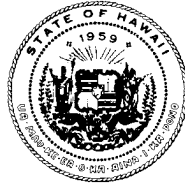


Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
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IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON EDUCATION AND HOUSING SENATE COMMITTEE ON WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS

March 30, 2009, 1:25 p.m.
Room 225, State Capitol

In consideration of

S.C.R. 87

URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION TO CONVENE A TASK FORCE TO REVIEW STATE AND COUNTY AFFORDABLE HOUSING APPROVAL REQUIREMENTS AND PROCEDURES.

The HHFDC **opposes** S.C.R. 87. We note that the review proposed in this resolution has already been completed by the Affordable Housing Regulatory Barriers Task Force. Furthermore, we believe that the HHFDC is not the appropriate agency to head a task force whose purpose is to dictate a uniform system of affordable housing approval requirements and procedures for all four counties. Each county is different geographically, demographically, and politically, and an affordable housing approval policy that works for the City and County of Honolulu may not be appropriate for the County of Kauai.

Thank you for the opportunity to testify.



SCR 87 Urging the Hawaii Housing Finance and Development Corporation to Convene a Task Force to Review State and County Affordable Housing Approval Requirements and Procedures
Senate Committee on Education and Housing
Committee on Water, Land, Agriculture, and Hawaiian Affairs

March 30, 2009

1:25 p.m.

Room 225

The Office of Hawaiian Affairs supports the purpose and intent of SCR 87.

The growing affordable housing problem is one of the most critical issues faced by our communities, especially our Native Hawaiian communities. This issue seems to have many of our families struggling to find adequate housing and to make ends meet.

OHA recognizes housing is the highest cost item for our families and more needs to be done to address the affordable housing issue or our families will continue to move down the economic and social ladder.

Policies addressing the need to develop and create partners to do affordable rentals and affordable for sale units timely need to be adopted. The resources obtained need to be able to devote full time attention to this process to expedite project reviews and assist each county to adopt requirements and procedures that meet their needs.

OHA also advocates a commitment to reestablishing the relationship between the art of building and the making of community, through citizen-based participatory planning and design. Therefore, the resources obtained to devote full time attention to the process of developing partners to do affordable rentals and for sale units timely need to include the related communities.

We recognize that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability, and environmental health be sustained without a coherent and supportive physical framework.

Mahalo nui loa for the opportunity to provide this testimony.



March 30, 2009

Senator Norman Sakamoto, Chair
COMMITTEE ON EDUCATION AND HOUSING
Senator Clayton Hee, Chair
COMMITTEE ON WATER, LAND, AGRICULTURE AND HAWAIIAN AFFAIRS
State Capitol, Conference Room 225
415 South Beretania Street
Honolulu, Hawaii 96813

Senators Sakamoto and Hee:

Subject: Senate Concurrent Resolution No. 87 urging the Hawaii Housing Finance and Development Corporation to convene a task force to review state and county affordable housing approval requirements and procedures

My name is Shane Peters, President of the Hawaii Developers' Council (HDC). We represent over 200 members and associates in development-related industries. The mission of Hawaii Developers' Council (HDC) is to educate developers and the public regarding land, construction and development issues through public forums, seminars and publications.

It is also the goal of HDC to promote high ethics and community responsibility in real estate development and related trades and professions.

In August 2007, Hawaii accepted the invitation by the United States Department of Housing and Urban Development to join the National Call to Action for Affordable Housing through Regulatory Reform. The NCA presented an opportunity for government to collaborate with other states, counties, municipalities, and private sector organizations to knock down the regulatory barriers imposed by governments in hopes of building more affordable housing.

The task force also reviewed nine housing studies commissioned by the State and counties between 1991 and 2006. The studies revealed common themes, and frequently identical recommendations, that have recurred over the past fifteen years. Some of the recommendations are summarized below:

- Nine studies recommended streamlining the regulatory process and creating development incentives for housing production.
- Eight studies recommended setting mandatory time frames for regulatory reviews and eliminating the duplication of services and reviews between the State and County levels.
- Eight studies recommended changing the functions of the Land Use Commission from a project specific zoning agency to a policy oriented body with broad and long range planning objectives.

- Eight studies recommended creating a single point of contact or clearinghouse for housing development, such as Community Economic Revitalization Teams (CERTs) to provide a single point of access to State and Federal programs in rural areas, and having housing expediter positions to steer affordable housing projects through the county entitlement process.
- Seven studies recommended allowing developers to pay a fee and, in turn, receive an expedited review by private consultants hired to provide third party review for the State or Counties.
- Six studies recommended providing adequate resources including funding and staffing to State and County agencies that are responsible for reviewing applications that assist with affordable housing or homelessness as well as giving priority review for affordable housing applications.

The Task Force was the latest in a series of attempts by policy makers to develop meaningful laws to address the need for more affordable housing in Hawaii. While these past efforts examined the structural problems of how the various government processes prevent or slow the delivery of affordable housing units, none of them identified the specific problem.

