

STAND. COM. REP. NO.

545

Honolulu, Hawaii

FEB 19 2021

RE: S.B. No. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 1
entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish the ALOHA Homes Program to facilitate the creation of low-cost leasehold homes for sale to residents of the State on state-owned land near public transit stations;
- (2) Authorize Hawaii Housing Finance and Development Corporation to sell the leasehold interest in residential condominium units located on state lands for lease terms of ninety-nine years; and
- (3) Establish the ALOHA Homes Revolving Fund.

Prior to decision making on this measure, your Committee made available for public review a proposed S.D. 1 of this measure. The proposed S.D. 1 amended this measure by:

- (1) Deleting the definition of "high density";



- (2) Making changes to reflect that ALOHA Homes projects endeavor to be revenue-neutral instead of requiring them to be so;
- (3) Removing a provision that required the Hawaii Housing Finance and Development Corporation to recoup all costs of ALOHA Homes projects;
- (4) Altering the pricing for median ALOHA Homes within an urban redevelopment site to ensure revenue neutrality for the State;
- (5) Eliminating income level and down payment requirements for qualification for median ALOHA Homes;
- (6) Deleting the requirement that ALOHA Home owners retain property for five years before selling, certain restrictions on transfers of ALOHA Homes, and the requirement that the Hawaii Housing Finance and Development Corporation purchase the home in the event the owner defaults on the mortgage;
- (7) Removing the requirement for Hawaii Housing Finance and Development Corporation to complete a pilot project; and
- (8) Amending the appropriation provision to include three full time equivalent positions for the ALOHA Homes Project.

Your Committee received testimony in support of the proposed S.D. 1 from the Trinity United Methodist Church, Catholic Charities Hawaii, Institute for Human Services, Hawaii Health & Harm Reduction Center, Faith Action for Community Equity, Church of the Crossroads, Partners In Care, and seventeen individuals. Your Committee received testimony in opposition to the proposed S.D. 1 from the Office of Hawaiian Affairs and one individual. Your Committee received comments on the proposed S.D. 1 from the Hawaii Housing Finance and Development Corporation, Department of Hawaiian Home Lands, Department of Education, and Department of the Attorney General.

Your Committee finds that the cost and lack of availability of housing is a significant concern to residents of the State.



While the State has the tenth highest median wage nationally, living expenses are two-thirds higher than the rest of the nation, with the cost of housing being a major contributing factor. The Legislature needs to authorize more affordable housing projects to be built for the residents of the State. This measure will go a long way towards the goal of providing enough affordable housing for all of the residents of the State.

Your Committee notes that adopting the Office of Hawaiian Affairs' proposed amendments on ninety-nine-year leases, and income restrictions would actually hurt, not help, its intended beneficiaries. Ninety-nine years is the minimum amount of time necessary to give security that the initial buyer will never have to move before they die. It is easy to imagine young buyers outliving a shorter lease term, such as sixty-five years, and the Legislature's intent is to draw a clear line protecting the initial buyers, not secondary market buyers. This maximizes the chances of the units actually reverting back to the State, which the Office of Hawaiian Affairs wants. A sixty-five-year lease necessarily implies contemplating lease extensions to accommodate those initial buyers. For these reasons, it is the intent of this committee and a tenet of this measure to provide a lease term of ninety-nine years for the leasehold interest of condominiums.

Your Committee further notes that the purpose of this measure is to create a new model of mixed income housing available to all in which the wealthy and the indigent will live side-by-side. Housing projects where the wealthy and indigent students have equal access to a free, taxpayer-funded education at public schools, and we would not countenance rationing public education on the basis of income need or ethnicity. In the same way, ALOHA Homes will be a public service available to the public equally without regard to income, and enough housing will be produced to meet demand. In addition, income is a poor predictor of the ability to buy housing, as demonstrated by low-income young people who have parents willing to subsidize their home purchases. Finally, the Office of Hawaiian Affairs is unwilling to adopt income restrictions on development of residential condominiums on its Kakaako Maki parcels.

Your Committee also notes that because these units will be built on lands set aside to the Hawaii Housing Finance and Development Corporation, the corporation will be unable to



transfer the fee interest in these lands to the Department of Hawaiian Home Lands.

Your Committee supports increasing funding to the Department of Hawaiian Home Lands, whose mission is complementary to the ALOHA Homes program. In the same way that the Department of Education is the largest educator of native Hawaiian children in the world, it is this measure's intent to produce enough revenue neutral housing to satisfy all demand from all ethnicities, including native Hawaiians. The Department of Hawaiian Home Lands can and should continue to fulfill its mission of providing subsidized housing for its beneficiaries.

Your Committee also notes that this measure exempts the ALOHA Homes Revolving Fund from legislative appropriation and allotment. Many other agencies, such as the Hawaii Community Development Authority, have the same exemption. Because these funds will be used much like a homeowner's association fund, it is not appropriate that legislative appropriation and allotment be required.

Finally, your Committee would like to acknowledge the comments provided by the Department of Education wherein they expressed concern about school impact fees as provided by sections 1601-1612, Hawaii Revised Statutes. Your Committee notes that section 201H-D(b)(11), Hawaii Revised Statutes, as set forth in this measure, already mandates the provision of schools.

Your Committee has amended this measure by adopting the proposed S.D. 1 and further amending the measure by:

- (1) Removing the requirement for the transfer of ALOHA Homes to the Department of Hawaiian Home Lands or the Office of Hawaiian Affairs;
- (2) Removing the provision requiring voting in the most recent election as proof of residency and replaced it with the requirements of being a "qualified resident" as defined in section 201H-32, Hawaii Revised Statutes;
- (3) Removing a provision that would have classified ALOHA Homes as "public lands" for the purposes of accounting



for receipts from lands described in section 5(f) of the Admissions Act;

- (4) Clarifying the definition of "owner-occupied residential use" to include a prohibition on renting or subleasing; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Housing,


STANLEY CHANG, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:* SB 1 SB 1 <i>in</i>	Committee Referral: HOU, WAM	Date: 2/16/21		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHANG, Stanley (C)	✓			
KANUHA, Dru Mamo (VC)	✓			
MORIWAKI, Sharon Y.				✓
RHOADS, Karl	✓			
FEVELLA, Kurt	✓			
TOTAL	4	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes