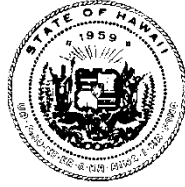


DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
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
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

March 18, 2021 at 9:15 a.m.
State Capitol, Room 423

In consideration of
S.B. 40, S.D. 2
RELATING TO HOUSING.

The HHFDC opposes S.B. 40, S.D. 2, a bill which amends Section 201H-38 by:

1. In perpetuity, requiring no income restrictions for for-sale 201H projects and provide that said projects that are built only for qualified residents that own no other real property and will occupy the unit; and
2. Deleting language clarifying that it is the legislative body of a County, i.e. the County Council, that must approve, approve with modifications, or disapprove of a 201H project within 45 days.

At present, the 45-day clock only starts when a project's 201H application is transmitted from the county planning department to the County Council in the form of a resolution – which only comes after the county has reviewed the 201H application to determine whether or not the project meets county standards. The deletion of the reference to a county legislative body rather than the county as a whole introduces ambiguity as to when the 45-day clock begins.

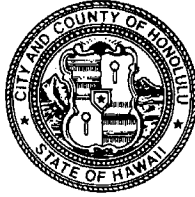
HHFDC also has concerns that the proviso language in the proposed amendments to section 201H-38 is not sufficiently clear. The term "perpetuity" is not defined in the bill, and the plain meaning of the term would be difficult for HHFDC to enforce. We also note that residential structures have a natural lifespan, meaning that no one can guarantee that a for-sale 201H project will remain suitable for occupancy in perpetuity.

Thank you for the opportunity to testify.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
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DEAN UCHIDA
DIRECTOR

DAWN TAKEUCHI APUNA
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

March 18, 2021

The Honorable Nadine K. Nakamura, Chair
and Members of the Committee on Housing
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Nakamura, and Committee Members:

**Subject: Senate Bill No. 40, SD 2
Relating to Housing**

The Department of Planning and Permitting (DPP) **opposes** Senate Bill No. 40, SD 2, which would drop income requirements for beneficiaries of affordable housing projects seeking exemptions from State and county processes and permits.

This Bill runs counter to decades-long State and county basic housing strategy, which is to focus limited public resources on lower-income households not able to participate on their own in the housing market. Instead, this Bill replaces a need-based strategy with one that supports housing production for Hawaii residents who do not own property, including those with high incomes.

Inasmuch as Chapter 201H, HRS, is built around household income as a basis for defining beneficiaries of government housing support, we suggest this Chapter be reviewed comprehensively before making the single change reflected in Senate Bill No. 40, SD 2. This will create a coherent set of policies, programs and priorities.

We also believe that this Bill would be extremely difficult to enforce. An agency would have to monitor not only the initial home purchase, but every subsequent purchase "in perpetuity" to ensure the buyer is a Hawaii resident who does not own property. This Bill also does not specify what penalty or consequence would befall a buyer found to be ineligible.

The Honorable Nadine K. Nakamura, Chair
and Members of the Committee on Housing
Hawaii House of Representatives
March 18, 2021
Senate Bill No. 40, SD 2
Page 2

Accordingly, we ask that Senate Bill No. 40, SD 2, be held in committee.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "D. Uchida", written in a cursive style.

Dean Uchida
Director



Support SB 40

Aloha Chair Nakamura, Vice Chair Hashimoto, and members of the House Committee on Housing,

Faith Action HousingNOW! supports SB 40, which exempts income restrictions on for-sale housing projects that are built for resident, owner-occupants who own no other real property.

Faith Action HousingNOW! remains resolute that our highest priority in the development of housing is to ensure the needs of the poorest among us are met. In some traditional sense, this has been to advocate for the housing needs of the asset-limited, income-constrained employed (ALICE) population, by another metric, households earning up to 60% of the area median income.

However, we are supportive of this creative alternative that eliminates income restrictions but effectively supports our core people of priority. The rationale is that a home is a basic human need, not a commodity. Households that are owner-occupants with no other real property would only have the one home they need to support their lives and/or the lives of their families. A home is a necessity for social stability that empowers people to focus on other needs and aspirations such as transportation, groceries, healthcare, retirement savings, debt repayment, etc.

We recognize households that have greater economic privileges would still have access to for-sale housing, but such households would not be able to retain a second home as an investment, and would be discouraged from buying a home under these restrictions. We also recognize this bill does not affect the income restrictions of rental projects, which are most often the types of projects that benefit the ALICE population. Affordable rental housing is still an important stepping stone into homeownership for those able to save money by living in a rental home they can actually afford. This bill could actually help make that possible step more attainable by creating a for-sale market that prioritizes State residents.