The underlying problem in the State and all of its counties is the continuing critical shortage of affordable housing. As a matter of policy, the Legislature should recognize that the cyclical housing problems in the State are a function of the overall lack of supply of housing in general.

For many years, government has attempted to address the need for housing by imposing affordable housing requirements on private developers seeking zone changes to permit large residential developments. These requirements have been contained in Unilateral Agreements executed and recorded by the developer/landowner and made a part of zone changes.

However, the Legislature realized that there are segments of the housing market that cannot be accommodated by the private sector developers. What is needed is a comprehensive approach to address the existing and future housing needs for the residents of the State.

We strongly recommend that if the legislature chooses to initiate another Task Force on Affordable housing, the legislation clearly identify the problem as the overall lack of supply of housing units in all segments of the market.

The housing market can be grouped into the following three basic segments with the associated “tools” listed that would increase the overall supply in the particular market segment:

1. Public Assisted Housing (Rentals)

The Public Assistance group is defined as household with annual income of 60% and below of the HUD median income for a family of four. This group requires significant public financial assistance in building and/or operating housing units

a. Tools

- .5% Real Property Tax—The recent City Charter Amendment allows for the .5% of the annual real property taxes in the City and County of Honolulu to be used for affordable housing to those in the 50% and below income group;
- Direct subsidies, grants and appropriations;

- iii. Low Income Federal Tax Credits;
- iv. Other?

2. Affordable/Workforce Housing (For Sale and Rentals)

The Affordable/Workforce Housing group is defined as households with annual income between 61% and 80% for rentals and between 81% and 140% for sale of the HUD median income for a family of four.

a. Tools

- i. Inclusionary zoning (i.e. 30% of the units priced at affordable);
- ii. Target and construct infrastructure capacity in areas where the City identifies for growth;
- iii. Incentives:
 - 1. Permitting—discretionary versus ministerial approvals
 - 2. Density bonus to off-set affordable/workforce units
 - 3. Other?

3. Market Housing (For Sale and Rentals)

The Market Housing group is defined as households with annual income above 141% of the HUD median income for a family of four.

b. Tools

- i. Target and construct infrastructure capacity in areas where the City identifies for growth;
- ii. Target communities for more market units if more than 30% of the total units in the area are priced for affordable/workforce households
- iii. Incentives:
 - 1. Permitting—discretionary versus ministerial approvals
 - 2. Other?

The overall goal of the proposed legislation should be to increase the supply of housing for all income levels. This can be done by stimulating the market in certain areas to provide more incentives to build targeted housing product types. This approach allows the policy makers to focus on increasing unit counts in the various product types as opposed to trying to “regulate” the market.

It provides a different approach to increasing the supply of housing in Hawaii by reducing the uncertainty in the development of the targeted product types and allow for a variety of delivery options depending on market conditions. It also allows the market conditions to dictate supply of product type.

We appreciate the opportunity to express our views on this matter.



Via Capitol Website

March 30, 2009

**Senate Committee on Education and Housing
and Water, Land, Agriculture and Hawaiian Affairs
Hearing Date: Monday, March 30, 2009, 1:25 p.m. in CR 225**

Comments Regarding SCR 87
**URGING THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION TO CONVENE A TASK FORCE TO REVIEW STATE AND
COUNTY AFFORDABLE HOUSING APPROVAL
REQUIREMENTS AND PROCEDURES**

The Honorable Chair Norman Sakamoto, Vice Chair Michelle Kidani, and Senate Committee on Education and Housing Members, and The Honorable Chair Clayton Hee and Vice Chair Jill Tokuda and Members of the Senate Committee on Water, Land, Agriculture and Hawaiian Affairs:

My name is David Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions 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 provide **comments** regarding Senate Concurrent Resolution 87 (SCR 87), which urges the Hawaii Housing Finance and Development Corporation (HHFDC) to convene a task force to review State and County affordable housing approval requirements and procedures. While LURF and its members support the general intent of this measure, we wish to express our concern that this resolution could be duplicative of the initiative that was recently completed by the Affordable Housing Regulatory Barriers Task Force for the past two years.

SENATE CONCURRENT RESOLUTION NO. 87. This Resolution urges the HHFDC to convene a task force to review state and county affordable housing approval requirements and procedures, in addition to the following:

- HHFDC, with the assistance of the four counties, is requested to identify a core, standardized affordable housing approval procedure that each county can adopt; and
- HHFDC is requested to consult with other state agencies, private developers, and nonprofit housing organizations regarding the recommendations for a standardized, affordable housing approval procedure for the counties; and
- HHFDC report its findings and recommendations, including any proposed county or state legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2010.

