

**Hawaii Administrative Rules, Chapter 15-218
Kakaako Reserved Housing Rules Amendment
Public Hearing: March 28, 2017**

Interim Staff Report

May 3, 2017

BACKGROUND

On May 7, 2014, the Authority initiated the amendments to Hawaii Administrative Rules, Chapter 15-218, Kakaako Reserved Housing Rules. On August 6, 2014, the Authority appointed a committee of Hawaii Community Development Authority members (Committee) to the investigate enhancement of reserved housing program in the Kakaako Community Development District (KCDD) and recommend necessary statutory and/or rule amendments. On March 1, 2015 the Committee completed and published its report on reserved housing program (Reserved Housing Investigative Committee Report) for the KCDD. On May 6, 2015, the Authority discussed the Reserved Housing Investigative Committee Report. On September 2, 2015, HCDA staff made a presentation to the Authority on the amendments to the Kakaako Reserved Housing Rules. On February 3, 2016, the Authority appointed a taskforce of Authority members (Taskforce) to develop a recommendation on reserved housing policy and subsequent amendment to the Kakaako Reserved Housing Rules. The Taskforce met with several stakeholders including Kakaako landowners, developers, real estate agents, and City & County of Honolulu agencies in developing a recommendation. On July 6, 2016, recommendation of the Taskforce was presented to the Authority at its public meeting. On September 7, 2016, the Taskforce presented recommendations on Kakaako Reserved Housing Rules amendment and staff presented a proposed draft amendment to the Kakaako Reserved Housing Rules to the Authority. Several stakeholders, including Kakaako landowners, developers, and affordable housing advocates provided testimony on the proposed draft Kakaako Reserved Housing Rules amendments. Subsequent to the September 7, 2016, Authority meeting, the Taskforce and HCDA staff held several meetings with stakeholders including Kakaako landowners and developers to discuss the proposed amendments. The Taskforce and HCDA staff received very valuable feedback from stakeholders at these meetings. On January 4, 2017, the Taskforce presented to the Authority a revised recommendation on Kakaako Reserved Housing Rules amendment that addressed some of the issues raised by stakeholders. On March 1, 2017, staff presented the proposed draft Kakaako Reserved Housing Rules amendments based on the revised recommendation from the Taskforce. Several stakeholders provided testimony on the proposed revised draft amendment. A public hearing on the proposed draft Kakaako Reserved Housing Rules amendment was held on March 28, 2017. A copy of the hearings officer’s report of March 28, 2017 is provided as Exhibit A.

Table 1: Summary of Public Discussion on Kakaako Reserved Housing Rules

Date	Public Discussion
May 7, 2014	Authority initiates amendments to Hawaii Revised Statutes: Chapter 15-218, Kakaako Reserved Housing Rules.
August 6, 2014	Authority appoints a committee of HCDA members to investigate enhancement of reserved housing program in the KCDD and recommend necessary statutes and/or rules amendments.
March 1, 2015	Reserved Housing Investigative Committee Report published.
May 6, 2015	Discussion on the Reserved Housing Investigative Committee Report.
September 2, 2015	HCDA staff made a presentation to the Authority on the amendments to the Kakaako Reserved Housing Rules.
February 3, 2016	Authority appointed a Taskforce to develop recommendation on reserved housing policy and subsequent amendments to the Kakaako Reserved Housing Rules
July 6, 2016	Taskforce recommendation presented to the Authority
September 7, 2016	HCDA staff presented a proposed draft amendment to the Kakaako Reserved Housing Rules to the Authority.
January 4, 2017	Taskforce presented to the Authority a revised recommendation based on stakeholder feedback.
March 1, 2017	HCDA staff presented the proposed draft Kakaako Reserved Housing Rules amendments based on revised recommendation from the Taskforce.

March 28, 2017	1 st Public hearing.
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SUMMARY OF WRITTEN AND ORAL TESTIMONIES RECEIVED AT MARCH 28, 2017 PUBLIC HEARING

Summary of Written Testimony

Name/Company	Summary of Written Testimony	HCDA Staff Comment
Stanford Carr	Opposes the provisions establishing buyback price of reserved housing units and regulated term for rental reserved housing units. HCDA should either continue calculating a reserved housing unit buyback price under the existing rules or employ the share appreciation equity program formula provided by the Hawaii Housing Finance and Development Corporation.	<p>The buyback price for a reserved housing unit in the current Kakaako Reserved Housing Rules (HAR 15-218) is based on lower of (1) the current fair market price of the reserved housing unit as determined by the Authority less the Authority’s share of quit in the unit, or (2) the reserved housing unit price calculated based on the AMI at the time of the sale of the unit.</p> <p>In the proposed rule amendment the buyback price is calculated based on annual median sales price percent change for condominiums published by the Honolulu Board of Realtor (HBR). The past 30 year of annual median sales price change data for condominiums published by HBR shows an annual return of 4.7%. The proposed formula for calculating buyback price provides good return to the reserved housing owner on his/her equity in the reserved housing unit. Additionally, buyback by the HCDA will not necessitate the reserved housing owner to engage a real estate broker for the sales, thus resulting in substantive savings for the owner.</p> <p>The proposed rules amendment proposes to utilize a similar formula as used by the Hawaii Housing Finance and Development Corporation for calculating HCDA’s share of equity in the reserved housing unit.</p>
Carol K. Lam/SERVCO	Supports the goal to promote more reserved housing and workforce housing opportunities in Kakaako Community Development District. Decision making on reserved housing rules amendment should be postponed to provide small landowners/stakeholders in the central and mauka area of the Kakaako Community Development District more time to evaluate the impact of the proposed amendments on properties, businesses, and people.	Several meetings were held by HCDA staff and HCDA Reserved Housing Taskforce with stake holders to discuss proposed Reserved Housing Rules amendments. Servco has participated in at least 4 such meetings. In addition, Kakaako Reserved Housing Rules amendment was discussed at the Authority’s public meetings on March 1, 2015; May 6, 2015, September 2, 2015; February 3, 2016; July 7, 2016; September 7, 2016; January 4, 2017; and March 1, 2017. Various stakeholders, including Servco, were also contacted by HCDA staff by email and provided information on Kakaako Reserved Housing Rules amendments.
Ryan Tanaka/Waterhouse	Decision making on reserved housing rules amendment should be postponed to provide small landowners/stakeholders in the central and mauka area of the Kakaako Community Development District more time to evaluate the impact of the proposed amendments on properties, businesses, and people.	Several meetings were held by HCDA staff and HCDA Reserved Housing Taskforce with stake holders to discuss proposed Reserved Housing Rules amendments. In addition Kakaako Reserved Housing Rules amendment was discussed at the Authority’s public meetings on March 1, 2015; May 6, 2015, September 2, 2015; February 3, 2016; July 7, 2016; September 7, 2016; January 4, 2017; and March 1, 2017. Various stakeholders were also contacted by HCDA staff by email and provided information on Kakaako Reserved Housing Rules amendments.
Kenneth Chang	Include a “savings clause” in the proposed reserved housing amendment so that the amended rules, if adopted, would not apply to development permit applications currently being reviewed by the HCDA staff.	A “savings clause” is not included in the proposed amendment.

Sharon Moriwaki/Kakaako United	Change the definition of “moderate-income household” to mean a household whose income is greater than 80% but does not exceed 120% of area median income. Do not amend the provisions of §15-218-17(e). Maximum qualifying household income limit for purchase of a reserved housing or workforce housing unit should be 120% of area median income. Cash-in-lieu requirement shall not be less than the cost to build a reserved housing or workforce housing unit. Require maximum allowable sale price for a reserved housing or workforce housing unit to be calculated based on area median income of no more than 120%.	<p>Given the high cost of living in Honolulu a household income of up to 140% can be considered to be within the range of moderate income and is consistent with the guideline provided by the Department of Housing and Urban Development. The Hawaii Housing Finance and Development Corporation also defines moderate income to be a household income of up to 140% of AMI.</p> <p>Section 15-218-17(e) is amended to address situations where the reserved housing units are provided in the same building as the market units. If reserved housing units are in the same building as the market units, as a practical matter, delivery of reserved housing units are made at the same time as the market units since the certificate of occupancy, in most cases, will be issued for all units at the same time. Therefore, if the reserved housing units are in the same building as the market units, the “delivery” language of §15-218-17(e) is not necessary. If the reserved housing units are provided in a standalone reserved housing building, the proposed amendment requiring bonding, and providing a copy of duly executed construction contract with a general contractor licensed to conduct business in the State of Hawaii for construction of the reserved housing provides certainty that the reserved housing units will be constructed.</p> <p>Since the cost of housing and cost of living in general very high in Honolulu, it is prudent to allow for household earning of up to 140% of AMI to be eligible for purchase of a reserved housing units. This broadens the pool of prospective buyers and affords opportunities for additional household to purchase a home. Since the allocation of reserved housing units is done either by lottery or on a first-come first-served basis, the selection process is household income neutral.</p> <p>The proposed cash-in-lieu formula serves as a sliding scale. Projects with luxury units will be subject to higher cash-in-lieu payment than projects that are affordable to household incomes closer to 140% of AMI. Several cities, including Boston, San Francisco, and Denver utilize a similar formula.</p> <p>The proposed amendments ensures that at least 50% of the required reserved housing units are priced at or under 120% of AMI.</p>
Office of Hawaiian Affairs (OHA)	Proposed amendments to the Kakaako Reserved Housing Rules are an encouraging step forward in addressing Hawaii’s growing affordable housing demand. OHA requests continued consideration of fair and equitable policies that provide Native Hawaiians and the greater community with truly affordable housing and home ownership opportunities, socio-economic growth, and upward mobility.	Comment noted.
Michael Baulig	Firmly in support of projects like 801 South Street.	Comment noted.
Almadhi Alsalim	Provide clarification in §15-218-20 regarding the provision of Authority’s option to modify the occupancy level if the reserved housing units are unsold or unrented by providing a time limit for how long the reserved housing units have to remain unsold or unrented for the Authority to consider modifying the occupancy requirement.	The proposed rules does not specify a fixed time limit to allow for flexibility to respond to changing economic conditions.
Kathy Sokugawa/DPP/C&C	The proposed amendments are generally aligned with the Mayor’s Affordable Housing Strategy and supported by the City and County’s policy and technical analysis.	Comment Noted.

Laurie Ann Chan/Avalon Development Company		Comment noted.
Alan Linton/Glass Metal Association		Comment noted.
Victoria Fallas	Need more workforce housing, do not over regulate.	Comment noted.
Galen Fox/Kakaako United	140% of AMI is not affordable. Lower the maximum qualifying AMI to 120%	Given the high cost of living in Honolulu a household income of up to 140% can be considered to be within the range of moderate income and is consistent with the guideline provided by the Department of Housing and Urban Development. The Hawaii Housing Finance and Development Corporation also defines moderate income to be a household income of up to 140% of AMI.
Kris Hui/OliverMcMillan	Remove §15-218-19. Remove §15-218-20. Increase asset Limit. Oppose the weighted average price to be calculated based on 120% of AMI. Oppose buyback and equity sharing provisions. Oppose proposed cash-in-lieu formula. Consider reducing the reserved housing requirement to less than 20% if the developer is providing rental reserved housing.	<p>Section 15-218-19 provides incentive if developers provide larger reserve housing units. The unit type and corresponding factor also act a higher multiplier factor in determining sales price of the unit for larger units.</p> <p>Section 15-218-20 is a guideline for the developer to be utilized when the number of applications for a reserved housing units exceed the number and type of reserved housing units available. It allows for families to purchase a reserved housing unit based on family size. It can be modified by the Authority, if necessary.</p> <p>Maximum weighted average price based on an AMI of 120% is necessary to provide “moderate to low income” households an opportunity to become home owners.</p> <p>Buyback and equity sharing provisions are necessary for ensuring long-term affordability of the reserved housing and workforce housing units.</p>
Representative Takashi Ohno/House of Representative	It is not prudent to place additional regulation and restrictions on the housing market that benefits working class and first-time home buyers. Buyback and equity sharing provisions may have unforeseen consequences.	The proposed rule amendments provide opportunity for “moderate to low income” households to become home owners. It also ensures long-term affordability of reserved housing units. Without the proposed maximum allowable pricing, qualifying income, equity sharing, and buyback provisions, most of the reserved housing and workforce housing units will convert to market units in a very short time.
Clint Hamabata/American Savings Bank	Proposed changes to workforce housing rules will make it less feasible for developers to build such buildings and will deter buyers from similar projects due to stricter resale and ownership restrictions.	The weighted average sales price of 801 South Street workforce housing project is closer to 100% of AMI. The proposed rules amendment allow for weighted average sales price of 120% of AMI providing developer additional flexibility. Also, the recent sale of ‘Ke Kilohana, a 375 unit reserved housing project, indicates that buyback and equity sharing provisions are not impediments in sales of reserved housing units.
R.B. Riegels	Make creative rules that encourage development of affordable housing instead of making the task more difficult by placing increased burden on residential developments community and un-subsidized buyers. Spread affordable housing requirement to all new projects including retail, commercial, and hotel development.	Since over 80% of redevelopment in the Kakaako Community Development District is residential development, imposing reserved housing requirement on commercial, retail, and hotel projects will not result in any significant gain in reserved housing units. It wouldn’t lighten the burden on residential project either.
Gladys Marrone/BIA-Hawaii	To address the current housing crisis there needs to be a shift in focus of how government views housing development and move from regulatory stance to production oriented stance. The proposed amendments revert to inclusionary zoning and exaction process that have proven ineffective over time. Incentivize the developers to build more affordable housing using one or more of the following incentive: (1) access to infrastructure, (2)	The proposed rule amendments provide substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b)100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally the HCDA invested over \$225 million

	density bonus, (3) waiver of sewer, water, and permitting fees, (4) waiver of GET, (5) waiver of real property taxes for a fixed period of time.	in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are already available to developers for developing affordable housing projects.
Ryan Harada/Downtown Capital LLC	Workforce housing is different than reserved housing, therefore, rules governing workforce housing and reserved housing should be kept separate and the rules governing workforce housing should not be changed. Workforce housing is the best tool to increase supply of affordable housing.	Proposed rules amendment creates consistency between reserved housing and workforce housing rules. It provides opportunity for “moderate to low income” households to become home owners. It also ensures long-term affordability of reserved housing units.
Patricia Ho		Comment noted.
Lisa Eeveleth/Limit LLC	Step back and gather more information and input from the community (landowners, developers, banks, lenders, contractors, etc.) to better understand how to move forward in a productive manner to create more affordable housing. Keep the workforce housing regulation as is and do not add buyback and equity sharing requirements.	Several meetings were held by HCDA staff and HCDA Reserved Housing Taskforce with stakeholders to discuss proposed Reserved Housing Rules amendment. In addition Kakaako Reserved Housing Rules amendment was discussed at the Authority’s public meetings on March 1, 2015; May 6, 2015, September 2, 2015; February 3, 2016; July 7, 2016; September 7, 2016; January 4, 2017; and March 1, 2017. Various stakeholders were also contacted by HCDA staff by email and provided information on Kakaako Reserved Housing Rules amendment.
Linda Wong/Carlinc Limited Partnership	Take a step back and have a study made of effects on the proposed amendments on small landowners in Kakaako as well as those who are saying the new rules would not make it feasible to build affordable and workforce housing units. No reason to rush passage of the proposed amendments until a thorough study has been made.	Several meetings were held by HCDA staff and HCDA Reserved Housing Taskforce with stake holders to discuss proposed Reserved Housing Rules amendment. In addition Kakaako Reserved Housing Rules amendment was discussed at the Authority’s public meetings on March 1, 2015; May 6, 2015, September 2, 2015; February 3, 2016; July 7, 2016; September 7, 2016; January 4, 2017; and March 1, 2017. Various stakeholders were also contacted by HCDA staff by email and provided information on Kakaako Reserved Housing Rules amendment.
Peter Ho/Bank of Hawaii	Imposing buyback with no term limit and requiring equity sharing with the HCDA could hamper the ability to sell such mortgages into secondary market such as Fannie Mae, Freddie Mac, VA, and FHA.	Buyback and equity sharing provisions have been part of the HCDA reserved housing rules (Mauka Area Rules) since the rules were first adopted in the early1980s. In the sale and resale of reserved housing units over the years, concerns regarding secondary market such as Freddie Mac, Fannie Mae, VA, or FHA have never been raised. Information obtained from Freddie Mac, Fannie Mae, VA and FHA website indicates that the buyback and equity sharing provisions of the proposed amendment are consistent with the guidelines provided by these agencies.
Jeffery Guzon/Kalu Glass Company		Comment noted.
Rusty Rasmussen/Mortgage Bankers Association of Hawaii	Strongly recommend that any proposed draft amendment be confirmed to comply with guidelines of Fannie Mae, Freddie Mac, FHA, and VA to avoid potential financing problems.	Buyback and equity sharing provisions have been part of the HCDA reserved housing rules (Mauka Area Rules) since the rules were first adopted in the early1980s. In the sale and resale of reserved housing units over the years, concerns regarding secondary market such as Freddie Mac, Fannie Mae, VA, or FHA have never been raised. Information obtained from Freddie Mac, Fannie Mae, VA and FHA website indicates that the buyback and equity sharing provisions of the proposed amendment are consistent with the guidelines provided by these agencies.
William Wilson/Hawaiian Dredging Construction Company	Rule changes will effectively stop new projects. Reduced demand for market rate units will make it more difficult for developers to subsidize reserved housing units. Lower income affordable unit buyers will have difficulty qualifying for long term financing given rising interest rates and the Authority’s equity sharing and buyback requirements.	Rise in 30 year mortgage interest rates may impact affordability, however, the HCDA does not have the ability to influence interest rates. HCDA staff has not received any data form local developers that indicates that reserved housing units are subsidized by market housing units.

