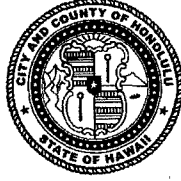


DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honolulu.dpp.org • CITY WEB SITE: www.honolulu.gov

MUFI HANNEMANN
MAYOR



DAVID K. TANOUE
DIRECTOR
ROBERT M. SUMITOMO
DEPUTY DIRECTOR

February 3, 2010

The Honorable Rida Cabanilla, Chair
and Members of the Committee on Housing
The Honorable Ken Ito, Chair
and Members of the Committee on Water,
Land and Ocean Resources
State House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chairs Cabanilla, Ito and Members:

**Subject: HOUSE BILL HB 2435
Relating to Affordable Housing**

The Department of Planning and Permitting (DPP) **opposes** House Bill 2435 which is to provide temporary relief from county requirements to stimulate the housing construction industry statewide. The proposed bill would amend Chapter 46 of the Hawaii Revised Statutes (HRS), General Provisions common to all counties, by reducing the county affordable and workforce housing by 40 percent.

Affordable housing (AH) is always in short supply. The proposal to lower the counties' AH requirement unilaterally does nothing to address this deep need. This bill has serious flaws:

- The proposal is unclear: does it only apply to projects built under the 201H, HRS provisions, or only to projects requiring zone changes, or to all housing built in each county?
- If the intent is to apply only to projects with affordable housing requirements associated with zone changes, then the number of AH units required by the City and County of Honolulu will be reduced by 18 percent; i.e., the current 30 percent requirement would be reduced to 12 percent of the total number of housing units developed.

Moreover, there are older projects on Oahu with only a ten percent AH requirement. To lower this AF requirement to virtually no affordable units, and be allowed to build luxury market units instead, is troubling.

The Honorable Rida Cabanilla, Chair
and Members of the Committee on Housing
The Honorable Ken Ito, Chair
and Members of the Committee on Water, Land and Ocean Resources
State House of Representatives
House Bill 2435
February 3, 2010
Page 2

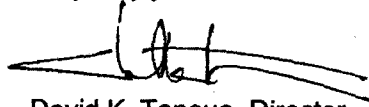
- HB 2435 represents State intervention into county programs, and raises the question of homerule. The counties are capable of managing their own affordable housing programs. When necessary, the City has made adjustments to its program by either deferring the construction of AH units to a later time when the market improves, amending the AH requirements, or adopting a temporary AH moratorium. These interim measures are done with ample opportunity for the public to comment.

If the intent is to assist the construction industry, then the State should encourage more affordable housing production, not less. Current market conditions, such as lowered material costs and low interest rates, favor a buyer's market, making it that much easier to develop new AH. State incentives could include mortgage guaranties, tax credits and deadlines on State agency reviews of proposed projects. An incentive-based strategy not only helps the industry workers with jobs, and avoids State intrusion in country programs, but also addresses the needs of workforce housing for construction workers and other residents.

Accordingly, we respectfully request that House Bill No. 2435 either be held or filed.

Thank you for the opportunity to testify.

Very truly yours,



David K. Tanoue, Director
Department of Planning and Permitting

DKT: jmf
hb2435-ks.doc

From: Dong, Lanz [ldong@honolulu.gov]
Sent: Tuesday, February 02, 2010 9:31 AM
To: HSGtestimony
Cc: Morikawa, Debbie Kim; Kaito, Gail M.; Ishida, Keith; Wong, Dina L; Miyagi, Deborah K Y; Parker, Lisa P
Subject: HB 2435 Wednesday, February 3, 2010 at 10:00 am Room 325 of the State Capitol
Attachments: HB 2435.PDF

Please find comments on **HB 2435, related to the Committee on Housing, and the Committee on Water, Land, and Ocean Resources**. This is for the hearing to be held on **Wednesday, February 3, 2010 at 10:00 am in Conference Room 325 of the State Capitol**.