BACKGROUND. The lack of affordable housing remains a significant problem affecting Hawaii. Finding ways to increase the supply of both affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, and state and county agencies, and members of the housing industry and business community. In 2007, by Executive Order, the Governor initiated the Affordable Housing Regulatory Barriers Task Force (Task Force) in response to the U.S. Department of Housing and Urban Development's National Call to Action regarding the lack of affordable housing nationwide. The Task Force's goal was to identify barriers to affordable housing development in Hawaii and recommend solutions. For the past two years, LURF has participated in the Task Force, which is a statewide task force comprised of representatives from all four counties, the U.S. Department of Housing and Urban Development, business, labor, developers, architects, nonprofit providers of services, land use and legal experts, the State, and the chairs of the House and Senate Affordable Housing Committees.

As a result of the work of the state-wide Task Force, the Governor submitted a Report to the Governor's Affordable Housing Regulatory Barriers Task Force, which can be found at the Governor's website at www.hawaii.gov/gov, and also introduced a number of bills this legislative session including the following:

- **PRIORITY PERMITTING FOR MIXED USE PROJECTS (WHICH INCLUDE AFFORDABLE HOUSING) AND SUPPORTING INFRASTRUCTURE.** To stimulate affordable housing development by allowing mixed use housing projects, including infrastructure projects for a housing or mixed use housing, to be eligible for expeditious review at the state and county levels.
- **ESTABLISHMENT OF STANDARD TIMEFRAMES FOR PERMIT REVIEWS.** Establishes standard timeframes that govern permit issuances for affordable housing projects to expedite the construction of affordable housing units.
- **LAND USE RECLASSIFICATIONS SUBJECT TO QUASI-LEGISLATIVE REVIEW BY THE LAND USE COMMISSION.** Plan-based petitions would be subject to quasi-legislative rather than quasi-judicial review by the state land use commission. The proposed legislation would allow a quasi-legislative land use commission review for petitions for boundary amendments based on county plans.
- **EXEMPTIONS FOR IMPACT/CONNECTION FEES; COUNTY AFFORDABLE HOUSING INCENTIVES.** Increases the supply while decreasing the cost of affordable housing. Exempts affordable housing projects

from impact and connection fees and provides incentives for the development of affordable housing.

- **ESTABLISHMENT OF COUNTY TIMEFRAMES TO ACCEPT AFFORDABLE HOUSING RELATED INFRASTRUCTURE.** This bill establishes a timeframe for counties to accept or reject public infrastructure that is part of an affordable housing development. This will ensure that projects progress within reasonable lengths of time.
- **COUNTY AFFORDABLE HOUSING “RECEIVING ZONES.”** In addition to directing the State to identify and designate Affordable Housing receiving zones it also prohibits receiving zones on conservation and important agricultural lands.
- **THIRD PARTY REVIEW AUTHORIZATION AND IMMUNITY.** The purpose of this bill is to support the development of affordable housing by facilitating and permitting the review process at the state and county levels through the use of third party reviewers. The bill also limits the liability of those who handle the review function.

Of the proposed bills listed above, three bills remain alive, which include:

- **HB 361 HD1 Ministerial Permits 45 Day Limit.** Expedites the construction of affordable housing units by requiring ministerial permits associated with the project to be issued by the State or county within 45 days of application. (HD1)
- **HB 363 HD2, SD1 County Incentives.** Establishes a commission on transit oriented development to facilitate affordable housing in transit oriented developments by better coordinating transportation and housing planning and programs; requires counties to offer incentives for affordable housing development; authorizes counties to establish priorities for affordable housing in transit oriented developments; requires counties to provide flexibility in public facility requirements for rental housing projects with units for tenants at or below median income levels, with forty per cent for tenants with incomes eighty per cent or below the median. (SD1)
- **SB 440 SD2, HD1 Counties must accept or reject public infrastructure dedication w/in 90 days under specified conditions.** Requires counties within 90 days to accept or reject a public infrastructure dedication, under specified conditions, as part of an affordable housing project, or the infrastructure is deemed dedicated. (HD1)

LURF and its members are in general support of the above-mentioned bills and have submitted testimony stating our positions. Legislation that would assist in the expeditious processing for affordable housing will help achieve the overall goal of the Task Force, which is to increase the overall supply of housing, by overcoming the barriers that many builders and developers face for affordable housing projects, as well as market housing projects.

LURF's POSITION. The overall lack of housing supply and the particular lack of affordable housing remain a significant problems affecting Hawaii. Finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, and state and county agencies, and

members of the housing industry and business community. For the past two years, LURF has participated in the **statewide Affordable Housing Regulatory Barriers Task Force**, which was comprised of state-wide stakeholders and legislators. The Task Force identified, addressed and proposed regulatory reform and solutions to remove the barriers to the production of affordable and market housing.

Numerous housing studies have confirmed that the lack of supply of affordable and market housing for Hawaii's residents is the root of Hawaii's housing problems. Therefore, instead of urging HHFDC to convene a task force to review state and county affordable housing approval requirements, the State and County officials should review the Report generated from the work of the Task Force and the legislature should pass the bills proposed by the Task Force, in order to implement policy that will attempt to correct some of the problems and barriers associated with building affordable and market housing for all residents of Hawaii.

Thank you for the opportunity to submit testimony regarding SCR 87.