Michael McLaughlin	Proposed buyback and equity sharing rules unfairly affect the purchaser's equity position. Rule should be amended to include time constraints on the buyback and equity sharing. Afford a buyer that meets the time constraint requirements an opportunity to realize equity position and improve financial standing, affording the possibility of upward mobility in housing market.	In the proposed rule amendment the buyback price is calculated based on annual median sales price percent change for condominiums published by the Honolulu Board of Realtor (HBR). The past 30 year of annual median sales price change data for condominiums published by HBR shows an annual return of 4.7%. The proposed formula for calculating buyback price provides good return to the reserved housing owner on his/her equity in the reserved housing unit. Additionally, buyback by the HCDA will not require the reserved housing owner to engage a real estate broker for the sales, thus resulting in substantive savings for the owner. The initial equity in a reserved housing unit is the result of HCDA's requirement for providing reserved housing, and as such, it fair and reasonable for the HCDA to participate in that equity sharing.
Jay Kam/Kam Development LLC	Reconsider adopting the proposed rule changes and take more input from all interested parties.	Several meetings were held by HCDA staff and HCDA Reserved Housing Taskforce with stake holders to discuss proposed Reserved Housing Rules amendment. In addition Kakaako Reserved Housing Rules amendment was discussed at the Authority's public meetings on March 1, 2015; May 6, 2015, September 2, 2015; February 3, 2016; July 7, 2016; September 7, 2016; January 4, 2017; and March 1, 2017. Various stakeholders were also contacted by HCDA staff by email and provided information on Kakaako Reserved Housing Rules amendment.
Christopher Aguilera/Title Guaranty of Hawaii	Proposed rules will have a negative impact on the ability to provide housing for Hawaii's workforce and essential workers.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b)100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Allan Lock	Our children and grandchildren cannot afford housing in Hawaii. Please help. They need housing like 801 South Street.	The proposed rule amendment provide substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b)100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.

Newton Chung	Buyback and equity sharing requirement for workforce housing will not stimulate for-sale affordable housing development in Kakaako.	In the proposed rule amendment the buyback price is calculated based on annual median sales price percent change for condominiums published by the Honolulu Board of Realtor (HBR). The past 30 year of annual median sales price change data for condominiums published by HBR shows an annual return of 4.7%. The proposed formula for calculating buyback price provides good return to the reserved housing owner on his/her equity in the reserved housing unit. Additionally, buyback by the HCDA will not require the reserved housing owner to engage a real estate broker for the sales, thus resulting in substantive savings for the owner. The proposed amendment makes the reserved and workforce housing financially very attractive to low-to-moderate income households.
Blair Suzuki/OliverMcMillan		Comment noted.
Nathan Alexander	Additional research and analysis needs to be completed on the impact of the proposed changes. They may deter development of more housing.	The proposed amendment makes the reserved and workforce housing financially very attractive to low-to-moderate income households.
Kristi Hirota/Hawaiian Properties		Comment noted.
Richard Quinn/HHF Planners		Comment noted
Henry Chang/Chang Architects	Propose reserved and workforce housing rules change will reduce production of low to moderately priced housing rather than increase it. Proposed rules will achieve the reverse of the intended purpose of increasing low cost housing production.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Dallas Walker	Oppose parking requirement modification provision for reserved and workforce housing units. Include worker's compensation and temporary disability income and part of household income. Oppose cash-in-lieu provision.	Ability to reduce parking requirement and being able to provide shared parking enhances the developer's ability to construct affordable housing projects. It is for that reason flexibility in parking requirement is included in the proposed rule amendment. Worker's compensation and temporary disability payments are temporary in nature and, therefore, excluded from counting towards household income. Cash-in-lieu provision is provided in Hawaii Revised Statutes §206E-4(18).
Carol Sakata		Comment noted.
Steven Togami/CMC, dba Associated Steel Worker		Comment noted.
Richard McDonald		Comment noted.
Justin Izumi		Comment noted.
Rosanna Vierra		Comment noted.
Chris Anjo		Comment noted.

Alex Fergus	Proposed amendments will only compound housing problem by adding further layers of regulation which will result in significantly less housing being constructed for local people.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally, the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Barry raff		Comment noted.
Guy Churchill	Poorly thought through.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Andrew Reenders		Comment noted.
Scott Morita		Comment noted.
Scot Matayoshi	Please make it easier for developers to build affordable housing in Hawaii.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendments should encourage workforce housing development.

Tobias Martyn	Need more workforce hosing.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Johathan Janus		Comment noted.
Keslie Hui		Comment noted.
Jeremy Shorenstein	Amend the rules do that they support the development of workforce and affordable housing rather than making the risk return so unattractive that builders will only build luxury units and not build affordable housing.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally, the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Anthony Mizuno	Proposed reserved housing rules are bad and will worsen an already under supplied housing market.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally, the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Jacob Fergus/Fergus & Company		Comment noted.

Tyler Tokioka		Comment noted.
Kevin Ota/Marcus & Associates, Inc.		Comment noted.
Spencer Lee	Occupancy guidelines will turn away home buyers who plan to have kids in future but cannot buy a 2 bedroom unit. Asset limit will hurt buyers who have saved a substantial amount of money. Buyback and equity sharing will turn away prospective buyers for reserved as well as workforce housing units.	Occupancy guidelines provide families the ability to purchase a reserved housing unit based on their family size. The guideline can be modified by the Authority, is necessary. Asset limit makes affordable housing available to families that need it the most. Closes a loophole that could allow investors to speculate on affordable housing units. The buyback provision is designed to keep affordable housing in the affordable range while providing a fair return on investment to the owner. Equity sharing ensures a fair rate of return to original buyer while returning equity subsidy so that it can be used to keep units affordable and building pool of funds to develop additions subsidized low income housing units.
Jim Miller	Proposed rules will have a negative impact on the ability to provide housing for Hawaii's workforce. Instead of regulation provide incentive such as eliminating 400 feet height limit and parking requirement and real property tax and GET exemptions.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally, the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendments should encourage workforce housing development. Hawaii Revised Statutes §206E-33(4) limits the building height in the Kakaako Community Development District to 418 feet.
Scott Kaneshiro		Comment noted.
David Arita/The Carpet Shoppe, Inc.	Make it easier for everyone to build and buy new homes.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally, the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Commuinty Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Christina Dwight/Commercial Investment Strategies, LLC		Comment noted.

David Asakura		
Matthew Lamon	More regulation means less housing which compounds the housing shortage.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendment should encourage workforce housing development.
Ronald Funai/CMC Steel/ASW		Comment noted.
Daniel Lum	Need less restrictions on developers to give them a chance to put more housing units into market or else there is no way for supply to meet the demand. Buyback and equity sharing provisions prevent owners of reserved and workforce housing from benefiting from equity appreciation.	The proposed rule amendment provides substantial incentives to the developer for producing reserved housing units. These incentives are, (a) 20% floor area bonus for providing reserved housing, (b) 100% floor area bonus for workforce housing projects, (c) no public facilities dedication fee requirement for reserved housing and workforce housing, (d) flexibility in providing off street parking and loading, (e) additional building height, (f) flexibility in yard setbacks. Additionally, the HCDA invested over \$225 million in infrastructure improvement in the Kakaako Community Development District to encourage development. Through the provisions of Hawaii Revised Statutes, Section 201H-38, a developer can receive exemption from permit fees and waiver from City & County and HCDA zoning requirements for affordable housing projects. Waiver of GET and property tax is also available for affordable housing projects. There are a number of incentives that are available to developers for developing affordable housing projects. Combined with the existing incentive programs, the additional incentives provided in the amendments should encourage workforce housing development. The buyback provision is designed to keep affordable housing in the affordable range while providing a fair return on investment to the owner. Equity sharing ensures a fair rate of return to original buyer while returning equity subsidy so that it can be used to keep units affordable and building pool of funds to develop additions subsidized low income housing units.
Van law	Allow for a tiered AMI requirement. Increase the reserved housing requirement for luxury market units. Increase the reserved housing requirement if the required reserved housing for a development is provided off site. Impose a 20% penalty for out-of-state investor who purchase a housing unit.	The proposed rule amendment allows for a tiered AMI up to an AMI of 140%. Fair application of the rules require that all type of residential project be treated equally in terms of rule requirements. The proposed amendment provides the ability to require additional reserved housing units if such units are proposed to be constructed outside of the Kakaako Community Development District. The HCDA does not have the ability to impose penalty on out-of-state investors who purchase a housing unit in the Kakaako Community Development District. This would require change to HCDA's enabling statute, HRS 206E.
Nathan C. Nelson/Hawaii Gas	Seek answers to following question: (1)what are the potential impacts of the rule amendments on landowners, (2) will the rule amendments be applied to landowners equally, (3) what is the economic impact of these rules amendments; will there be	The Hawaii Administrative Rule, Chapter 15-218 is promulgated to implement the provisions of Hawaii Revised Statutes, Chapter 206E, and addresses the requirement to increase supply of housing for residents of low or moderate income. Proposed rule

	potential decreases in land values because of the rules; what will be the impact on potential homeowners.	amendment will be applied equally to all residential developments in the Kakaako Community Development District except for developments under the master plan permit Which vested under the provisions of Hawaii Revised Statutes §206E-7 (b). Overall economic impacts and land values are influenced by general economy and market conditions rather than the proposed rule amendment.
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Summary of Oral Testimony

Name/Company	Position	Summary of Written Testimony	HCDA Staff Comment
Richard Bowles/ Resident 801 South Street	Oppose	Do not make changes to workforce housing rules.	The proposed amendment to workforce housing rules are necessary to make the workforce housing units affordable to families in Hawaii, also to ensure that those units will remain affordable in the future.
Paul Cassidy/Waterhouse Foundation	Other	More time should be given to landowners in the KCDD to better understand the proposed amendments and their effect on landowners.	Several meetings were held by HCDA staff and HCDA Reserved Housing Taskforce with stake holders to discuss proposed Reserved Housing Rules amendments. In addition, Kakaako Reserved Housing Rules amendment was discussed at the Authority’s public meetings on March 1, 2015; May 6, 2015, September 2, 2015; February 3, 2016; July 7, 2016; September 7, 2016; January 4, 2017; and March 1, 2017. Various stakeholders were also contacted by HCDA staff by email and provided information on Kakaako Reserved Housing Rules amendments.
Bill Wilson/Hawaiian Dredging Construction Company	Oppose	Proposed amendments to workforce housing, particularly the buyback and equity sharing provisions will result in no workforce housing being built in the KCDD in the future.	Buyback and equity sharing provisions are necessary for ensuring long-term affordability of the reserved housing units.
Harrison Rue/Department of Planning & Permitting	Support	Stands by the written testimony provided.	Comment noted
George Messengale/Hawaii Habitat for Humanity	Oppose	Lower the maximum allowable AMI used for establishing the sales price of reserved housing units from 140%.	The proposed amendment requires that the weighted average sales price of a reserved housing or workforce housing be calculated based on an AMI of 120%, which ensures that at least 50% of the reserved housing or workforce housing units are priced at or below 120% of AMI. Allowing a maximum qualifying household income of 140% of AMI creates opportunity for a large number of families in Hawaii to become home owners.
Galen Fox/Kakaako United	Oppose	140% of AMI is not affordable.	The proposed amendment requires that the weighted average sales price of a reserved housing or workforce housing be calculated based on an AMI of 120%, which ensures that at least 50% of the reserved housing or workforce housing units are priced at or below 120% of AMI. Allowing a maximum qualifying household income of 140% of AMI creates opportunity for a large number of families in Hawaii to become home owners.
Dan Nishikawa/OliverMcMillan	Oppose	Stands by written comments.	Section 15-218-19 provides incentive if developers provide larger reserve housing units. The unit type and corresponding factor also act a higher multiplier factor in determining sales price of the unit for larger units.

			<p>Section 15-218-20 is a guideline for the developer to be utilized when the number of applications for a reserved housing units exceed the number and type of reserved housing units available. It allows for families to purchase a reserved housing unit based on family size. It can be modified by the Authority, if necessary.</p> <p>Maximum weighted average price based on an AMI of 120% is necessary to provide “moderate to low income” households an opportunity to become home owners. Buyback and equity sharing provisions are necessary for ensuring long-term affordability of the reserved housing and workforce housing units.</p> <p>Section 15-218-20 is a guideline for the developer to be utilized when the number of applications for a reserved housing units exceed the number and type of reserved housing units available. It allows for families to purchase a reserved housing unit based on family size. It can be modified by the Authority, if necessary.</p> <p>Maximum weighted average price based on an AMI of 120% is necessary to provide “moderate to low income” households an opportunity to become home owners.</p> <p>Buyback and equity sharing provisions are necessary for ensuring long-term affordability of the reserved housing units.</p>
Stanford Carr	Other	Oppose provisions establishing buyback price of reserved housing units and regulated term for rental reserved housing units.	<p>The buyback price for a reserved housing unit in the current Kakaako Reserved Housing Rules (HAR 15-218) is based on lower of (1) the current fair market price of the reserved housing unit as determined by the Authority less the Authority’s share of quit in the unit, or (2) the reserved housing unit price calculated based on the AMI at the time of the sale of the unit.</p> <p>In the proposed rule amendment the buyback price is calculated based on annual median sales price percent change for condominiums published by the Honolulu Board of Realtor (HBR). The past 30 year of annual median sales price change data for condominiums published by HBR shows an annual return of 4.7%. The proposed formula for calculating buyback price provides good return to the reserved housing owner on his/her equity in the reserved housing unit. Additionally, buyback by the HCDA will not necessitate the reserved housing owner to engage a real estate broker for the sales, thus resulting in substantive savings for the owner.</p>
Ken Chang	Oppose	Workforce housing is one of the most successful programs in this country that addresses the lower middle and middle income housing problems. The number of workforce housing produced up to date exceeds the reserved housing units in KCDD. Much further study needs to be conducted on the proposed rules to make sure that there is no confusion that there are two levels of affordability that must be addressed by every community.	The proposed amendment requires that the weighted average sales price of a reserved housing or workforce housing be calculated based on an AMI of 120%, which ensures that at least 50% of the reserved housing or workforce housing units are priced at or below 120% of AMI. Allowing a maximum qualifying household income of 140% of AMI creates opportunity for a large number of families in Hawaii to become home owners. The proposed amendments address the whole affordability spectrum.
Lisa Eveleth	Oppose	Take a step back and gather more information and input from the community so we can best understand how to move forward in a productive manner to create more affordable	Several meetings were held by HCDA staff and HCDA Reserved Housing Taskforce with stake holders to discuss proposed Reserved Housing Rules amendment. In addition, Kakaako Reserved Housing Rules amendment was discussed at the

		housing. Keep the workforce housing rules as is and do not add buyback and equity sharing provisions.	<p>Authority’s public meetings on March 1, 2015; May 6, 2015, September 2, 2015; February 3, 2016; July 7, 2016; September 7, 2016; January 4, 2017; and March 1, 2017. Various stakeholders were also contacted by HCDA staff by email and provided information on Kakaako Reserved Housing Rules amendments.</p> <p>The proposed amendments to workforce housing rules are necessary make the housing units affordable to families in Hawaii and also to ensure that those units will remain affordable in the future.</p>
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HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

April 20, 2017

Mr. Deepak Neupane, P.E., AIA
Director of Planning & Development
Hawai'i Community Development Authority
State of Hawaii
547 Queen Street
Honolulu, Hawai'i 96813

Re: Amendment of Title 15, Chapter 218, HAR, entitled "Kaka'ako Reserved Housing Rules"

Dear Mr. Neupane:

Please find this as the Hearings Officer's Report of the March 28, 2017 public hearing on the proposed amendment to the Kaka'ako Reserved Housing Rules.