To: Honorable Rida Cabanilla, Chair, and Members of the Committee on Housing
Honorable Ken Ito, Chair, and Members of the Committee on Water, Land, and Ocean Resources
State Capitol
Honolulu, Hawaii 96813

From: Deborah Kim Morikawa, Director
Director of Community Services
City and County of Honolulu

Copies: one (1)

DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

715 SOUTH KING STREET, SUITE 311 • HONOLULU, HAWAII 96813 • AREA CODE 808 • PHONE: 768-7762 • FAX: 768-7792



MUFI HANNEMANN
MAYOR

DEBORAH KIM MORIKAWA
DIRECTOR

ERNEST Y. MARTIN
DEPUTY DIRECTOR

February 2, 2010

Honorable Rida Cabanilla, Chair,
and Members of the Committee on Housing
Honorable Ken Ito, Chair,
and Members of the Committee on Water,
Land, and Ocean Resources
State Capitol
Honolulu, Hawaii 96813

Dear Chair Cabanilla and Ito and Members:

Subject: House Bill 2435

House Bill 2435 grants temporary relief by reducing affordable and workforce housing requirements by 40 percent through December 31, 2015, as recommended by the Construction Industry Task Force, created in response to Senate Concurrent Resolution No. 132, S.D.1 (2009), to stimulate housing construction statewide. The City Department of Community Services (DCS) strongly opposes House Bill 2435.

Although the DCS recognizes the importance of the construction industry to Hawaii's economy, we question the proposition that reducing affordable and workforce housing requirements will stimulate housing construction over the near-term. Given the current economic downturn, the demand for housing other than for affordable and workforce housing is relatively weak at this time. As such, we suggest that a more constructive approach would be to increase programs and/or incentives that encourage the development of affordable housing, rather than reducing the mandates for their development. Furthermore, it is imperative to have public policy that is supportive of the development and preservation of affordable housing for low-and moderate-income families and individuals who are most in need of housing assistance. Reducing the affordable and workforce housing requirement will have minimal impact on the construction industry, and the long-term implications would be an affordable housing shortage of greater severity compared to what currently exists.

The DCS appreciates the opportunity to provide this testimony and we respectfully request your filing of House Bill 2435.

Sincerely,

Handwritten signature of Deborah Kim Morikawa in black ink.
Deborah Kim Morikawa
Director

Bernard P. Carvalho, Jr.
Mayor



Eugene K. Jimenez
Housing Director

Gary K. Heu
Administrative Assistant

KAUAI COUNTY HOUSING AGENCY
Pi'ikoi Building 4444 Rice Street Suite 330
Lihue Hawaii 96766

February 2, 2010

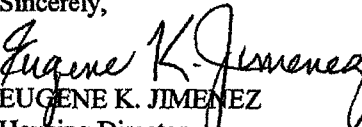
Rep. Riba Cabanilla, Chair Committee on Housing
Rep. Ken Ito, Chair, Committee on Water, Land & Ocean Resources
The House of Representatives
The Twenty-Fifth Legislature
Regular Session of 2010

SUBJECT: Testimony Opposing House Bill 2435, Relating to Housing
Committee: HSG/WLO
Hearing: February 3, 2010 10:00 AM Conference Room 325

The Kaua'i County Housing Agency strongly opposes HB2435, for the following reasons:

- 1. Home Rule** - In 2006, the County of Kaua'i adopted Ordinance No. 860, the Workforce Housing Policy for the County of Kaua'i, to provide housing opportunities for Kaua'i's workforce, those earning between 80 and 140% of median household income. Prior to adopting Ordinance No. 860, the Kauai County Council carefully considered a workforce housing requirement that would produce affordable housing without stifling market housing development. Ordinance No. 860 is policymaking done at the local level. Ordinance No. 860 imposes a 30% affordable housing requirement, but also allows for incentives so that the developer could reduce the requirement by half, to 15%. H.B. No. 2435 could reduce that housing requirement further, to 9%. H.B. No. 2435 would essentially usurp the County's authority to set its own policy to mitigate development on Kaua'i, and reduce affordable housing needed for its residents for the long-term.
- 2. Construction Opportunities** - Currently, there is zoning for at least two thousand residential units on Kaua'i that are not subject to the requirements of Ordinance No. 860. It is reasonable to assume that these unrestricted residential units are not under construction because of current market conditions and low buyer demand among the targeted market segment. We would submit that the primary obstacle to preserving and creating new jobs in the local construction industry has far less to do with the County's workforce housing policy than it does with the severe economic downturn and current low demand for market priced housing. H.B. 2435 will only deprive Kaua'i's residents with opportunities for affordable housing.
- 3. Potential Litigation** - The Bill's effect on current affordable housing requirements is unclear. As a result, this could likely result in litigation as developers with unfulfilled requirements and pending requirements will want to argue that their affordable housing obligation is now being reduced by 40% from passage of this legislation.

Sincerely,


EUGENE K. JIMENEZ
Housing Director





February 3, 2010

The Honorable Rida Cabanilla, Chair
Committee on Housing
The Honorable Ken Ito, Chair
Committee on Water, Land and Ocean Resources
State House of Representatives
State Capitol, Room 325
Honolulu, Hawaii 96813

Dear Chairs Cabanilla and Ito, and Members:

Subject: House Bill No. HB 2435 Relating to Housing

My name is Jim Tollefson, President of the Chamber of Commerce of Hawaii. The Chamber of Commerce of Hawaii works on behalf of its members and the entire business community to:

- Improve the state's economic climate
- Help businesses thrive

The Chamber supports H.B. No. 2435.

The bill proposes to amend Chapter 46-15.1 HRS by reducing the current county affordable or workforce housing exaction by forty percent (40%).

Last session, Senate Concurrent Resolution No. 132, S.D. 1 (2009) established a task force to determine the economic contributions of the construction industry in Hawaii. The task force developed a series of proposals for state actions to preserve and create new jobs in the local construction industry. One of the areas the task force focused on was the affordable and workforce housing exactions imposed by the Counties at zoning. They found that the affordable and workforce housing requirements often result in significant delays prior to the start of construction. Some requirements are so onerous that in certain circumstances, the requirements prevent affordable and workforce housing from being built.

The subject bill is intended to address this specific area and stimulate investment in the construction of affordable and workforce housing.

We strongly support HB 2435.

Thank you for this opportunity to express our views.

**HB 2435
RELATING TO HOUSING**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

FEBRUARY 3, 2010

Chair Cabanilla, Chair Ito, and Members of the House Committees on Housing and Water, Land & Ocean Resources:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) on HB 2435, "A BILL FOR AN ACT RELATING TO HOUSING." We support this bill.

This bill proposes to temporarily reduce by forty percent, the affordable/workforce housing requirements presently in effect within each County. We understand that these affordable/workforce housing requirements, which vary considerably between Counties, have been cited as a critical element in the determination of the financial feasibility of a proposed development project. Generally, the higher the affordable/workforce housing requirement, the more difficult it is to justify the financial feasibility of a proposed project.

While we support the development of affordable/workforce housing for Hawaii's residents, we believe that this bill will assist in stimulating the development of housing and other projects which will result in additional construction related jobs that will greatly assist in Hawaii's economic recovery.

Based on the aforementioned, we respectfully request your favorable consideration on this bill. Thank you for the opportunity to testify.

Castle & Cooke
Hawai'i

100 Kahala Avenue
Māhala, Hawai'i 96789-3997
P.O. Box 898900
Māhala, Hawai'i 96789-8900
O'ahu: (808) 548-4811 • Fax (808) 548-2980
Lana'i: (808) 565-3000 • Fax (808) 565-3312

Harry A. Saunders
President

Fax Submittal: 586-9496

Email Submittal: HSGtestimony@Capitol.hawaii.gov

Testimony by Harry Saunders
President, Castle & Cooke Hawai'i
February 1, 2010

Before the House Committee on

Housing

and

Water, Land & Ocean Resources

February 3, 2010
10:00 a.m.
Room 325

In Support of HB 2435
RELATING TO HOUSING

Chair Cabanilla, Vice Chair Chong; Chair Ito, Vice Chair Har and Members of the Housing and Water, Land & Ocean Resources Committees.

I am Harry Saunders, President of Castle & Cooke Hawai'i. We support HB 2435 because it addresses one of the critical areas indentified by the Construction Industry Task Force.

As a member of the Construction Industry Task Force, established by Senate Concurrent Resolution No. 132, S.D. 1 (2009), we were directed to determine the direct contributions of the construction industry to the local economy as well as its impact on related industries, such as tourism and housing. We were also tasked with developing and proposing state actions that would promote overall economic growth, create jobs and accelerate construction and its associated positive impacts on the economy.

Based on its findings, the task force developed recommendations and proposed actions to address a number of issues, which was presented in a report to the 2010 Legislature. HB 2435 addresses the issue identified by the task force as follows:

Workforce Housing: The need for workforce housing in Hawai'i is great, however, the poor economy has dramatically decreased the number of projects being built. In an effort to stimulate construction of more affordable/workforce housing projects, the task force's Workforce Housing committee, presented several recommendations to improve state and county workforce housing requirements and permitting processes such as:

- o Accelerating the review process for both state and county permits and other approvals, to expedite the start of construction for workforce housing projects;
- o Temporarily lowering the county affordable/workforce housing requirements to stimulate immediate housing construction; and
- o Studying the need for a state mortgage guaranty fund, to combat the scarcity of financing loans as a result of the economic downturn.

