**Hearing Date: 02-04-09**  
**Time: 1:15 PM**  
**Conference Room: 225**


The Office of Housing and Community Development (OHCD) **opposes** Senate Bill 758.

The OHCD has concerns about requiring new for-sale housing developments to designate thirty percent (30%) of the units as affordable housing may have the unintended effect of reducing the number of affordable housing projects for following reasons:

1. In order to offset the cost to develop affordable for-sale housing, developers would need to further increase the price of its market rate housing, which would reduce economically-integrated housing by widening the affordable to market pricing gap.
2. Increasing the requirement to 30% will nearly guarantee a significant need for additional, but unavailable, source of federal, state and/or county funding assistance.

The OHCD has obtained more affordable units by implementing a lower, but feasible, requirement (10% or 20%). Though marginal in comparison, a consistent number of affordable housing units developed is much preferred to a total halt in development because of feasibility uncertainties.

Thank you for your careful consideration toward the negative impacts of this bill.

  
Stephen J. Arnett  
Housing Administrator





## KAMEHAMEHA SCHOOLS

Testimony to the Senate Committee on Education and Housing  
Hearing Date: Wednesday, February 4, 2009  
1:15p.m. – Conference Room 225

*Kirk O. Belsby*  
*Vice President for Endowment*  
Kamehameha Schools

Thank you for the opportunity to comment on SB No. 758.

Kamehameha Schools respectfully opposes this measure.

Kamehameha Schools broadly supports the increasing availability of affordable housing throughout Hawai'i. We believe that the housing crisis in Hawai'i is real and requires immediate action. We also believe it is critically important to implement policies that will result in the construction of new affordable units (or retention of existing supply) and not have the unintended and ironic consequence of inhibiting construction altogether.

Our overarching comment is that provisions in statute, rules and policies concerning affordable housing must be viewed collectively for their contribution to an overall effective policy that promotes actual development of affordable housing. Legislating a prescribed percentage of “affordable” units in specific districts or communities will not accomplish the desired result. To be truly effective, we must find ways to build low-to-gap group housing throughout our state. We believe that a range of strategies will help provide realistic options for many Hawaii residents. We want to engage in constructive dialog with you and key stakeholders and thank you for allowing us to highlight several key issues.

### **Address the Need for Housing Broadly.**

The basis for mandating construction of affordable housing should be tied to market residential units constructed and should be considered on a statewide or at least island-wide basis. We would propose a statewide, coordinated effort to set a maximum level, such as 10 percent of residential units constructed with the opportunity for developers to donate land within the state (or island) in lieu of on-site construction. The governing agencies would have discretion to set the appropriate level depending on market conditions and other considerations. This will result in many more units of affordable housing across the state being built. And it will not inhibit, the way a higher mandated threshold might, construction in Kaka'ako.

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## **Provide Meaningful Incentives - Facilitate Free Award of Development Credits and Trade Between Developers.**

Credits for developing affordable housing should to be transferrable between developers (across the state or the island) and credits should be granted on a pro-rata basis when developed for residents with a lower median income than required by law or when committed to a longer than statutory period. This will promote construction. Without these kinds of policies, developers find it economically infeasible to construct projects even when land is free or already paid for.

For example, we believe that units designed and offered to residents with income at 70 percent of the average median income should be given double the credits as those offered to residents at 140 percent of average median income. This type of a program serves two important needs: 1) it encourages developers to target more than just the 140% median income populace, thereby creating broader access to affordable housing units and 2) it helps target housing opportunities to greater at risk income categories.

Similarly, the state should be concerned with the preservation of existing affordable housing stock as much as creating new housing stock. Currently, most ordinances require new reserved housing units to remain in the affordable housing pool for a period of 10 years. Since a unit removed from the affordable housing pool exacerbates the need for new units to be constructed, investors and developers should be incentivized to preserve affordable units. One easy strategy is to give twice the credit for an affordable unit dedicated for a 20-year period than a unit dedicated for a 10-year period. Another option is to create legislation that allows owners of existing, older housing product to upgrade and then income restrict their units and sell credit to developers of new housing. This provides the dual benefit of improving older housing stock that is increasingly in disrepair and preserving affordable housing stock for longer periods, thereby reducing the need to build replacement housing as redevelopment occurs in older communities.

## **Provide Flexibility.**

In the Kaka'ako area, which is so close to many jobs in the Honolulu urban core, the HCDA should be given the flexibility to allow for fewer or even zero parking spaces per unit to lower costs. Some cities set maximum parking limits to encourage more people to use other mobility methods. Rental housing can also provide access to many who might not otherwise be able to afford home ownership.

While many jurisdictions recognize and provide credit for rental housing, they often punish developers of rental housing by establishing lower income threshold exist relative to "for sale" housing. This restricts adding viable units to the market. Across the island and the state such flexibility can promote the development of true affordable housing.

The worldwide economic turmoil has put Hawai'i in an precarious position financially. We commend the State Legislature for seeking ways to stimulate economic activity in our state that also provides housing options for more of our residents and families. Unfortunately, this measure will not accomplish that objective.

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Advocating Creating Maintaining Affordable Housing

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February 4, 2009

The Honorable Norman Sakamoto, Chair  
House Committee on Education and Housing  
Hawaii State Capitol, Room 230  
Honolulu, HI 96813

Dear Chair Sakamoto and Members:

**RE: SB 758, RELATING TO AFFORDABLE HOUSING**

I am Nani Medeiros, Executive Director of Housing Hawaii, testifying on Senate Bill 758, Relating to Affordable Housing. This bill requires new housing developments to set aside 30% of its units toward affordable housing requirements.

We support the intent of this bill. We suggest that the committee consider setting maximum affordable housing requirements for developments that allow for discretion at the state or county level rather than a 30% requirement across the board. We also support assessing a housing requirement or in-lieu fee for other types of development (mixed use, commercial, retail) that may increase the need for providing housing.

Thank you for the opportunity to testify.

Nani Medeiros  
Executive Director

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**Executive Director**  
Nani Medeiros

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