A public hearing was conducted on March 28, 2017, at 9:00 a.m. on the second floor of the 547 Queen Street, Honolulu, Hawai'i.

The public hearing was conducted pursuant to the provisions of Chapter 91 and Chapter 206E, Hawai'i Revised Statutes and Title 15, Chapter 209, Hawai'i Administrative Rules, and duly noticed by the Notice of Public Hearings published on February 26, 2017 in the Hawai'i Star Advertiser.

The purpose of this Hearings Officer's Report is to provide the HCDA with all written and live testimony collected for the March 28, 2017 public hearing, together with a summary contained herein.

The summary of testimonies below organizes the written testimony in the same order as they appear in the certified "All Testimony Received For the March 28, 2017 Hearing", a copy of which is attached hereto as Exhibit "1". The summary of all persons who testified live at the March 28, 2017 public hearing is organized in the same order as they appear in the certified hearing transcript, a copy of which is attached hereto as Exhibit "2".

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Persons Providing Written Testimony:

1. **Nathan C. Nelson**, Vice President, General Counsel & Secretary Hawai'i Gas

Position: Comment.

Summary of written testimony: Requests more information so that landowners can make more informed decisions. What are the potential impacts of the rule amendment on landowners? Will the rule amendments be applied to all landowners equally? What is the economic impact of these rule amendments? Will there be potential decreases in land values because of the rules? What will be impact on potential homeowners?

2. **Stanford S. Carr**, Stanford Carr Development

Position: Oppose.

Summary of written testimony: Opposes the provisions establishing buyback price of reserved housing units. The Honolulu Board of Realtors' index is flawed and should not be used. Should use the current calculation of reserved housing unit's buyback price under the existing rules or employ the Shared Appreciation Equity Program formula provided by the Hawaii Housing Finance and Development Corporation. Opposes increasing regulatory period for reserved and workforce housing from 15 to 30 years. 30 year requirement is not feasible for privately funded reserved housing. Subsidized projects are subject to the 30 year requirement.

3. **Carol K. Lam**, Senior Vice President, SERVCO PACIFIC, INC.

Position: Comment.

Summary of written testimony: Supports the goal to promote more reserved housing and workforce housing opportunities in Kaka'ako Community Development District. Decision making on reserved housing rules amendment should be postponed to provide small landowners and stakeholders in the central and mauka area of the Kaka'ako

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Community Development District more time to evaluate the impact of the proposed amendments on properties, businesses, and people.

4. **Ryan Tanaka**, Executive Vice President, Waterhouse, Inc.

Position: Comment.

Summary of written testimony: More time is needed. Recommend that decision making be deferred so that the Kaka'ako stakeholders can play a role as responsible members of the Kaka'ako community, including becoming more informed about the impact of the proposed rules and to have an opportunity to provide informed comment and input on the same.

5. **Kenneth Kai Chang**, Manager of Hui O Ka La, LLC, Manager of Ililani, LLC

Position: Comment.

Summary of written testimony: Ililani, LLC has been working on and incurring extensive expenses on a workforce housing project for the past two years while relying on the Mauka Area Rules. A "savings clause" should be included to make clear that pending permit applications will be subject to the reserved housing rules in effect on the day of the submission of the permit applications.

6. **Sharron Morikwaki**, President, Kaka'ako United

Position: Oppose.

Summary of written testimony: Change the definition of "moderate-income household" to mean a household whose income is greater than 80% but does not exceed 120% of area median income ("AMI"). Do not amend the provisions of §15-218-17(e). Maximum qualifying household income limit for purchase of a reserved housing or workforce housing unit should be 120% of AMI. Cash-in-lieu requirement shall not be less than the cost to build a reserved housing or workforce housing unit. Require maximum allowable

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sale price for a reserved housing or workforce housing unit to be calculated based on area median income of no more than 120%.

7. **Office of Hawaiian Affairs (OHA)**

Position: Comment.

Summary of written testimony: Proposed amendments to the Kaka'ako Reserved Housing Rules are an encouraging step forward in addressing Hawai'i's growing affordable housing demand. OHA requests continued consideration of fair and equitable policies that provide Native Hawaiians and the greater community with truly affordable housing and home ownership opportunities, socio-economic growth, and upward mobility.

8. **Michael Baulig**

Position: Support.

Summary of written testimony: Firmly in support of projects like 801 South Street.

9. **Almahdi Alsalim**, University of Hawaii at Manoa – William S. Richardson School of Law

Position: Support.

Summary of written testimony: Provide clarification in §15-218-20 regarding the provision of Authority's option to modify the occupancy level if the reserved housing units are unsold or unrented by providing a time limit for how long the reserved housing units have to remain unsold or unrented for the Authority to consider modifying the occupancy requirement.

10. **Kathy K. Sokugawa**, Acting Director, Department of Planning and Permitting, City and County of Honolulu

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Position: Support.

Summary of written testimony: Proposed amendments are generally aligned with the Mayor's Affordable Housing Strategy, and supported by Department of Planning and Permitting's ("DPP") policy research and technical analysis. DPP believes that it is critical for the HCDA to update the Kaka'ako Reserved Housing Rules to increase and maintain Oahu's affordable housing supply.

11. Lauri Ann Chan, Avalon Development Company

Position: Oppose.

Summary of written testimony: Oppose.

12. Alan Linton, Glass Metal Association

Position: Oppose.

Summary of written testimony: Oppose.

13. Victoria Fallas

Position: Oppose.

Summary of written testimony: Need more workforce housing, do not over regulate.

14. Galen Fox, Kakaako United

Position: Oppose.

Summary of written testimony: The law requires reserved housing to the affordable. 140% of AMI is not affordable. Lower the maximum qualifying AMI to 120%, which would be consistent with the City and County of Honolulu.

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15. **Kris Hui**, OliverMcMillan

Position: Oppose.

Summary of written testimony: OliverMcMillan has successfully completed Pacifica Honolulu and Symphony Honolulu in Kaka'ako. Reserved housing unit count should be based on 20% total units, not square footage. HCDA should not be regulating unit sizes. Remove §15-218-19. Remove §15-218-20. Increase asset Limit. Oppose the weighted average price to be calculated based on 120% of AML. Oppose buyback and equity sharing provisions. Oppose proposed cash-in-lieu formula. Consider reducing the reserved housing requirement to less than 20% if the developer is providing rental reserved housing.

16. **Representative Takashi Ohno**, House of Representatives

Position: Oppose.

Summary of written testimony: It is not prudent to place additional regulation and restrictions on the housing market that benefits working class and first-time home buyers. Buyback and equity sharing provisions may have unforeseen consequences

17. **Clint Hamabata**, American Savings Bank

Position: Oppose.

Summary of written testimony: Oppose.

18. **Joycelyn Banas**

Position: Oppose.

Summary of written testimony: Proposed changes will make it less feasible for developers to build workforce housing due to stricter resale and ownership restrictions.

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19. **R.B. Riegels**

Position: Oppose.

Summary of written testimony: Make creative rules that encourage development of affordable housing, instead of making the task more difficult by placing increased burden on residential developments community and un-subsidized buyers. Spread affordable housing requirement to all new projects including retail, commercial, and hotel development.

20. **Gladys Quinto Marrone**, CEO, Building Industry Association of Hawaii

Position: Oppose.

Summary of written testimony: To address the current housing crisis there needs to be a shift in focus of how government views housing development and move from regulatory stance to production oriented stance. The proposed amendments revert to inclusionary zoning and exaction process that have proven ineffective over time. Incentivize the developers to build more affordable housing using one or more of the following incentive: (1) access to infrastructure, (2) density bonus, (3) waiver of sewer, water, and permitting fees, (4) waiver of GET, (5) waiver of real property taxes for a fixed period of time.

21. **Ryan Harada**, Downtown Capital LLC

Position: Oppose.

Summary of written testimony: Workforce housing is different than reserved housing, therefore, rules governing workforce housing and reserved housing should be kept separate and the rules governing workforce housing should not be changed. Workforce housing is the best tool to increase supply of affordable housing. The proposed amendments places more restrictions on buyers, making it harder to qualify for mortgage

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loans, and makes projects like 801 South Street too risky to develop. This will cut the supply of affordable homes.

22. **Patricia Ho**

Position: Oppose.

Summary of written testimony: Oppose.

23. **Lisa Eveleth**, Limit, LLC

Position: Oppose.

Summary of written testimony: My family owns Coral Commercial Center at 670 Auahi Street, 4.25 acres of warehouse and retail tenants. Step back and gather more information and input from the community (landowners, developers, banks, lenders, contractors, etc.) to better understand how to move forward in a productive manner to create more affordable housing. Keep the workforce housing regulation as is and do not add buyback and equity sharing requirements.

24. **Linda Wong**, Carline Limited Partnership

Position: Oppose.

Summary of written testimony: My family owns the corner of Piikoi and Waimanu Streets. Take a step back and have a study made of effects on the proposed amendments on small landowners in Kaka'ako as well as those who are saying the new rules would not make it feasible to build affordable and workforce housing units. No reason to rush passage of the proposed amendments until a thorough study has been made.

25. **Peter Ho**, Bank of Hawaii

Position: Oppose.

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Summary of written testimony: Restrictive requirements could constrain housing supply by making projects less economically attractive for developers. Imposing buyback with no term limit and requiring equity sharing with the HCDA could hamper the ability to sell such mortgages into secondary market such as Fannie Mae and Freddie Mac.

26. Jeffrey Guzon, Kalu Glass Company

Position: Oppose.

Summary of written testimony: Oppose.

27. Rusty Rasmussen, President, Mortgage Bankers Association of Hawai'i

Position: Oppose.

Summary of written testimony: Strongly recommend that any proposed draft amendment be confirmed to comply with guidelines of Fannie Mae, Freddie Mac, FHA, and VA to avoid potential financing problems. If not, financing for buyers will be severely restricted and defeat the purpose of the rules.

28. William J. Wilson, Chairman, Hawaiian Dredging Construction Company, Inc.

Position: Oppose.

Summary of written testimony: Rule changes will effectively stop new projects. Reduced demand for market rate units will make it more difficult for developers to subsidize reserved housing units. Lower income affordable unit buyers will have difficulty qualifying for long term financing given rising interest rates and the Authority's equity sharing and buyback requirements.

29. Michael McLaughlin

Position: Oppose.

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Summary of written testimony: Proposed buyback and equity sharing rules unfairly affect the purchaser's equity position. Rules should be amended to include time constraints on the buyback and equity sharing. Afford a buyer that meets the time constraint requirements an opportunity to realize equity position and improve financial standing, affording the possibility of upward mobility in housing market.

30. Jay Kam, Kam Development LLC

Position: Oppose.

Summary of written testimony: Kam Development LLC has owned property on Keawe Street and Halekauwila Street since 1978. Reconsider adopting the proposed rule changes and take more input from all interested parties.

31. Christopher Aguilera, Title Guaranty of Hawaii

Position: Oppose.

Summary of written testimony: Proposed rules will have a negative impact on the ability to provide housing for Hawai'i's workforce and essential workers.

32. Allan Lock, retired.

Position: Oppose.

Summary of written testimony: Our children and grandchildren cannot afford housing in Hawai'i. Please help. They need housing like 801 South Street.

33. Newton Chung

Position: Oppose.

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Summary of written testimony: Buyback and equity sharing requirement for workforce housing will not stimulate for-sale affordable housing development in Kaka'ako.

34. **Blair Suzuki**, OlverMcMillan

Position: Oppose.

Summary of written testimony: Oppose.

35. **Kristi Hirota**, Hawaiian Properties

Position: Oppose.

Summary of written testimony: Oppose.

36. **Richard Quinn**, HHF Planners

Position: Oppose

Summary of written testimony: Oppose.

37. **Henry Chang**, Chang Architects

Position: Oppose.

Summary of written testimony: Proposed reserved and workforce housing rules will reduce production of low to moderately priced housing rather than increase it. Proposed rules will achieve the reverse of the intended purpose of increasing low cost housing production.

38. **Dallas Walker**, UH Law Student

Position: Oppose.

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Summary of written testimony: Oppose parking requirement modification provision for reserved and workforce housing units. Include worker's compensation and temporary disability income as part of household income. Oppose cash-in-lieu provision.

39. **Carol Sakata**

Position: Oppose.

Summary of written testimony: Oppose.

40. **Steven Togami**, CMC, dba Associated Steel Worker

Position: Oppose.

Summary of written testimony: Oppose.

41. **Richard McDonald**

Position: Oppose.

Summary of written testimony: Oppose.

42. **Justin Izumi**

Position: Oppose.

Summary of written testimony: Oppose.

43. **Rosanna Vierra**, Personal Card

Position: Oppose.

Summary of written testimony: Oppose.

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44. **Chris Anjo**

Position: Oppose.

Summary of written testimony: Oppose.

45. **Alex Fergus**

Position: Oppose.

Summary of written testimony: Proposed amendments will only compound housing problem by adding further layers of regulation which will result in significantly less housing being constructed for local people.

46. **Barry Raff**

Position: Oppose.

Summary of written testimony: Oppose.

47. **Guy Churchill**

Position: Oppose.

Summary of written testimony: This is poorly thought through.

48. **Andrew Reenders**

Position: Oppose.

Summary of written testimony: Oppose.

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49. **Scott Morita**

Position: Oppose.

Summary of written testimony: Oppose.

50. **Scot Matayoshi**

Position: Oppose.

Summary of written testimony: Please make it easier for developers to build affordable housing in Hawaii.

51. **Tobias Martin**

Position: Oppose.

Summary of written testimony: We need workforce housing to be built under the existing rules like 801 South Street.

52. **Jonathan Janus**

Position: Oppose.

Summary of written testimony: Oppose.

53. **Keslie Hui**

Position: Oppose.

Summary of written testimony: Oppose.

54. **Jeremy Shorenstein**

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Position: Oppose.

Summary of written testimony: Amend the rules so that they support the development of workforce and affordable housing rather than making the risk return so unattractive that builders will only build luxury units and not build anything for the working class.

55. Tony Au

Position: Oppose.

Summary of written testimony: Proposed restrictions will limit the ability of developers to build needed housing.

56. Anthony Mizuno

Position: Oppose.

Summary of written testimony: Proposed rules will worsen an already under supplied housing market.

57. Jacob Fergus

Position: Oppose.

Summary of written testimony: Oppose.

58. Tyler Tokioka

Position: Oppose.

Summary of written testimony: Oppose.

59. Kevin Ota, Marcus & Associates, Inc.

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Position: Oppose.

Summary of written testimony: Oppose.

60. **Spencer Lee**

Position: Oppose.

Summary of written testimony: Occupancy guidelines will turn away home buyers who plan to have kids in future but cannot buy a 2 bedroom unit. Asset limit will hurt buyers who have saved a substantial amount of money. Buyback and equity sharing will turn away prospective buyers for reserved as well as workforce housing units.

61. **Jim Miller**

Position: Oppose.

Summary of written testimony: Proposed rules will have a negative impact on the ability to provide housing for Hawaii's workforce. Instead of regulations, provide incentive such as eliminating 400 feet height limit and parking requirement and real property tax and GET exemptions.

62. **Scott Kaneshiro**

Position: Oppose.

Summary of written testimony: Oppose.

63. **David Arita**, The Carpet Shoppe Inc.

Position: Oppose.

Summary of written testimony: Make it easier for everyone to build and buy new homes.

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64. **Christina Dwight**, Commercial Investment Strategies, LLC

Position: Oppose.

Summary of written testimony: Oppose.

65. **David Asakura**

Position: Oppose.

Summary of written testimony: Oppose.

66. **Matthew Lamon**

Position: Oppose.

Summary of written testimony: More regulation means less housing which compounds the housing shortage

67. **Ronald Funai**, CMC Steel/ASW

Position: Oppose.

Summary of written testimony: Oppose.