In response to the current economic climate, we ask for your consideration and support of HB 2435 as it will help to generate an immediate impact on our state's delicate economy by creating jobs and providing homes for Hawai'i families. HB 2435 will bring action and positive change to spur our economy.

On behalf of Castle & Cooke, I respectfully request your support for HB 2435. Mahalo and thank you for your consideration of our testimony. If you have questions, please feel free to contact us:

Harry Saunders, President
Castle & Cooke Hawai'i
aktsukamoto@castlecooke.com
548-4884

Richard Mirikitani, Senior Vice President and Counsel
Castle & Cooke Hawai'i
rmirikitani@castlecooke.com
548-4890

Carleton Ching, Vice President – Community and Government Relations
Castle & Cooke Hawai'i
cching@castlecooke.com
548-3793

chong1-Aisha

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 02, 2010 1:09 PM
To: HSGtestimony
Cc: wharuki@grovefarm.com
Subject: Testimony for HB2435 on 2/3/2010 10:00:00 AM
Attachments: HB2435 Testimony - Warren Haruki.pdf

Testimony for HSG/WLO 2/3/2010 10:00:00 AM HB2435

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Warren H. Haruki
Organization: Grove Farm Company, Inc.
Address: 3-1850 Kaunualii Highway Lihue, HI 96766
Phone: 808-245-3678
E-mail: wharuki@grovefarm.com
Submitted on: 2/2/2010

Comments:

February 2, 2010

**House Committee on Housing
House Committee on Water, Land & Natural Resources
Hearing Date: Wednesday, February 3, 2010, 10:00 a.m., House Conference Room
325**

**Testimony in Support of HB 2435 – Relating to Housing
(Grants temporary relief from county housing requirements)**

Honorable Chairs Cabanilla & Ito, Vice Chairs Chong & Har and Committee Members:

My name is Warren Haruki, President & CEO of Grove Farm Company, Inc., and Chairman & Interim CEO of Maui Land & Pineapple Co. Although both Grove Farm and Maui Land & Pine are large landowners and community developers on Kauai and Maui, I am here testifying as the Chairman of the SCR 132 Construction Industry Task Force.

This bill, HB 2435, was a direct result of the Task Force's efforts. Over the course of many meetings since August 2009 until the Task Force submitted their findings to the Legislature, the Task Force observed that the existing affordable and workforce housing requirements are so onerous that they prevent affordable and workforce housing from being built.

In making the recommendation that would reduce each county's requirements by forty per cent, the Task Force attempted to balance the overall desire to achieve the lower requirement to stimulate construction, while trying to preserve the various counties own workforce/affordable ordinances.

In simple terms, a developer is required to provide a certain percentage of workforce housing associated with each of their respective projects. These percentages can vary from 30 to 50%, depending on the county, the median price of the market priced homes, and other criteria such as integrated housing or green developments.

As the workforce housing component of residential developments has increased, builders must take their profit from a now smaller share of market-priced homes. The result in the past few years has been a significant reduction in new residential activity, both market-priced and affordable workforce housing.

The proposed legislation has a sunset date of December 31, 2015, at which point the affordable and workforce housing ordinances would 'revert' back to their stated levels in the respective county ordinances.

In summary, this bill was one of the top recommendations from the Construction Industry Task Force, with representatives from all islands. We strongly urge your passage of HB2435, which would grant temporary relief from county housing requirements.

Thank you for the opportunity to express the Construction Task Force's position on this matter.

#

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 02, 2010 9:56 AM
To: HSGtestimony
Cc: mtresler@grovesfarm.com
Subject: Testimony for HB2435 on 2/3/2010 10:00:00 AM
Attachments: HB2435 House Housing Committee_02012010.doc

Testimony for HSG/WLO 2/3/2010 10:00:00 AM HB2435

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Michael Tresler
Organization: Grove Farm Company, Inc.
Address: 3-1850 Kaunualii Highway Lihue, HI 96766
Phone: 808-245-3678
E-mail: mtresler@grovesfarm.com
Submitted on: 2/2/2010

Comments:

February 1, 2010

House Committee on Housing
Hearing Date: Wednesday, February 3, 2010, 10:00 a.m., House Conference Room
325

Testimony in Support of HB 2435 – Relating to Housing
(Grants temporary relief from county housing requirements)

Honorable Chair Rida Cabanilla, Vice-Chair Pono Chong and
Housing Committee Members:

My name is Michael Tresler, and I am the Senior Vice President of Grove Farm Company, Inc. Grove Farm is headquartered in Lihue, and owns approximately 40,000 acres on Kaua'i, making it one of Kaua'i's largest private landowners. Throughout our transition from a sugar plantation to a sustainable community development and economic development company, we have remained committed to our island community.