One of the fears expressed within the community is that a bill like this opens Hawai'i up to outsider real estate speculation, however, the three stipulations make it clear that no homes constructed in this manner would ever be available for speculative investment. The people who benefit under this new option are our own State residents just trying to have a safe, stable, and affordable life in the community in which we contribute.

Mahalo for your consideration,

Foo Pham

Faith Action

HousingNOW! Chair



March 17, 2021

Representative Nadine K. Nakamura, Chair
Representative Troy N. Hashimoto, Vice-Chair
House Committee on Housing

Comments in Support and Proposed Amendment of SB 40, SD2 Relating to Housing (Exempts from income restrictions for-sale housing projects that are built for qualified residents, who will be owner-occupants in perpetuity, and who own no other property. [SD2])

**HSG Hearing: Thursday, March 18, 2021, 9:15 a.m.,
VIA VIDEOCONFERENCE in Conference Room 423**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. LURF's mission is to advocate for reasonable, rational, and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF appreciates the opportunity to express its **support of the purpose and intent of SB 40, SD2 and an amendment to delete the reference to "in perpetuity,"** because it will impose a major legal requirement and obligation on homebuilders that will be impossible to meet.

SB 40, SD2. The purpose and intent of this measure is to allow owner-occupant projects to qualify, without income restrictions, as a housing project that may be exempt from certain statutes pursuant to the provisions of section 201H-38, Hawaii Revised Statutes. The proposed operative language of the measure is as follows:

- (4) If the proposed housing project is a for-sale project, the housing project shall, **in perpetuity**, not require income restrictions and provide that the proposed housing project is built only for "qualified residents" as defined in section 201H-32, who:
- (A) Will be owner-occupants of the units; and
 - (B) Own no other real property;

(bold emphasis added).

LURF's Position. LURF members lead the state in the production of affordable and market housing units and support the purpose and intent of this measure, as it will make 201H projects available to thousands of more prospective qualified buyers and can help reduce Hawaii's severe housing shortage.

Housing needed at all income levels. LURF supports providing housing for all income levels and supports the current efforts of Hawaii Housing Finance and Development Corporation (HHFDC) and private homebuilders to facilitate and build housing for all of Hawaii's residents, and with a focus on housing for incomes of 140% area median income (AMI) and below.

According to HHFDC's Hawaii Housing Planning Study, 2019, during the 2020-2025 period, the statewide demand for housing units at all income levels is approximately 50,156. Of this number, approximately 36,305 units will be needed by Hawaii's workforce and lower income households (i.e., those earning 140% and below the area median income (AMI) as established by the U.S. Department of Housing and Urban Development. Of the total units, approximately 26,239 units (52%) are estimated to be needed for households earning 80% and below the AMI. These are typically rental housing units. Another 10,066 units (20%) are estimated to be needed for households earning from 80-140% AMI. These are typically for-sale units primarily for first-time homebuyers. The current HHFDC 201H programs and projects are successfully facilitating the production of housing units at 140%AMI and below.

201H "pilot projects" with no income restrictions? SB 40, SD2 and its proposal to amend the 201H program to allow the dwelling units to be sold without income restrictions is new, innovative, and will make "affordable" housing available for thousands more potential buyers and renters. However, given the success of HHFDC's ongoing support of 201H projects and programs for homebuyers at 140% AMI and below, perhaps instead of a wholesale change in HHFDC's 201H program, a 5-year period for 201H "pilot projects" with no income restrictions can be implemented for certain developments under certain criteria and guidelines.

"In perpetuity" may be a requirement that is impossible to satisfy. Some in the building industry estimate the useful life span of a concrete dwelling unit structure to be about **75–100 years**, depending on good maintenance, and the average life span of an apartment to be **50–60 years**. Given these estimates, we believe that the phrase "in perpetuity" will impose a major legal requirement and obligation on homebuilders that will be impossible to meet. Thus, we would respectfully request the consideration of your Committee to amend SB 40, SD1, by deleting the phrase "in perpetuity."

For the reasons stated above, LURF **is in support of the intent of SB 40, SD2, with an amendment to delete the reference to "in perpetuity,"** and respectfully urges your favorable consideration of this bill.

Thank you for the opportunity to present testimony regarding this matter.