68. **Daniel Lum**

Position: Oppose.

Summary of written testimony: I fall into the gap group and live in 801 South Street. We need less restrictions on developers to give them a chance to put more housing units into market or else there is no way for supply to meet the demand. Buyback and equity

Mr. Deepak Neupane, P.E., AIA
Director of Planning & Development
Hawai'i Community Development Authority
State of Hawaii
April 20, 2017
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sharing provisions prevent owners of reserved and workforce housing from benefiting from equity appreciation.

69. **Van Law**

Position: Oppose.

Summary of written testimony: Allow for a tiered AMI requirement. Increase the reserved housing requirement for luxury market units. Increase the reserved housing requirement if the required reserved housing for a development is provided off site. Impose a 20% penalty for out-of-state investor who purchase a housing unit.

70. **Bill Wilson**, Hawaiian Dredging Construction Company, Inc.

Position: Oppose.

Summary of written testimony: Oppose.

Persons Providing Live Testimony:

1. **Richard Bowles**

Position: Oppose.

Summary of live testimony: I am a resident of 801 South Street. Should leave the workforce housing rules as is, because if it ain't broke, don't fix it. Keep the rules the way they are and allow more of these types of structures to come up near the city, near downtown area where people can walk to work.

2. **Paul Richard Kaunahoakalani Cassidy, Jr.**, Waterhouse Foundation

Position: Comment.

Mr. Deepak Neupane, P.E., AIA
Director of Planning & Development
Hawai'i Community Development Authority
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Summary of live testimony: Waterhouse Foundation has land in Kaka'ako and they don't feel that they have enough time to digest what is being proposed and what the effect will be. There should be more time for critical thought applied to the proposed changes. I also did the 2014 Affordable Rental Housing Study for the state, the city and the other four counties, and it showed that one in five households in the state struggle with shelter and need public assistance.

3. **Bill Wilson**, Chairman, Hawaiian Dredging Construction Company

Position: Oppose.

Summary of live testimony: The proposed rules will effectively stop future construction work in the district. Proposed rules will add greater challenges to workforce housing given both the equity sharing and buyback rights being proposed. Only one workforce housing project has been developed, and the proposed restrictions will ensure that others are not built in the future.

4. **Harrison Rue**, Department of Planning and Permitting, City and County of Honolulu

Position: Support.

Summary of live testimony: DPP stands by their written testimony.

5. **George Massengale**, Hawaii Habitat for Humanity

Position: Comment.

Summary of live testimony: We question the affordability requirements and think it should be lowered. 100 percent of AMI is \$100,000 a year for a family of four, 120 percent is about \$120,000, and 140 percent is about \$140,000. We would like to see some softening of affordable housing requirements.

Mr. Deepak Neupane, P.E., AIA
Director of Planning & Development
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6. **Galen Fox**, Kakaako United

Position: Oppose.

Summary of live testimony: 140 percent of AMI is not affordable. A study commissioned by the City said households making 120 percent AMI don't need government support. Thousands of people cannot qualify for housing between 120 and 140 percent of AMI. 86 percent of the people in Hawaii file tax returns showing their income as less than \$100,000 a year. At less than \$100,000 a year, you cannot buy property in the 120 to 140 percent range. Please do not go away from the 2016 draft and raise this level from 120 percent to 140 percent.

7. **Dan Nishikawa**, OliverMcMillan

Position: Oppose.

Summary of live testimony: Certain rule changes are appropriate, specifically changes to add additional qualified buyers. Most importantly, changes must be made to enable and promote additional reserved housing. Incentives should be considered for for-rent, workforce, multi-family projects for rent. Certain changes require additional study, specifically the calculation of how reserved units are credited based on size, calculation and use of in-lieu fees, and limiting the blended 120 percent AMI.

8. **Stanford Carr**, Stanford Carr Development

Position: Oppose.

Summary of live testimony: Should not utilize the Honolulu Board of Realtors' condominium index as a means of recognizing appreciation on a subsequent sale of reserved or workforce housing, as this will be an impediment to appreciation and prevent development where developers will be unable to meet their presale requirements in order to secure financing. Keeping units in perpetual affordability is a concept that has failed in other cities. 30 year rental requirement is a disincentive where you already don't have

Mr. Deepak Neupane, P.E., AIA
Director of Planning & Development
Hawai'i Community Development Authority
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an existence of production rentals unless you're utilizing a federal and/or state subsidized program.

9. Ken Chang, Ililani, LLC

Position: Oppose.

Summary of live testimony: Workforce and reserved housing were two separate categories, and the proposed changes would essentially create one category of affordable housing. Workforce housing has been successful in addressing the lower middle and middle class housing problem, and further study needs to be taken on these rules to make sure there is no confusion and that there are two levels of affordability that must be addressed by every community.

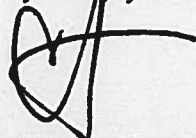
10. Lisa Eveleth, Limit, LLC

Position: Oppose.

Summary of live testimony: My family owns Coral Commercial Center at 670 Auahi Street, 4.25 acres of warehouse and retail tenants. Step back and gather more information and input from the community (landowners, developers, banks, lenders, contractors, etc.) to better understand how to move forward in a productive manner to create more affordable housing. Keep the workforce housing regulation as is and do not add buyback and equity sharing requirements.

This concludes the Hearings Officer's Report. Please do not hesitate to contact me should there be any questions. Thank you.

Very truly yours,

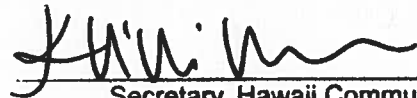


Curtis T. Tabata
HEARINGS OFFICER

**Proposed Amendments Relating to HAR Chapter
15-218 “Kakaako Reserved Housing Rules”**

**All Testimony Received
For the March 28, 2017
Hearing**

*I do hereby certify that this is a full, true, and
correct copy of the original on file in this office.*

A handwritten signature in black ink, appearing to read 'H. W. W.', is written over a horizontal line.

Secretary, Hawaii Community
Development Authority



RECEIVED

2017 MAR 28 AM 10 00

HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

March 28, 2017

Re: Kakaako Reserved Housing Rules – Proposed Amendments

Dear Hawaii Community Development Authority:

Hawaii Gas has been serving our community since 1904, and has been a landowner in Kakaako since the 1930's. At our central office on Kamakee Street, we house the company's utility operations and serve the public by receiving in-person bill payments and answering public inquiries. We are proud to have been a part of this community for such a long time.

Recently it has come to our attention that there are amendments to existing rules that govern the Kakaako Community Development District. Specifically, we have been made aware of certain aspects of the rules that may have a direct effect on future development options, as well as land values in the area.

To my knowledge, Hawaii Gas was not provided notice by the HCDA of the proposed rule amendments or their possible implications for landowners, whether positive or negative. We understand that there may be aspects of the proposed rules that help to provide more affordable housing and workforce housing opportunities, which we fully support. However, it is not clear whether the proposed rules in their current form will effectively support those goals and provide the right kinds of opportunities for local residents.

As one of the few remaining industrial landowners in Kakaako, we are fortunate to be able to provide gas service to the community from our current location. The central location allows our workforce to access some of the busiest portions of the utility system quickly and efficiently. As a part of the Kakaako community, we support initiatives that can help this community—and our own employees—thrive.

Before moving forward with the decision-making process, we respectfully request that you provide more information so that landowners such as ourselves can make a more informed decision about our position on the proposed amendments. For example, we seek answers to the following questions:

- What are the potential impacts of the rule amendments on landowners?
- Will the rule amendments be applied to all landowners equally?
- What is the economic impact of these rule amendments? Will there be potential decreases in land values because of the rules? What will be the impact on potential homeowners?

We thank you for the opportunity to share our concern about the proposed rule amendments. We hope for the best outcome for our community throughout this process.

Sincerely,

Nathan C. Nelson
Vice President, General Counsel & Secretary
Hawaii Gas

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Proposed Amendments Relating to HAR Chapter 15-218

"Kakaako Reserved Housing Rules" HAWAII COMMUNITY

Presentation Hearing

March 28, 2017

**DEVELOPMENT
AUTHORITY**

On behalf of Stanford Carr Development, I commend the Authority on their efforts to encourage the development of much needed for-sale and rental Reserved Housing in the Kakaako Community Development District (KCCD) and appreciate the work done on the proposed amendments to the Kakaako Reserved Housing (RH) Rules. I do, however, stand opposed to those proposed amendments affecting the mechanism used to establish the buyback price of RH units as well as the increased length of time RH rental units are regulated as such revisions will greatly impair and impede the production of additional RH units.

§15-218-35 Terms of reserved housing and workforce housing for sale

This proposed revision calls for the buyback price of reserved and workforce housing units to be calculated using the Index for Median Annual Percent Price Change for Condominiums published by the Honolulu Board of Realtors (HBR). I stand opposed to this revision as the use of such an index fails to provide a true and accurate representation of RH units in the KCCD and serves to limit a purchaser's upside potential associated with owning such a RH unit.

The proposed HBR index is derived from annual condominium sales throughout the island including neighborhoods such as Hawaii Kai, Kapolei, and Waianae. The inclusion of such disparate neighborhoods is problematic as it has the potential to skew the index and is not a true barometer of condominium sales nor prices in the Kakaako area.

Furthermore, the use of such an index to calculate the buyback price of RH units will impair the marketability of such units as qualifying households will be reluctant to purchase a RH unit subject to this revision as their upside potential is greatly limited. Under this revision, a seller's share of equity or appreciation in a RH unit is tied to this flawed index which fails to account for the unit's actual fair market value. As such, a seller's share of equity in a RH unit will not be on par with that of a seller of a similar unit not subject to this rule. I believe this revision will serve as a deterrent to prospective purchasers and stands in direct contrast to HCDA's intent for households who purchase such units to move up the "housing ladder".

Instead of using the HBR Index for Median Annual Percent Change for Condominiums, the Authority should either continue calculating a RH unit's buyback price under the existing rules or employ the Shared Appreciation Equity (SAE) Program formula provided by the Hawaii Housing Finance and Development Corporation.

§15-218-43 Terms of reserved housing and workforce housing for rent

This proposed revision calls for the regulatory period for reserved and workforce rental units to be increased from fifteen years to thirty years. Although well-intended, the revision fails to account for how a particular rental housing project is financed, specifically those projects which are privately-funded as compared to projects utilizing federal and state funding.

Project's employing federal and state funding such as Low-Income Housing Tax Credits are already required to enter into regulatory agreements lasting a minimum of thirty years as a condition of receiving such subsidies. This is not true for privately-funded RH rental projects.


My reservation against increasing the duration of the regulatory period lies in the fact that the production of privately-funded RH rental units under the current rules has been minimal or non-existent. This can be attributed in part to the underlying economics of developing such units. To be economically feasible, the production of rental RH units requires the conveyance of land to a project at minimal or no cost. Developers who opt to "donate" their land to build privately-funded RH rental units and forego other potentially more lucrative uses should not be subject to the same requirements as subsidized projects. Increasing the regulatory period to thirty years will stand to impede rather than encourage and incentivize the production of such rental RH housing.

I recommend that the Authority retain and continue to employ the existing regulatory period of fifteen years for rental RH units.

Closing

I sincerely appreciate being given the opportunity to provide testimony on the proposed amendments to the Kakaako Reserved Housing Rules. It is my hope that the Authority take my above recommendations into consideration as it is imperative that we incentivize rather than impede the development of much needed RH housing units for local families. We must all work together to increase the supply of RH housing units in Kakaako.

Respectfully submitted,


Stanford S. Carr



2850 PUKOLOA ST., SUITE 300 HONOLULU, HI 96819 • T 808.564.1300 • F 808.564.1393 • SERVCO.COM

March 27, 2017

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HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

RE: Proposed Amendments – “Kakaako Reserved Housing Rules”

Dear Sir/Madam:

Servco Pacific Inc. (“Servco”) has been serving our community since 1919, and has been a private landowner in what is now called the “Kakaako Community Redevelopment District” (the “Kakaako Redevelopment District”) since the 1950’s. The three (3) fee-simple parcels owned by Servco in the Kakaako Redevelopment District totals approximately 144,000 SF and currently house operations for auto sales, servicing and repairs for our Honolulu Lexus dealership (TMK Nos. (1) 2-1-046-001, 2-1-047-005, and 2-1-0047-006: 645 and 650 Kapiolani Boulevard) and servicing and repairs for our Oahu Toyota dealerships (TMK No. (1) 2-1-031-030: 609 South Street). We are proud to be a long time active member of the Kakaako community.

Recently it has come to our attention that there are certain amendments being proposed to the currently existing Kakaako Reserved Housing Rules (Chapter 218 of Title 15 of the Hawaii Administrative Rules) which would be applicable to future developments on lands located within the Kakaako Redevelopment District, including without limitation, the Servco parcels. Specifically, Servco has been made aware of certain aspects of the proposed rule changes that may have a direct and negative impact on future development options as well as land values in the area, particularly on parcels such as ours. To my knowledge, Servco, as a known stakeholder in the Kakaako Redevelopment District was never contacted by the “Reserved Housing Task Force” to provide input. Servco was also not provided with any direct notice by HCDA of the proposed rule amendments which would affect only a limited number of landowners. Only after Servco reached out to HCDA staff in late 2016 were we able to participate in one meeting with HCDA staff, a subsequent meeting with some members of the task force, and thereafter included on periodic communications.

It is our understanding that the primary intention and goal of the Reserved Housing Task Force and the proposed implementing amendments to the Kakaako Reserved Housing rules is to promote more reserve housing and workforce housing opportunities in the Kakaako Redevelopment District. Servco fully supports that goal. However, Servco does not feel that it is at all clear whether the proposed amendments to the Kakaako Reserved Housing Rules in their current form will effectively support this goal. It is important to achieve a critical balance between a desirable governmental purpose and the economic reality and feasibility required to encourage the private landowner and developer to provide the right kinds of opportunities for local residents to acquire below market reserved housing or workforce housing units in Kakaako. Servco is also concerned that the Reserved Housing Task Force may not have

appropriately considered and weighed the fairness of the impact on the small landowners remaining in the Kakaako Redevelopment District whose lands are located in the central and mauka area of Kakaako, not along Ala Moana Boulevard, and who will be most directly affected by the proposed rule changes.

As a part of the community comprising the Kakaako Redevelopment District, Servco supports initiatives that can help the Kakaako community, and its own employees, to thrive. However, the process for these proposed rule amendments as mentioned above appear flawed due to the lack of input and inclusion by the most directly affected stakeholders such as ourselves during the early/middle phases of this effort. Therefore, we humbly ask that the decision-making process be continued to provide the small landowners/stakeholders in the central and mauka areas of the Kakaako Redevelopment District, such as ourselves more time to evaluate the impact of the proposed amendments on our properties, business, and people.

We thank you for the opportunity to share our concern about the proposed rule amendments. We want the best outcome for the Kakaako community.

Sincerely,

SERVCO PACIFIC INC.

A handwritten signature in blue ink, appearing to read "Carol K. Lam".

Carol K. Lam (B)
Senior Vice President

/ckl

From: RyanTanaka <rtanaka@waterhouseinc.net>
Sent: Monday, March 27, 2017 12:07 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Ryan Tanaka

Organization

Waterhouse, Inc.

Address

670 Queen Street, Suite 200
Honolulu, Hawaii 96813
[Map It](#)

Phone

(808) 592-4803

Email

rtanaka@waterhouseinc.net

Project Name

Kakaako Reserved Housing rules

File Upload

- [Testimony-Kakaako-Reserved-Housing-Rules.pdf](#)



WATERHOUSE

March 27, 2017

Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

RE: Proposed Amendments Relating to the "Kaka'ako Reserved Housing Rules"
(Chapter 218 of Title 15 of the Hawaii Administrative Rules (HAR))

Dear Sir/Madam:

We, at Waterhouse, Inc., would like to extend our appreciation to the Hawaii Community Development Authority ("**HCDA**") Board members, its staff, and others who have spent countless hours in furthering our collective interest in Kaka'ako and in helping to bring us to where we are today. We would like to take this opportunity to submit written testimony regarding the Proposed Amendments Relating to the existing "Kaka'ako Reserved Housing Rules" – HAR Chapter 218 of Title 15 (the "**Proposed Amendments**").

By way of background, Waterhouse, Inc. (the "**Company**") was originally founded in 1946 by Alexander C. Waterhouse. Today, the Company has investments in commercial, office, and industrial real estate in Hawaii (including Kaka'ako) and maintains a securities portfolio with the majority of its securities holdings represented by partial ownership in two publicly traded Hawaii-based companies. The Company's corporate office is located at 670 Queen Street.