Grove Farm appreciates this opportunity to testify and is **in strong support** of HB 2435, which grants temporary relief from county housing requirements as recommended by the construction industry task force. Grove Farm's support is based on the fact that granting temporary relief from county housing requirements allows for the stimulation of housing construction within our island and throughout the state.

Grove Farm has a master planned community development located in Lihue, in the heart of Kaua'i. Our plans are to develop 2,400 Residential units, Commercial, and Light Industrial areas in accordance with LEED (Leadership in Energy and Environmental Design) for Neighborhood Development and LEED Green Building standards. The overarching goal is to build a more sustainable community. The residential portion of the project subjects the development to the County's Work Force Housing Policy that was created and passed in December of 2007. That was, coincidentally, in the height of the real estate boom and a very hot economy.

The County of Kaua'i's Workforce Housing Policy is assessed on residential developments. Developments over 26 residential units are assessed a 30% workforce housing requirement based upon the projects total residential units. Workforce Housing units shall be sold to households earning from 80% to 140% of Kaua'i median households in accordance with the following income group assessment:

- (A) Twenty percent (20%) of total units priced to be affordable to household earning up to eighty percent (80%) of the Kaua'i median household income.
- (B) Thirty percent (30%) of total units priced to be affordable to household earning up to one-hundred percent (100%) of the Kaua'i median household income.
- (C) Thirty percent (30%) of total units priced to be affordable to household earning up to one-hundred twenty percent (120%) of the Kaua'i median household income.
- (D) Twenty percent (20%) of total units priced to be affordable to household earning up to one-hundred forty percent (140%) of the Kaua'i median household income.

The 30% requirement also requires that affordable units be comparable in size and quality to that of market units. This is an extremely large burden on our development as well as to any other development on Kaua'i. We simply cannot afford to subsidize 30% of all residential units sold in our project and maintain a viable project and reasonable market prices for island residents. Furthermore, we are subject to selling the affordable units, (50% or half of the total affordable units) to those households with median income below 100%, which significantly increases the subsidy.

In the past, the County's affordable housing assessment was between 10 – 15% and it never required the need to sell to those below 100% of the median. The government agencies focused their efforts on those households below the 100% median, simply because the subsidies required were too great for developers and government had access to federal funds for that range of affordable housing. Aging and failing infrastructure, combined with the lack of maintenance and repair to existing infrastructure, places Developers in the situation of being faced with more and more exactions by Governmental agencies. Developers are relied upon to make the necessary upgrades, repairs, and installations necessary for their development as well as to the communities that surround them. We are not complaining of this fact but are merely calling attention to the huge burdens set upon developers that result in higher costs of market housing. We are certainly glad to do our part to help our communities however we can only afford a certain level of assessments until our developments prove to be no longer feasible.

An unfair or an unreasonable affordable housing assessment simply kills the feasibility of all projects. Added to the infrastructure assessments requirements, this 30% housing requirement will stifle development on Kaua'i for many years to come. Combined with the current state of our economy it is easy to understand why we need your help. A more lenient affordable housing policy under 15% may tip the scales in favor of moving forward with our project. We believe that our project will provide many jobs to the Kaua'i economy as well as housing for Kaua'i's people. Activities ancillary to construction will allow other companies to generate business and better serve our island community. The central location of our development allows for greater intermodal success as it will help to reduce the use of cars and therefore reduce the overall use of fossil fuels. It will provide many Kauaians an opportunity to live near their work and better deal with escalating fuel costs.

Grove Farm's Position. As a longtime kama'aina company, Grove Farm is committed to continue being a responsible steward of our aina. We believe that the economic benefit to private businesses, government and employees will be substantial. It is logical to note that the less housing resources that are available, the more expensive the existing housing resources become. By not allowing a temporary relief from county housing requirements, a significant negative impact will be felt and the survival of numerous local businesses will hang in the balance.

Grove Farm is in **strong support to HB 2435**, which would grant temporary relief from county housing requirements as recommended by the construction industry task force to stimulate housing construction statewide.

Thank you for the opportunity to express our support for this matter.