Over the last few weeks, we have attended meetings with certain other Kaka'ako stakeholders regarding the Proposed Amendments in an effort to better understand the impact of these changes. Those represented during these meetings come from a variety of backgrounds and experiences (i.e., other Kaka'ako landowners, developers, planners, architects, attorneys, bankers, general contractors, realtors, Kaka'ako business owners, Kaka'ako reserved housing unit owners, etc.).

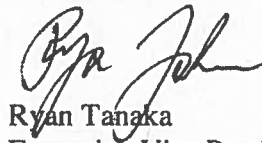
During these meetings, it was suggested that these Proposed Amendments may make the economic and development feasibility of currently planned and future reserved housing and workforce housing developments in the Kaka'ako Redevelopment District extremely difficult, and in some cases no longer viable. This would seem to contradict the overarching purpose of the Kaka'ako Reserved Housing Rules (i.e., to promote and expand the development of additional for-sale and rental reserved housing and workforce housing units, while preserving the existing inventory of current reserved housing and workforce housing units in the Kaka'ako Community Development District.).

While the long-term impacts of these Proposed Amendments do not seem to be abundantly clear, it is evident that most of the participants, ourselves included, had little to no advance notice or knowledge regarding the work of the Reserved Housing Task Force whose recommendation led to the drafting of these Proposed Amendments until very recently (i.e., within the last few weeks).

We do not believe there is enough time or information available for us to endorse, promote or oppose these Proposed Amendments. We strongly request that approval of these Proposed Amendments be postponed or deferred so that Kaka'ako stakeholders, ourselves included, can play a role as a responsible member of the Kaka'ako community, including becoming more informed about the impact of these Proposed Amendments and have an opportunity to provide informed comments and input on the same.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,



Ryan Tanaka
Executive Vice President
Waterhouse, Inc.
(808) 592-4803

From: KennethChang <kennethkaichang@yahoo.com>
Sent: Monday, March 27, 2017 12:00 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Kenneth Chang

Organization

Ililani, LLC

Address

1860 Ala Moana Blvd.

Honolulu, HI 96815

United States

Map It <<http://maps.google.com/maps?q=1860+Ala+Moana+Blvd.+Honolulu%2C+HI+96815+United+States>>

Email

kennethkaichang@yahoo.com <<mailto:kennethkaichang@yahoo.com>>

Project Name

Kakaako Reserved Housing rules

Comment

See attached

File Upload

* Ililani-Public-Testimony-with-enclosure.PDF <<http://dbedt.hawaii.gov/hcda/index.php?gf-download=2017%2F03%2FIlilani-Public-Testimony-with-enclosure.PDF&form-id=4&field-id=4&hash=e49d3439e7433877d289cb3c705f02c0404ba8da4a25087ba6ed0c41831ce7e2>>

Ililani, LLC
a Hawaii Limited Liability Company
1860 Ala Moana Boulevard, Suite 1000, Honolulu, Hawaii 96815

March 27, 2017

John P. Whalen, Chairperson
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

Re: Public Testimony on Proposed Amendments to HAR Chapter 15-218
"Kakaako Reserved Housing Rules" & Suggestion for Savings Clause

Dear Chair Whalen and Members of the Hawaii Community Development Authority:

Ililani, LLC and its predecessor entity have been actively working on the planning, design, negotiation and related diligence for a new workforce housing project in Kakaako since mid-2015. In August 2016 we formally secured an interest in property located at Keawe and Halekauwila Streets. Our plan is to build a 257 unit workforce housing project to be called Ililani.

Many of the principals involved in the Ililani project are architects. We were raised in and are residents of Honolulu, and we see this project as an important addition to the community. We want to build a project that is beautiful, functional, close to jobs and transit, in compliance with HCDA's Mauka Area Rules, and with units offered at prices that regular working people in Honolulu can afford.

Workforce housing fulfills a need in the community for lower middle to middle income housing. These projects are financed privately and can only be achieved through a disciplined cooperation between knowledgeable local developers, design professionals and contractors. These projects are not produced with the financial cushion that pure market or luxury projects have. The capital structure of workforce housing cannot depend on the 80% market-luxury units which support their 20% reserved housing. To conflate Workforce Housing Rules with Reserved Housing Rules would destroy a valuable community resource.

Over the past two years we have carefully studied the Mauka Area Rules and reviewed the project's site constraints to figure out how a workforce housing project could be built. Over the past 24 months, we have met ten times with HCDA staff to review preliminary design plans and specifications for the project, continually refining the project design, including the design observations of the HCDA staff. Our team of consultants have prepared the necessary studies to support the Development Permit application process for the Ililani project.

In early February we met with Hawaiian Descendants, OIBC, and SHPD to advance the SHPD process. The descendant community expressed interest and support for the Ililani project. The SHPD process is currently near the start of the AIS stage. The civil building permit application is scheduled for submission in early April and the HECO design approval application in mid-April.

In reliance on the Mauka Area Rules, the current Kakaako Reserved Housing Rules, and meetings with HCDA staff, we have incurred extensive obligations and expenses in anticipation of

Ililani, LLC

a Hawaii Limited Liability Company

1860 Ala Moana Boulevard, Suite 1000, Honolulu, Hawaii 96815

building the Ililani project as a workforce housing project. The currently proposed amendments to the Kakaako Reserved Housing Rules, if applied to the Ililani project, would seriously jeopardize the project and the work we have done for the past 2+ years in reliance on the existing Rules. While it is our understanding that the amendments to the Reserved Housing Rules would not be applied retroactively to the Ililani project, the current draft of the proposed amendments to the Rules lacks a "savings clause" clarifying that the amended Rules apply in a purely prospective manner.

We respectfully suggest that the Authority add a "savings clause" to the proposed amendments to the Reserved Housing Rules to clearly identify that the amendments are prospective only. To that end, we offer the following for the Authority's consideration:

Permit applications for workforce housing projects that have been submitted with appropriate filing fees, but for which a certificate of completeness has not been issued or deemed issued under HAR § 15-217-85 due to the requirement for review by any other local, state, or federal agency or entity pursuant to HAR § 15-217-85(g)(2), shall be subject to the Kakaako Reserved Housing Rules in effect as of the day of the submission of the permit application.

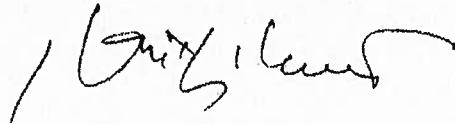
We recognize that an express "savings clause" may not be absolutely necessary. The State has previously determined that applications submitted but not yet fully reviewed or heard by State decision-making bodies upon the effective date of a new law/rule are to be reviewed under the old law. See, e.g., Attorney General Legal Opinion 97-04 (copy enclosed). Nevertheless, adding an express "savings clause" to the amendments to the Reserved Housing Rules will eliminate any concerns on this front.

With a great deal of excitement, we look forward to presenting the Ililani workforce housing project for the Authority's review and consideration. Thank you for considering this testimony.

Very Truly Yours,

Ililani, LLC

By Hui O Ka La, LLC, Manager



Kenneth Kai Chang, Manager

Enclosure

cc Carlsmith Ball LLP

May 14, 1997

The Honorable Michael D. Wilson
Chairperson of the Board of Land
and Natural Resources
State of Hawaii
1151 Punchbowl Street, Room 130
Honolulu, Hawaii 96813

Dear Chairperson Wilson:

Re: Effect of Repeal of Section 183-41, HRS, on Chapter 13-2, HAR

This opinion is in response to your letter dated April 20, 1995. You asked two questions:

1. Because chapter 13-5, Hawaii Administrative Rules (HAR), was adopted without expressly repealing chapter 13-2, HAR, does chapter 13-5, HAR, supersede chapter 13-2, HAR? For the reasons set forth herein, we answer the question in the affirmative. Chapter 13-5, HAR, superseded chapter 13-2, HAR, and chapter 13-2, HAR, is void and not in effect except for permit applications filed prior to July 1, 1994. ([top](#))
2. If an express repeal of chapter 13-2 is required, what kind of notice must the Board of Land and Natural Resources (BLNR) give prior to repealing chapter 13-2, HAR, in view of the fact that section 183-41, Hawaii Revised Statutes (HRS), was repealed on July 1, 1994? The notice requirements are set forth in sections 91-3 and 92-41, HRS, and require notice by publication once at least thirty days prior to the public hearing in a newspaper of general circulation, and a mailing to those persons who timely request advance notice for the Department's rulemaking proceedings. ([top](#))

Factual Summary:

Act 270, passed during the 1994 legislative regular session, repealed section 183-41, HRS (section 183-41 was a section in the forest reserve statute that provided for the regulation of the conservation district). Significantly, section 183-41, HRS, was the legal authority for the administrative rules contained in chapter 13-2, HAR. In addition to repealing section 183-41, Act 270 also created a new chapter, 183C, that set forth in greater detail the department's duties and powers in the regulation of the conservation district. Act 270 was signed into law on July 1, 1994. Act 270 did not contain a savings clause for the rules that had been promulgated under the predecessor statute, section 183-41. ([top](#))

Because there was a legal question as to the continuing viability of chapter 13-2, HAR, after the repeal of the authorizing statutory provision, section 183-41, the BLNR, as a measure of caution, promulgated emergency rules, chapter 13-6, HAR, to fill the possible gap in the existence of the rules. The effective date of those emergency rules was November 2, 1994. By law, the emergency rules expired one hundred twenty days after they were filed with the Office of the Lieutenant Governor. New rules, chapter 13-5, HAR, became legally effective on December 12, 1994. ([top](#))

When section 183-41, HRS, was repealed in July of 1994, without a savings clause, there were questions raised with respect to pending permit applications, the processing of which had been begun under section 183-41, HRS, and chapter 13-2, HAR (the old rules). We orally advised the Department of Land and Natural Resources (DLNR) that it should continue to process those pending permits under chapter 13-2 (the old rules) but that all permit applications filed between July 1, 1994, and December 11, 1994, should be processed under chapter 13-6, HAR (the emergency rules), and that after December 11, 1994, all new permit applications should be processed under chapter 13-5, HAR (the new rules). ([top](#))

Discussion:

As to your first question, we answer in the affirmative. Chapter 13-5, HAR, superseded chapter 13-2, HAR, as to all matters except permit applications that were filed before July 1, 1994. Further, it is our opinion that on or after July 1, 1994, when the statutory authority for chapter 13-2, HAR, was repealed, the old rules were void and not in effect, the only exception being with respect to pending permit applications from the period before July 1, 1994. We further believe that the action of repealing chapter 13-2, HAR, was not a legal necessity. We view this action as in the nature of housekeeping for the purpose of removing chapter 13-2, HAR, from the Office of the Lieutenant Governor as provided in section 91-3, HRS. ([top](#))

Generally, once a statute that authorizes the promulgation of rules expires, rules promulgated under the statute become null and void by operation of law. *Hija Lee Yu v. District of Columbia Rental Housing*, 505 A.2d 1310 (D.C. 1986). See also *Hulmes v. Division of Retirement*, 418 So. 2d 269, 270 (Fla. 1982), review denied 426 So. 2d 26 (Fla. 1983). However, section 91-3, HRS, provides that the rules are not technically repealed, i.e., removed from the current Hawaii Administrative Rules on file with the Lieutenant Governor's office, until a public hearing is held on the proposed repeal and Governor approves the repeal. To avoid confusion with two sets of rules on the books regulating the conservation district, we advised DLNR to go through the mechanics of repealing chapter 13-2, HAR, even though its continued legal effect is non-existent. ([top](#))

A critical exception to the general rule that rules are nullified when their enabling statute is repealed exists with respect to pending permit applications filed under these rules prior to the repeal of the statute. Section 1-3, HRS, prohibits the retroactive application of statutes unless expressly or obviously intended. *Kilauea Neighborhood Ass'n v. Land Use Comm'n*, 7 Haw. App. 227, 230 n.2, 751 P.2d 1031, 1034 n.2 (1988). See also, *Graham Constr. Supply, Inc. v. Schrader Constr., Inc.*, 63 Haw. 540, 546, 632 P.2d 649, 653 (1981), *McKeague v. Talbert*, 3 Haw. App. 646, 663, 658 P.2d 898, 910 (1983); *Molokai Homesteaders Coop. Ass'n v. Cobb*, 63 Haw. 453, 469, 629 P.2d 1134, 1145 (1981). There was no language contained in Act 270 expressly or implicitly mandating that the act have retroactive application to existing applications filed prior to July 1, 1994. ([top](#))

Second, section 1-10, HRS, states that: "[t]he repeal of any law shall not affect any act done, or any right accruing, accrued or acquired, or established, or any suit or any proceedings had or commenced in any civil case, before the time when the repeal takes effect." (Emphases added). In the case of the pending applications, filed prior to July 1, 1994, those applications have been processed under the old law, section 183-41, HRS. Hawaii courts have held that where an application is filed prior to the amendment of a statute but granted after the statute has been amended, the application will be processed under the old statute that existed at the time of the filing of the application. *Kilauea Neighborhood Ass'n v. Land Use Comm'n*, 7 Haw. App. 227, 230 n.2, 751 P.2d 1031, 1034 (1988) (In that case, the Hawaii Supreme Court stated: "We note that HRS chapter 205 was amended subsequent to the LUC hearings in this matter, but prior to the date of the Decision. In our review, we apply the provisions of chapter 205 as they existed at the time of the hearings. HRS §§ 1-3 and -10 (1985); *Clark v. Cassidy*, 64 Haw. 74, 77 n.6, 636 P.2d 1344, 1346 n.6 (1981).") See also, *South Fork Coalition v. Board of Comm'rs of Bonneville County*, 117 Idaho 856, 857, 861, 792 P.2d 882, 886 (Idaho 1990); *Cunningham v. City of Twin Falls*, 125 Idaho 776, 781, 874 P.2d 587, 592 (Idaho Ct. App. 1994); *Friends of the Law v. King County*, 123 Wash. 2d 518, 528-29, 869 P.2d 1056, 1062 (Wash. 1994). ([top](#))

As to your second question, the notice requirements for the repeal of administrative rules such as chapter 13-2, HAR, are set forth in sections 91-3(a) and 92-41, HRS, and require the department to give notice by publication once at least thirty days prior to the public hearing in a newspaper of general circulation in the State and in newspaper in the counties affected by the proposed action. In this case, DLNR complied with the notice requirements of sections 91-3(a) and 92-41, HRS, by publishing a notice of public hearing on June 9, 12 and 19, 1995, in the Honolulu Advertiser and the neighbor island newspapers: Hawaii Tribune-Herald, Maui News, and The Garden Island and

by mailing a notice to all persons who requested advance notice of the Department's rulemaking proceedings. ([top](#))

Also, section 13-2-23(a), HAR, requires that all landowners affected by the proposed amendment be given individual notice by mail. This provision is the identical requirement of individual notice that was contained in section 183-41, HRS, that was repealed in July 1994. It is our conclusion that the DLNR was not legally required to comply with the notice requirements set out in chapter 13-2, HRS, for two reasons: (1) because chapter 13-2, HRS, is no longer in effect for the reasons discussed in answer to question number 1; and (2) because section 13-2-23's notice requirement applies only to the amendment of the rules and not the repeal of rules. For the repeal of rules, sections 91-3, and 92-41, HRS, do not require individual notice to all property owners potentially affected by the change in the rules but only notice by publication, and a mailing to those persons who requested advance notice of the Department's rulemaking proceedings, which was done here.

Very truly yours,

Linnell T. Nishioka
Deputy Attorney General

LTN:ksy
1852

APPROVED:

Margery S. Bronster
Attorney General

([top](#))

From: SharonMoriwaki <sharonmi@hawaii.edu>
Sent: Monday, March 27, 2017 10:16 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Project Name

Kakaako Reserved Housing rules

Comment

See attached testimony in support if the amendments proposed are adopted.

File

- [KU-RH-TESTIMONY-3-28-2017.pdf](#)

Kaka'ako United

March 27 2017

To: Mr. John Whalen, Chairperson, and Members
Hawaii Community Development Authority

From: Sharon Moriwaki, President, Kaka'ako United

Subject: Revision of HCDA Reserved Housing Rules, Chapter 218 of Title 15, Hawaii Administrative Rules ("2017 Proposed Rules")

I am Sharon Moriwaki, Kaka'ako resident and president of Kaka'ako United, a group of concerned citizens who seek quality living for the Kaka'ako community from mauka to makai, including smart design for a livable community.

Kaka'ako United reviewed carefully HCDA's proposed amendments to the Kaka'ako Reserved Housing Rules (2017 draft). We applaud the board for finally reviewing the Reserved Housing Rules (Chapter 218 of Title 15, HAR) which is long overdue for revision to address the overwhelming need of the state and, specifically, urban Honolulu, for "suitable affordable housing," and "result in communities that serve the highest needs and aspirations of Hawaii's people." (See Chapter 206E, HRS). Clearly the highest need for Hawaii's people—particularly in urban Honolulu—is for low and moderate income housing that is affordable for residents in a downtown community close to work, businesses and services with open spaces and parks as Kaka'ako was envisioned to be.

This draft of the rules does not reflect the urgent and long-standing need for affordable housing and makes the least use of what dwindling land that is available to house and nurture Hawaii's residents. If approved as written, the rules would clearly undermine all the state and local efforts to house low and moderate income households and our children and grandchildren. Housing that is affordable to Hawaii's residents is the single most important need facing our current and future generations.

A study by the UH UHERO in 2010 reviewed 18 studies looking at 29 cities. None had an upper limit qualifying for affordable housing above 120% AMI, with some as low as 19% AMI (SF Bay Area). HCDA's own 2015 investigative committee wanted to be part of the affordable housing solution, and the HCDA, in March 2015, recommended measures to meet the housing need as the state's DBEDT study estimated that 80% of the state's population made 140% AMI or less. Among other amendments, the HCDA recommended that the reserved housing classification of "moderate income" be amended to households earning between 80-120% AMI; that it apply to any project with 10 or more residential units; and preserve exiting stock to extend the for-sale buyback period from five to 30 years and the rental period from 15 to 30 years.

At that time, HCDA also identified the HUD classifications, which are not reflected in the "moderate income household" definition in these Proposed Rules; specifically, HUD's income classifications, of "low income" as 80% AMI or less (subsidized rental housing); 81-100% AMI as "moderate income (rental or for sale); 100-140% AMI (workforce and reserved rental or for sale). Unfortunately HCDA deceptively identified "reserved housing" as "affordable," until corrected through public testimonies, HCDA did recognize the extremely high demand for affordable housing.

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Ensuring the quality of life for an integrated Kaka'ako community from mauka to makai.

Kaka'ako Ūnited

By ignoring its earlier 2016 draft that defined "moderate income" as households earning between 80% and 120% AMI, the current Propose Rules fails to achieve the goal of Chapter 206E. That chapter, through a series of clauses, links the words "affordable," "moderate," and "reserved." By now, most everyone realizes that homes selling to households earning \$140,000 a year are not "affordable" to "moderate income" households in a community where 86% of taxpayers (2013) earn less than \$100,000 a year.

The housing situation today –which has added new homeless shut out of low-income housing – is even more dire. While developers say that the lower standard "will not pencil out" they have gotten major concessions in greater density, increased height and reduced yard setbacks and reaping more profits. Developers are free to sell and profit from whatever the market will bear on the sale of 80% of the units in their project developments. Given the concessions and incentives and the profits reaped, it is reasonable to ask developers to respect a law that requires 20% of their units be affordable to the low- and moderate-income households.

We should stop building in Kaka'ako if continued development only results in above-market and luxury housing for offshore investors and part-timers. We can't say it loud enough or often enough: We need housing affordable to our residents –more units at low and moderate income household levels with no more than a maximum of 120% AMI.

Kaka'ako United supports the changes in the rules that use the same standards for reserved and workforce housing and uses the number of residential development units of "ten or more units" rather than "20,000 square feet."

We oppose the proposed standards for residential and workforce housing and recommend that the proposed rules be amended as follows to ensure that the housing needs of Hawaii's residents are truly and adequately met by the project developments in Kaka'ako -- now and in the future:

1) Section 15-218-5. Definition of moderate-income household" – replace "does not exceed [~~one hundred forty percent~~]" with "one hundred twenty percent";

2) Section 15-218-17. Requirement for reserved housing

(e) The ~~delivery~~ [~~construction~~] of reserved housing shall be required [~~commence~~] prior to the issuance of the initial certificate of occupancy... **Do NOT change** the current provision. The developer must DELIVER all required reserved housing units prior to issuing the certificate of occupancy rather than commencing construction which can happen at any time –later than sooner—as we have seen in the Central Plaza promised to the neighborhood.

3) Section 15-218-32-34, 43 . Income and factors for reserved and workforce housing for sale and for rent should all be limited to "**120% AMI**" **NOT 140% AMI**. Developers are getting concessions and support for building truly affordable housing which should be for residents whose households do not exceed 120% AMI. Period.

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Kaka'ako Ūnited

4) Section 15-218-46. Cash-in-lieu should not be less than the cost to build a reserved/workforce housing unit. We want more housing stock not less so why make it easier and cheaper for the developer to buy out of the responsibility of building housing that is affordable to Hawaii residents. HCDA will have cash but still no housing. More study is needed to find a formula that will give us more housing stock for those developers who don't want to build affordable housing.

And finally, the HCDA 2016 proposed draft included a for sale reserved housing schedule at Section 15-218-21 (p.13) which set forth requirements that would create more housing for the low-and moderate-income households as envisioned by Chapter 206E. That draft specifically stated that 10% of the reserved housing would be for people with incomes at less than 80% AMI; 60% at 80-110% AMI; and 30% at 110-120% AMI. Those beyond this level are at market and households earning above this –and certainly above 140% AMI—don't require subsidies to meet their housing needs.

Kaka'ako United supports the 2017 Proposed Rules only if the much needed amendments we propose are adopted and incorporated in these rules.

Thank you for the opportunity to testify.

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Ensuring the quality of life for an integrated Kaka'ako community from mauka to makai.

From: OFFICE OF HAWAIIAN AFFAIRSOHA <kikab@oha.org>
Sent: Tuesday, March 28, 2017 12:53 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Project Name

Kakaako Reserved Housing rules

Comment

OHA Administrative Comments

File Upload

- [HCDA-Proposed-Rule-Changes.03.28.17-Draft-kb-jd-do-wt-2.pdf](#)



Testimony of Kamanaʻopono Crabbe, Ph.D
Ka Pouhana, Chief Executive Officer

Hawaiʻi Community Development Authority
Proposed Amendments to HAR Chapter 15-218 (Kakaʻako Reserved Housing Rules)

March 28, 2017

9:00 a.m.

2nd Floor Meeting Room

The Administration of the Office of Hawaiian Affairs (OHA) respectfully offers the following **COMMENTS** on the proposed amendments to Hawaiʻi Administrative Rules Chapter 15-218 (Kakaʻako Reserved Housing Rules), and their stated purpose to promote the development of additional reserved housing units, while preserving the existing reserved housing inventory in the Kakaʻako Community Development District. **OHA supports efforts and policies that promote the production of affordable housing inventory at income levels that address the needs of Native Hawaiians and the larger community.**

Native Hawaiians have significant and unique housing needs and are particularly affected by the ongoing lack of affordable housing for all low income levels, including income levels that are well below the area median income (AMI). For example, research shows that Native Hawaiians are less likely to own a home, with Native Hawaiian homeownership rates lower than the state average.¹ More than half of Native Hawaiian renters, many of whom already live in overcrowded situations to reduce costs, live in homes they are struggling to afford. **Accordingly, ensuring that Hawaiʻi's future housing supply accommodates local demand and a range of lower income levels is necessary to meaningfully address the Native Hawaiian community's housing needs.**

The recently-released 2016 Hawaiʻi Housing Planning Study (Study) further demonstrates the growing need for housing that is affordable to low-income households, for Native Hawaiians and local residents generally. The Study specifically indicates that a majority, or 53%, of the projected state housing demand will be for units affordable to those at 60% AMI or below.² The Study also shows that there will be very limited demand from Native Hawaiian and state residents for market-rate units, or for units that are priced for households above 140% AMI.³ As such, efforts to meet the housing needs of both Native Hawaiians and state residents generally should seek to increase the inventory of housing that is affordable to lower income levels, including levels well below the AMI.

¹ See OFFICE OF HAWAIIAN AFFAIRS, NATIVE HAWAIIAN HOMEOWNERSHIP HOʻOKAHUA WAIWAI FACT SHEET VOL.2016, No. 1, page 10, available at <http://www.oha.org/wp-content/uploads/NH-Homeownership-Fact-Sheet-2016.pdf>.

² See SMS, HAWAIIʻI HOUSING PLANNING STUDY 34 (2016), available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf.

³ *Id.* at 34, Table 27b.

Collectively, the proposed amendments to the Kaka‘ako Reserved Housing Rules are an encouraging step forward in addressing Hawai‘i’s growing affordable housing demand. OHA particularly appreciates the provision of developer incentives for the development of units reserved for households earning 80% – 120% AMI (rather than 140% AMI), which more closely reflects Hawai‘i residents’ housing needs; the inclusion of a perpetual right of first refusal for HCDA to repurchase reserved units put up for resale, which may mitigate the impacts of potential speculation, and better sustain any affordable housing inventory that is developed; the HCDA’s oversight for the renting of reserved units, which may better ensure that reserved units actually provide affordable housing opportunities; and the incorporation of additional requirements that provide greater housing relief to a wider range of income earners.⁴

As these proposed rule changes move forward, OHA humbly and respectfully requests the continued consideration of fair and equitable policies that provide Native Hawaiians and the greater community with truly affordable housing and home ownership opportunities, socio-economic growth, and upward mobility.

Mahalo nui for the opportunity to comment on this proposal.

⁴ *Id.*; proposed HAR § 15-218-20.

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Support

Comment

I am firmly in support of projects like 801 south street.

We hope that our kids can find affordable housing like this, and be able to own it and sell it when they want for fair market value.

From: AlmahdiAlsalm <alsalm@hawaii.edu>
Sent: Saturday, March 25, 2017 1:20 PM
To: &HCDA
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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Support

File Upload

- [Testimony.pdf](#)

Introduction:

I am an international law student at the University of Hawaii at Manoa - William S. Richardson School of Law. More specifically, I am studying LL.M degree in Business & Commercial law. The propose of attending this agency hearing is to participate in decision- making process, through the exchange of point views and the use of others' experiences, which will result in achieving the objectives of individuals on one hand, and the agency as well.

Comments on the amendment Draft of "*Kakaako Reserved Housing Rules*":

After going through the draft amendment of "*Kakaako Reserved Housing Rules*", many modifications were set in the accurate place for a good reasons. The rules become more organized, clear, and directly addressing the issues. At the same time, the committee should consider these two remarks:

- 1) Any definition was deleted, changed, or amended, was replaced with other definition, or explained in other provision. But for §15-218-5 *Definitions of "Eligible Borrower"*, and its qualifications, which was omitted, there were no replacement, neither an explanation for it. Although it was define the term and mentioned its qualifications very clearly. The committee should reset it, in order to be more understandable for the people who are qualified.
- 2) When a management is exercising its function, it must make a specific concern for the development plan and policies. §15-218-20 *Reserved Housing Units Type and Corresponding House Hold Size*, had insert a schedule of the equitable size of house corresponding with the unit type, but after that it indicate the right of authority to modify the units if they : "*unsold, unrented, or includes a live-in aide*". The committee should add more

details about the cases where it can modify the units size. For example; after how long the house considered unrented? one or two years? , and what are size modifications?

Conclusion:

I hope those remarks were useful, and the participation will contribute in the new amendments.

Thank you all.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
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KIRK CALDWELL
MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIU
DEPUTY DIRECTOR

March 24, 2017

Mr. John P. Whalen, Chair
and Members of the Board
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

Dear Chair Whalen and Board Members:

Subject: Amendments to Kakaako Reserved Housing Rules

The Department of Planning and Permitting (DPP) **strongly supports** the proposed amendments relating to Hawaii Administrative Rules Chapter 15-218, Kakaako Reserved Housing Rules. The proposed amendments are generally aligned with the Mayor's Affordable Housing Strategy, and supported by our policy research and technical analysis.

Over the last three years, the City has conducted extensive technical analysis and stakeholder conversations on how much affordable housing should be required in a typical development, and we are preparing to introduce an islandwide affordable housing requirement (AHR) ordinance to City Council this month. Our analysis of development pro formas show that the amount of affordable housing required should vary by income level, whether it is for sale or rental, and whether it is built on-site or off-site. The City's proposed requirement will give developers several options for compliance, and include improvements in how compliance is monitored over time. Like your proposed amendments, we are proposing to reduce the top tier of affordability from 140 percent AMI to 120 percent AMI and lower.

We are proposing the same minimum 30-year period of affordability for HCDA to build up and maintain the supply of affordable units over time. This extended period of affordability is the most critical element of both HCDA and City proposals, and it is aligned with industry practice in hundreds of localities across the country. Some have argued that the extended period will limit a homeowners' ability to build equity and "move up the housing ladder" with a large profit after their period of affordability ends. The public purpose of this requirement is to help grow – and maintain – a stable supply of affordable and workforce housing.

Fortunately, a carefully crafted policy can create and maintain a significant supply of affordable housing and provide a fair return on investment to home buyers. The proposed HCDA and City requirements would allow a reasonable return to build equity for a future market-rate housing purchase. Assuming appreciation tied to the Consumer Price Index, say an average 1 percent increase per year on overall house value, a \$300,000 home could appreciate by

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DEVELOPMENT
AUTHORITY

Mr. John P. Whalen, Chair
and Members of the Board
March 23, 2017
Page 2

\$3,000 the first year, \$3,300 the next, etc. With a 10 percent down payment, that \$30,000 investment could appreciate by up to 10 percent per year. Compounded annually, it could grow to over \$77,000 in ten years. Since payments include paying down the mortgage balance, homeowners would also be building equity. Although the amount would vary depending on the interest rate and term of mortgage, the principal payments could add up to an additional \$40,000 to \$60,000 in equity in 10 years. Although HCDA's proposed requirement includes equity sharing, there would still be a substantial amount available for down payment on a seller's future purchase.

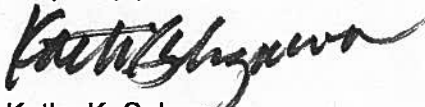
Recent national data has shown that this equity-building works in practice. A 2009 Urban Institute study of seven programs (<http://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/shared-equity-research>) included the City of San Francisco, which has similar affordability issues to Honolulu. For the 10-year period ending in 2010, the typical seller of an affordable home made \$70,000 on resale, for an average rate of return of 11.3 percent annual compounded interest on the down payment. The Grounded Solutions Network uses the HomeKeeper web app data to track how many affordable home sellers are able to buy market rate homes; for 80 programs, the national average is 59.1 percent of sellers (<http://myhomekeeper.org/social-impact-dashboard>).

The City's proposed AHR ordinance is crafted to incentivize production of the required affordable units on site; it would allow off-site production but require more units for that option. The proposed in-lieu fee of \$45 per square foot appears high enough to incentivize on-site production. Most developers who are in pre-application discussions with the DPP for projects in the Ala Moana rail station area (which overlaps with the Kakaako Community Development District) are planning to provide the affordable units on site at the recommended minimum of 20 percent of all units.

We believe that it is critical for the HCDA to update the Kakaako Reserved Housing Rules to increase and maintain Oahu's affordable housing supply. The City is eager to continue collaborating with HCDA and other State agencies to better align the administration and compliance with our respective affordable housing policies. Please adopt the proposed amendments to the Kakaako Reserved Housing Rules.

Thank you for the opportunity to testify.

Very truly yours,



Kathy K. Sokugawa
Acting Director

From: Laurie AnnChan <lc@avalonhi.com>
Sent: Tuesday, March 28, 2017 8:38 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

We need more workforce housing. Please do not over regulate.

From: GalenFox <galenwfox@gmail.com>
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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Fix to set upper limit at 120% AMI.

File Upload

- [GALEN-Hsg-Testimony-3_28_17-4.0-word.docx](#)

140% of AMI is NOT “Affordable Housing”

Galen Fox

HCDA Public Hearing, 9:00 a.m.

March 28, 2017

HCDA must stop using false definitions of “affordable.” “Affordable” means “low- or moderate income.” Therefore, HCDA must limit “moderate income” housing to households making no more than 80%-120% of area median income (AMI), as did HCDA’s 2016 draft of “Rules Amending Title 15, HAR.”

Re-writing the 2016 draft rules to re-define “moderate” as housing for households of four making \$140,700 — households who can afford to purchase homes costing \$722,000 or renting for \$3,170 a month — is not only wrong, it is obscene. It goes back to everything that was bad about the previous HCDA board; a board whose policies gave us developments built for the overseas market in an area that was once supposed to be inclusive housing for local families.

It is particularly egregious that this re-written definition of “affordable” is carried over to so-called “workforce housing.” As Wikipedia’s entry states, “workforce housing” is supposed to be housing for:

“essential workers” in a community i.e. police officers, firemen, teachers, nurses, medical personnel. Some communities. . . include service workers, as in the case of resort communities where one finds high real estate costs and a high number of low-paying service jobs essential to the local economy. Workforce housing may be targeted more generally at certain income levels regardless of type of employment, with definitions ranging from 50% to 120% of Area Median Income (AMI).

Wikipedia’s definition uses the common ceiling for affordability: 120% of AMI. One must ask, “How many Honolulu service workers, even teachers and fireman, live in households earning \$140,700 a year?” In 2013, **86% of Honolulu income tax filers earned less than \$100,000** — NOT even the \$120,600 limit for a family of four earning 120% of AMI, and certainly not \$140,700 a year.

Here are four reasons why HCDA should redefine “moderate income” to cover households earning no more than 120% of AMI:

1. HCDA Law **requires** “Reserved Housing” to be “affordable.”

Here are three sections of HCDA’s governing law:

§206E-1: “unmet community development needs. . .include . . . lack of affordable housing”

§206E-4 (18): “Allow satisfaction of any affordable housing requirements . . . through the construction of reserved housing”

§206E-101 Definitions. -- “‘Reserved housing’ means housing designated for residents in the low- or moderate-income ranges”

Taken together, the law’s three statements make it crystal clear that “affordable” and “reserved” are the same thing — housing for households in the “low” and “moderate” income range. Even the previous HCDA executive director choked on using the term “affordable” to describe households earning \$140,700 a year, introducing an income qualification housing ladder that defined “affordable” only up to “81-100% AMI,” then moving outside the law to assign “reserved” and “workforce” housing to households in the “unaffordable” range of “100-140% AMI” (See p. 4 of his July 30, 2013 State Capitol Town Meeting handout and elsewhere). To repeat, *the law requires* that “reserved” housing be “affordable.”

2. 140% of AMI is “**market,**” **NOT** “affordable housing,” according to City Study.

The City’s Keyser Marston Associates, Inc. housing report notes the City’s current affordable housing definition includes not only “moderate” income housing, defined as 80% to 120% of AMI, but also a “140% AMI Tier representing household incomes from 120% to 140% of AMI” (p. 5). [emphasis added]

[http://www.honolulu.gov/rep/site/ohou/ohou_docs/Honolulu Nexus Analysis 9-8-15.pdf](http://www.honolulu.gov/rep/site/ohou/ohou_docs/Honolulu_Nexus_Analysis_9-8-15.pdf)

Keyser Marston’s wording means “140% AMI,” is outside the definition of “low- or moderate-income housing.” Driving home the point, Keyser Marston adds that *households making over 120% AMI don’t need government support* (p. 7).

Because HCDA incorrectly defines units for households earning “120-140% AMI” as “moderate housing,” they enable developers to build market-priced units falsely passed off as “affordable” — exactly what Kakaako developers want to do and have done.

3. The City’s proposed Housing Policy both within and outside the Transit-Oriented Development Zones limits “affordable” housing to households earning up to 120% AMI.

The City gets it. Households earning more than \$120,600 a year qualify for homes costing \$620,000. Such households don’t need support from a government “affordable housing” program; they can buy market-priced units. HCDA should do the same.

4. The UH Economic Research Organization (UHERO) 2010 study of “Inclusionary Zoning” offered zero support for defining 140% of AMI as “affordable.”

UHERO studied 29 mainland jurisdictions’ affordable housing policies. *None benefitted households making above 120% AMI, with only 8 even going to 120% AMI.*

<http://www.uhero.hawaii.edu/assets/UHEROProjectReport2010-1.pdf>

Table 7. National Affordable Housing Policies

Setting		Policy					Incentives		Exemptions		Flexibility		Market Outcomes		
Location	Start date	% Median	% Required	Duration (years)	Mandatory	Rentals Allowed	Density bonus	Other	Size (units)	Other ^a	Cash buyout	Offsite	↑FCI ^b	↓FCI ^c	Affordable (Units)
Montgomery, MD	1974	65	12.5-15	10-20	•	•	•		50	•			•		10,781
SE Bay Area, CA	1979	19	10-25	30+	•	•	•		2	•	•	•	•		9,154
Washington, DC	2007	45	5-15	10+	•	•	•		50	•	•	•	u		3,889 ^m
New York, NY	1987 ^k	80	20	Life		•	•			•			u		906
Prince George's, MD	1991 ⁿ	70	10	10	f	•	•		50	•			u		1,606
San Diego, CA	1992	80	20		•	•			10					Q ^o	1,260 ^l
Sunnyvale, CA	1982	120	10	20	•	•	•	i, o	10				•		825
San Francisco, CA	1992 ^d	120	15	Life	•	•		h	5	•	•	•	•		794
Portington, VT	1990	60-80	15-25	99	•	•	•	o	5			•	•		650
Pearles County, VA	1990	70	6.25	15-20	f	•	•		50	•	•			P4	582
Pleasanton, CA	1978	50	15	Life	•		•	i, j, n	15		•		u		508
Palo Alto, CA	1974	100	10	59	•	•			3 ^r		•		•		465
Novato, CA	1999	55-90	10-20	30-Life	•	•	•	m, k, l, j	6	q	•	•	u		442
San Jose, CA	1978	80	15	Life	•	•	•	i, j	2	•	•	•	•		276
Newton, MA	1960 ^e	50	10	10	f	g			10	•	•	•	u		225
Lexington County, VA	1993	70	6.25	15	f	•	•		50	•	•			Q ^o	208

Setting		Policy					Incentives		Exemptions		Flexibility		Market Outcomes		
Location	Start date	% Median	% Required	Duration (years)	Mandatory	Rentals Allowed	Density bonus	Other	Size (units)	Other ^a	Cash buyout	Offsite	↑FCI ^b	↓FCI ^c	Affordable (Units)
San Mateo, CA	1992	120	10	30 ²	•	•			10				u		158
Pittsfield, CA	1993	120	5	55	•			l, m	20		•		•		100
Livermore, CA	1987	80	10	55	•			m	10 ⁵		•		•		96
Cambridge, MA	1998	65	15		•	•	•		10	•	•		•		89
Brookline, MA	2002	100-120	15		•	•			6		•	•	•		89
Boston, MA	2000	120	10	30	•	•			10	•	•	•	•		72
St. Cloud, MN	2002	80	20		•		•	o			•		Q4		39
Monteville, CA	1986	100	15	50	•			v			•	•	P1		<20
Mountain View, CA	1999	100	10	55	•	•		m	3 ^f		•		u		0
Denver, CO	2002	80-95	10		•		•	l, n	30		•	•	P1		
Chicago, IL	2001	100	10-20	30	•	•	•	k	10		•		u		
Union City, CA	2002	120	15	Life	•	•		i, o	0	p	•		u		
Napa, CA	1999	120	10	30 ⁶	•	•	•	l, m, n, o	1		•		u		

They include high-cost San Francisco, New York, Fairfax County VA, and Sunnyvale CA.

I urge the HCDA board to go back to the 2016 draft of its rules and correctly define “moderate” as housing for those making between 80% and 120% of AMI (p. 218-7 of the 2016 draft revised housing rules).

From: KrisHui <khui@olivermcmillan.com>
Sent: Monday, March 27, 2017 8:13 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

See attached Letter. Mahalo.

File Upload

- [HCDA-3-28-17-Reserved-Housing-Testimony-by-OliverMcMillan.pdf](#)



OliverMcMillan

March 28, 2017

To: Hawaii Community Development Authority ("HCDA")
From: OliverMcMillan ("OM")

Subject: Kaka'ako Reserved Housing Rules – Chapter 218 Proposed Amendments

Dear HCDA Board Members:

OliverMcMillan (OM) has successfully completed two high-rise for-sale residential condominium projects in the HCDA Kaka'ako Community Development District, and firmly believes that any amendments to the existing Mauka Area Rules and Kaka'ako Reserved Housing Rules should be made with the primary objective of enhancing development feasibility and increasing the delivery of reserved and workforce housing supply in the area.

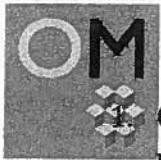
OliverMcMillan Completed projects in HCDA Kaka'ako Community Development District:

- Pacifica Honolulu, which was completed in 2012 under the "Old Mauka Area Rules", had a total of 365 market rate and 124 reserved housing units, all located within the same building.
- Symphony Honolulu, which was completed in 2016 under the "New Mauka Area Rules", had a total of 288 market rate and 100 reserved housing units, all located within the same building.
- Over 85% of all units sold by OliverMcMillan were to local Hawaii buyers.
- In total, OM has successfully delivered 224 Reserved Housing units (25.5%) out of a total of 877 total units.

While the proposed amendments to Kaka'ako Reserved Housing Rules – Chapter 218 are well intentioned to both increase supply and maintain supply of reserved housing and workforce housing, OliverMcMillan **OPPOSES** the draft Chapter 218 amendments as written, as the amendments place additional layers of regulation that drastically hinder unit delivery due to decreases in both project feasibility and limitations to potential reserved and workforce housing participants.

HCDA must strongly weigh its well-intentioned proposed regulations aimed at helping to maintain affordable housing supply and directing the sizes of housing that is built against the potential chilling effect these amendments will have on future Reserved housing and Workforce housing unit delivery.

Pursuant to our review of the proposed DRAFT Kaka'ako Reserved Housing Rules – Chapter 218 Proposed Amendments, we offer our thoughts and comments as Public Testimony for the March 28, 2017 hearing:



OliverMcMillan

OM agrees that Reserved housing unit count could be based on 20% of the total number of units, not 20% of square footage. Reference Section 15-218-17(a).

- a. However, OM believes that further analysis is required for the "Reserved Housing Unit Type and Corresponding Factor Table". Reference Section 15-218-19.
 - b. HCDA should not be regulating unit sizes delivered by a developer. HCDA does not have control over market demand, development and construction costs, or any of the input variables in the Reserved & Workforce housing sales price formula (Mortgage interest rates, monthly maintenance costs, etc.). Incentives can be given to incentivize larger units to be built, however as currently proposed, providing less than 1.00 credit for Studio and One bedroom units is not reasonable. Providing only 1.00, 1.08 and 1.16 credits for two, three and three plus bedroom units respectively is too low based on how Reserved housing sales pricing is calculated.
2. OM opposes the proposed Occupancy guidelines. Minimum household size for a two-bedroom unit should be allowed for a single occupant. Reference Section 15-218-20.
 3. OM opposes Asset Limitation guidelines written at 135% of applicable income limits, irrespective if current Reserved Housing guidelines include this provision. Buyers in Honolulu are already accustomed to needing to save for many years for a down payment, given the high cost of housing in Honolulu. These buyers should be not being restricted from purchasing. If an asset limitation is needed, consider a higher percentage than 135% for for-sale housing, given Honolulu's higher than average absolute dollar cost of homeownership (vs. other metropolitan cities). Reference Section 15-218-32.
 4. OM opposes the amendment to calculate all reserved housing or workforce housing based on a weighted average sales price of no more than 120% AMI. While in practice, each HCDA KCDD development project entitled has put forth a Reserved housing or Workforce housing weighted average sales price of less than 140% AMI, in the face of high interest rates and/or high construction cost environments, this additional regulation will further decrease project feasibility and decrease affordable unit delivery. Reference Section 15-218-34 (4)(c)
 5. The proposed reserve housing buyback and equity sharing terms may be overly cumbersome and restrictive, reducing the developer's ability to sell Reserved units, and reducing Buyer interest in purchasing Reserved and workforce housing units. The rules may have a "chilling effect" on the success of the entire Reserved and Workforce housing program. See Section 15-218-35 and Section 15-218-45.



OliverMcMillan

- a. Equity sharing provisions and the proposed equity sharing formula provides more benefit to HCDA than the Reserved housing owner, compared to current Mauka Area rules.
 - b. Has HCDA solicited input from the Honolulu Board of Realtors and brokerage community and received positive feedback as to their ability to assist in Buyer education with respect to the additional regulations proposed by HCDA?
6. OM opposes the Cash-in-lieu calculation as drafted. A cash-in-lieu payment should be at a premium to promoting actual inventory delivery. However, requiring the 'higher of' seven percent of Gross revenue vs the difference between Market vs. Reserved housing pricing is too large of a premium. Draft language as proposed is currently written to essentially prevent cash-in-lieu payments. Maybe that is HCDA's intent? Further clarity should be provided to the public on how the cash-in-lieu payment funds would be utilized to promote additional affordable unit delivery. Reference Section 15-218-46.
7. OM recommends that a reduced percentage be considered for new "Rental" development projects, and that additional incentives are also be considered to help induce Rental development given the dramatic shortage of this housing type in Honolulu. Reference Section 15-218-17.
8. OM recommends two additions in Section 15-215-18(b).
 - a. First, the current rules limiting tower floor plate size should be increased. Maximum floor plate sizes are not specifically restricted in the City & County of Honolulu; the existing HCDA rules restrict project feasibility and severely impair efficiency (net leasable area/gross area).
 - b. Second, Tower separation, while important should be modified, especially when Reserved housing is built. Current rules penalize land owners that do not build first. As redevelopment continues, undeveloped parcels will be further restricted. HCDA should adopt guidelines generally consistent with the City & County of Honolulu.

Mahalo for the opportunity to share our thoughts and comments. We appreciate working with HCDA and HCDA Staff, and look forward to our next project in Kaka'ako and the furthering the goals of the district in delivering quality community minded housing for the residents of Honolulu.

With Aloha,

OliverMcMillan

From: Takashi Ohno <repohno@capitol.hawaii.gov>
Sent: Monday, March 27, 2017 6:28 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Please see attached document.

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HOUSE OF REPRESENTATIVES

STATE OF HAWAII
STATE CAPITOL
HONOLULU, HAWAII 96813

TESTIMONY FOR THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY
PRESENTATION HEARING
TUESDAY, MARCH 28, 2017 AT 9 AM
RE: PROPOSED AMENDMENTS RELATING TO HAR CHAPTER 15-218 "KAKAAKO RESERVED
HOUSING RULES"

Aloha Chair Whalen and Members of the Board,

I'm writing to provide testimony in opposition of the changes the Hawaii Community Development Authority (HCDA) is proposing for workforce and reserved housing rules. With the current housing crisis facing Hawaii residents, I do not feel that it is prudent to place additional regulation and restrictions on the housing market that benefits our working class and first-time homebuyers. As Kakaako has been identified for many years as a neighborhood to promote expansion of affordable housing, I would encourage HCDA not to limit developments striving for this goal.

Additionally, I hope the board considers allowing more time for major stakeholders, landowners developers, and the public to comment and participate in creating new rules that may affect the creation of more housing units. While the intentions of HCDA may be good, there may be unforeseen consequences to buybacks and equity sharing regulation that might best be vetted through discussion with the community.

Mahalo for this opportunity to testify,

A handwritten signature in black ink that reads "Takashi Ohno".

Takashi Ohno, District 27
Hawaii State House of Representatives

From: ClintHamabata <chamabata@asbhawaii.com>
Sent: Monday, March 27, 2017 3:47 PM
To: &HCDA
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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: JoycelynBanas <joyceb@marcusrealty.com>
Sent: Monday, March 27, 2017 3:22 PM
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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

The proposed changes to the workforce housing guidelines will make it less feasible for developers to build such buildings and deter workforce buyers from similar projects due to the stricter resale and ownership restrictions.

From: R. B.Riegels <rriegels@gmail.com>
Sent: Monday, March 27, 2017 2:53 PM
To: &HCDA
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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

HCDA needs to make creative rules that encourage the development of affordable housing instead of making the task more difficult by placing an increased burden upon the residential development community and their un-subsidized buyers. How about spreading this responsibility to all new projects, not just residential. Retail, commercial and hotel developers build hundreds of thousands of feet of new product with no obligation to contribute to housing the employees who will work there. In addition, these projects will not be burdened with the community-born costs (particularly new schools) that result from the new jobs created. This is everyone's responsibility, not just the residential development community.

From: GladysMarrone <gqm@biahawaii.org>
Sent: Monday, March 27, 2017 2:21 PM
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Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

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BIA-HAWAII

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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March 28, 2017

Honorable John P. Whalen, Chairperson
Hawaii Community Development Authority (HCDA)
547 Queen Street, 2nd Floor
Honolulu, Hawaii 96813

Dear Chair Whalen,

Subject: Proposed Amendments Relating to HAR Chapter 15-218, "Kakaako Reserved Housing Rules"

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in strong opposition to the proposed amendments. The overall general approach to how HCDA proposes to "Regulate" the development of workforce housing in Kakaako is a major concern to those of us trying to increase the supply of housing at all price points in Hawaii.

The Building Industry Association of Hawaii and the Chamber of Commerce of Hawaii convened the first **"Houseless in Honolulu"** in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. Then again in November of 2016 we convened our second event, **"Still Houseless in Honolulu."** The bottom line is we need to build our way out of this crisis by increasing the supply of housing at all price points. With the median home price in the Islands now \$730,000, the repercussions are having a major impact on Honolulu's economy.

Without a solution to the State's shortage of residences, the number will soon surpass a million dollars. Every uptick in prices has increasing economic impact. Housing at all price points is desperately needed if we are to maintain the State's economic equilibrium. If potential employees cannot find affordable homes they will choose not to move to Hawaii and current residents affected by stratospheric home prices will leave. Employers across all spectrum of enterprises are already feeling the pinch. Mid-level employees are especially hard hit. Educators, medical professionals, and small businesses are especially hard hit.

The Department of Business, Economic Development and Tourism forecasted demand for additional housing units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

We believe that in order to address the current "Housing Crisis," there needs to be a shift in the focus of how government views housing development and move from our current "Regulatory" stance to a more "Production Oriented" stance. For example, this shift would have the City and County of Honolulu adopt a goal of approving an average of 2,500 new residential units each year over the next 10 year period to address the projected 25,847 unit demand.

Rather than incentivizing or assisting in the development of more workforce housing, the proposed amendments revert to prior government inclusionary zoning and exaction processes that have proven ineffective over time. The irony of revisiting these approaches to "keep housing affordable" is that it probably contributed to our current lack of supply of housing at all price points.

With our current housing crisis, perhaps it's time to move away from using "blunt instruments" such as inclusionary zoning and exactions in an attempt to build more housing, and move toward incentivizing developers to build more affordable housing using one or more of the following:

1. Access to infrastructure;
2. Density bonuses;
3. Waiver of sewer, water and permitting fees;
4. Waiver of GET; and/or,
5. Transfer of real property taxes to the developer for a fixed period of time to make building for the lower income groups (i.e. 80% to 100% and below AMI) economically feasible.

With our average price of a new home on Oahu in the mid \$700,000.00 range, we need to build our way out of our current housing crisis by increasing the supply of housing at all price points. A healthy housing market allows people to purchase housing at price ranges they can afford and as their income improves, provides them with the opportunity to "move up" the housing ladder.

We believe the proposed rules as drafted will effectively constraint the development of more workforce housing in Kakaako. We are in strong opposition to the proposed amendments and respectfully request the HCDA reconsider how it will increase the supply of housing at all price points in Kakaako.

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

From: RyanHarada <ryan.harada@hawaii.rr.com>
Sent: Monday, March 27, 2017 10:29 AM
To: &HCDA
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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

See attached written testimony

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- [HCDA.WrittenTestimony.doc](#)

My name is Ryan Harada. I am a member of the 801 South St Development Team. I **OPPOSE** the proposed amendments to the Kakaako Reserved Housing Rules based on two main issues:

1. Workforce Housing is different than Reserved Housing and therefore should be kept separate and not changed; and,
2. Workforce Housing is the best tool HCDA has to increase the supply of affordable housing

Simply put, a Workforce Housing project restricts unit size & price. These restrictions apply to 75% of the units in the project. In addition, Workforce Housing has to be privately financed. By comparison, a Reserved Housing project places restrictions on 20% of the units that were sold below market. The Buyer is getting a discounted unit in return for holding on to that unit for 2 to 5 years and allowing HCDA to share in its profit.

Let me illustrate this point. Keauhou Place is a Reserved Housing project currently under construction. It's a great project by Stanford Carr. The Shared Equity in the Reserved Housing units ranged from \$55k for a small 1-bedroom to \$188k for a larger 2-bedroom. This means these units were sold at a discount from comparable units in the building. The fortunate Reserved Housing buyers should have restrictions on their units. This scenario does not apply to Workforce Housing. There are no discounted units in the building. The units are priced at market and the unit above sells for \$1k - \$2k more to account for a higher floor. Why would you place additional restrictions on Workforce Housing? The responses I get from HCDA are:

1. 801 South St received a double-density subsidy. I totally disagree with this reasoning. Double-density is an incentive to build more affordable units. To take advantage of double-density you have to subject 75% of the project to price restrictions as opposed to 20% for Reserved Housing. To put things in perspective, recent projects completed include Waihonua, Symphony, Waiea & The Collection. Those under construction are Keauhou Place, Ae'o & Ke Kilohana. The total number of units in these 7 projects is roughly 2,900 > if you apply the Reserved Housing requirement of 20% you end up with 580 affordable units. 801 South St contains 1,045 units and 75% is 783. We provided more units at 140% AMI than all the projects I mentioned combined. Affordable Housing is a supply issue. Why change rules that adversely impact supply?
2. The other reason I hear is many units in Building A have flipped for exorbitant prices and are no longer affordable. Here are the facts: in 20 months only 19 units have been resold. That's 3% of the 635 units. The majority that were resold are still within the 140% price guideline

I sit on the Board at 801 South St. Residents have asked why does HCDA feel it's entitled to a share of their appreciation. They took the risk and contracted for a market unit that took 2 years to complete. Buyers benefited from a rising real estate market and a Developer that kept prices down. The average sales price was \$395k in Building A and \$512k in Building B. This is what affordable housing looks like. We could have easily raised prices 10 – 20%, but we didn't and passed value to the Buyers. 97% of Buyers did not sell and the unit's appreciation will help them in the future. They assumed the risk of the real estate market and should benefit from their unit's appreciation.

By the way, do you know these proposed Amendments only affect the lands not owned by Howard Hughes or Kamehameha Schools? These landowners control 75% of the remaining development parcels. Why push these restrictions on the remaining 25%. Where is the fairness in that?

In closing, these Amendments may lower prices, and that sounds like a good thing. Reality is it also places more restrictions on Buyers and makes it harder for them to qualify for mortgage loans. The end result is Workforce Housing projects like 801 South St become too risky for Developers to build. You will cut the supply of affordable homes and Hawaii residents, including hundreds of young families and first-time homeowners, ultimately suffer.

When we met with Deepak Neupane at HCDA last week I asked him why is HCDA changing Subchapter 4 which governs Workforce Housing. Deepak told me "in a way 801 South St is a victim of its own success". I took that as a compliment but thought why wouldn't HCDA repeat its successes? Do the right thing HCDA, leave Subchapter 4 alone and encourage more Developers to build Workforce Housing.

From: PatriciaHo <Patricia.ho@hawaii.rr.com>
Sent: Monday, March 27, 2017 9:52 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Patricia Ho

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Email

Patricia.ho@hawaii.rr.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: LisaEveleth <lisaeveleth@gmail.com>
Sent: Monday, March 27, 2017 9:47 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Lisa Eveleth

Organization

Limit, LLC

Address

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Phone

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lisaeveleth@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

File Upload

- [Testimony-Limit-LLC.pdf](#)

Limit, LLC

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Honolulu, HI 96814
(808) 593-2444 Fax: (808) 593-7779
email: limit@hawaii.rr.com

Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

March 27, 2017

RE: Kaka'ako Community Development District Reserved Housing Rules Proposed Amendments

Dear The Hawaii Community Development Authority Board,

My family owns Coral Commercial Center located at 670 Auahi Street, 4.25 acres in the heart of Kaka'ako. We are currently comprised of warehouse and retail tenants.

It has recently come to my attention that, HCDA has been working on affordable housing rules that will significantly affect the future development options of my property and other non-master planned lands in Kaka'ako. I was not approached by HCDA (staff or leadership) and informed of these proposed changes. A process was not laid out for us to learn and voice our concerns about the proposed rule amendments. I think we can all agree that the State of Hawaii is in great need of affordable housing. However, we all need to work together to make this happen. **My first recommendation is that we take a step back and gather more information and input from the community (landowners, developers, banks, lenders, contractors, etc.) so we can all best understand how to move forward in a productive manner to create more affordable housing.**

I commend the board for all their hard work in trying to increase Reserve Housing (RH) and encourage the RH/Workforce Housing (WF) developments in Kaka'ako. I believe that the incentives (such as flexible parking and Floor Area Bonus for WF) have encouraged developers/landowners to build RH/WF housing.

*However, the newly proposed equity sharing and buyback provisions tied to WF do not encourage WF housing development. As these new rules will not apply to Master Planned areas in Kaka'ako, those affected by these new rules will be at a great disadvantage when contemplating WF housing. The new buyback/ equity sharing provision creates an uneven playing ground for landowners. **If this rule passes, I believe we will see a halt to WF on non Master Planned areas in Kaka'ako.***

My second recommendation to the board is to keep the WF as is, and please do not add the buy back provision and equity sharing at this time. Kaka'ako is thriving. The "Live, Work, Play neighborhood" is within reach, it would be a shame to see the development stop before the vision has been met.

Thank you for allowing me to testify.



Lisa Eveleth
Limit, LLC

From: LindaWong <worldofaloha@hawaii.rr.com>
Sent: Monday, March 27, 2017 9:44 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Linda Wong

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Email

worldofaloha@hawaii.rr.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Our family owns a 20,488 sq. ft. lot located on the corner of Piikoi and Waimanu Streets. We have been paying high real estate taxes every year as a result of large landowners building luxury high rises in the area.

We just learned that a public hearing will be held on March 28, on the proposed amendments. We were never notified by HCDA that they were working on major amendments and no outreach by HCDA or staff to small landowners as to what the economic effect these amendments would have on our property.

While we are not opposed to the building of much needed affordable and work force units, the amendments appear to favor the large landowners such as Kamehameha and Howard Hughes, who are EXEMPT from these proposed amendments. We have looked into developing work force housing on our lot, but cannot make the numbers work under the present rules. These proposed amendments would make it even harder on small landowners which does not seem fair.

We would urge HCDA to take a step back and have a study made of the effects of the proposed amendments on small landowners in Kakaako, as well as those who are saying the new rules would not make it feasible to build affordable and workforce units. WE SEE NOT REASON TO RUSH PASSAGE OF THE PROPOSED AMENDMENTS UNTIL A THOROUGH STUDY HAS BEEN MADE.

THANK YOU FOR YOUR CONSIDERATION.

From: PeterHo <stafford.kiguchi@boh.com>
Sent: Monday, March 27, 2017 9:30 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Peter Ho

Organization

Bank of Hawaii

Address

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Phone

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stafford.kiguchi@boh.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

File Upload

- [Bank-of-Hawaii-Testimony-Re-Kakako-Reserved-Housing-Rules.pdf](#)



PETER S. HO
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

March 28, 2017

TO: Chairman John Whalen
Executive Director Jesse Souki
Committee members

Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

RE: Proposed Amendments to Reserved Housing Rules

Dear Chair Whalen and Director Souki:

We appreciate the opportunity to offer our viewpoint on proposed amendments to the Reserved Housing Rules. While we support the intent of the proposal, which is to establish an increased supply of housing for low- or moderate-income households within the Kakaako community development district, imposing restrictions that may interfere with mortgage lending and marketability of the units could have the opposite effect of what is trying to be achieved. Restrictive requirements could constrain housing supply by making projects less economically attractive for developers.

As the state's largest mortgage lender, we'd like to caution that imposing buy-back provisions with no term limits and requiring equity sharing with the state, could hamper the ability to sell such mortgages into the secondary market (e.g. Fannie Mae and Freddie Mac). Such a result, would not be conducive to expanding Oahu's housing inventory and could ultimately harm the very group we are seeking to help. Instead, providing opportunity for first-time homeowners to build equity for the future and offering appropriate developer incentives may be a more fitting path forward.

The Kakaako community is extremely important and desirable. As one of Hawaii's largest employers, many of our own employees would welcome the opportunity to purchase or rent an affordable housing unit in the urban core. We would encourage HCDA to avoid imposing any artificial barriers that impede efforts to bring more affordable housing to market.

Thank you for the opportunity to share our concerns with the Board and we look forward to supporting efforts to help first-time homebuyers in our community not only buy their home, but be able to enjoy the benefit of building equity for their future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Ho'.

Peter Ho

From: JeffreyGuzon <jeff@kaluglass.com>
Sent: Monday, March 27, 2017 9:12 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Jeffrey Guzon

Organization

Kalu Glass Company

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jeff@kaluglass.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: RustyRasmussen <rrasussen@castlecookemortgage.com>
Sent: Monday, March 27, 2017 8:50 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Rusty Rasmussen

Organization

Mortgage Bankers Association of Hawaii

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(808) 284-5617

Email

rrasussen@castlecookemortgage.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Please see attached testimony. If you have any questions, please feel free to contact me. File uploaded

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- [Proposed-Kakaako-Draft-Amendments-and-Deed-Restrictions_03-27-17.pdf](#)



March 27, 2017

Hand Delivered

Jesse Souki Esq.

Executive Director

Hawaii Community Development Authority

547 Queen Street, Honolulu, HI 96813

RE: Proposed Kakaako Draft Amendments and Deed Restrictions

The Mortgage Bankers Association of Hawaii is committed to helping Hawaii families who wish to buy a home with the financing needed to do so. This includes families who may fall into the 120-140% of median income, Reserved or Workforce groups.

We rely on the secondary market guidelines to determine if any type of Deed Restriction, Re-Sale restriction, or Equity Sharing will be acceptable. Should such a restriction not meet secondary market guidelines mortgage financing for these proposed buyers would be severely restricted. It is possible that the intent of helping low and moderate income families to purchase a home would then be defeated.

We strongly recommend that any proposed draft amendment be confirmed to comply with guidelines for FannieMae, FreddieMac, FHA, and VA to avoid such a potential problem.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Rusty Rasmussen".

Rusty Rasmussen

President

Mortgage Bankers Association of Hawaii

From: WilliamWilson <bwilson@hdcc.com>
Sent: Monday, March 27, 2017 8:42 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

William Wilson

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Hawaiian Dredging Construction Company, Inc.

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Please use this testimony, as the one previously sent, was not signed.

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- [Testimony-Kakaako-Housing-Rules.pdf](#)



P.O. Box 4088
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March 27, 2017

Testimony to HCDA Board

RE: KAKAAKO HOUSING RULES

Dear Chair Whalen and Members of the Board:

My name is Bill Wilson and I am Chairman of Hawaiian Dredging Construction Company. Our company has built and is building more of the recent residential housing projects in Kakaako than any other contractor.

Despite the stated goal of the proposed rules to increase affordable housing in the district, I believe the rule changes will effectively stop new projects. Development activity in Kakaako has slowed in the last year. The reduced demand for market rate units will make it more difficult for developers to subsidize the reserved housing units. Lower income affordable unit buyers will have difficulty qualifying for long term financing given rising interest rates and the authority's equity sharing and buy back rights.

Only one workforce housing project has been developed in the district in recent years. Adding the restrictions of the reserved housing rules to a workforce housing project could have stopped it. Adding this now will stop future projects. Please ask your staff two key questions before adopting these rules.

- 1) Who will start projects in the near future?
- 2) Who will buy units in the projects? Can they qualify for long term financing two years before project delivery, including the required purchase deposit? Will they choose to buy when a significant portion of the value increase will be shared with the authority for many years?

Thank you very much for this opportunity to share my concerns.

HAWAIIAN DREDGING
CONSTRUCTION COMPANY INC.

A handwritten signature in black ink, appearing to read "William J. Wilson", written over a horizontal line.

William J. Wilson
Chairman

From: MichaelMcLaughlin <skydiver.mm@gmail.com>
Sent: Monday, March 27, 2017 7:59 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Michael McLaughlin

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

I believe the proposed 'buy-back and equity sharing' rules unfairly affect the purchaser's equity position. i believe the rule should be amended to include a time constraint on the buy-back and equity sharing rather than being 'in perpetuity'. This will afford a buyer that meets the time constraint requirements an opportunity to realize his equity position and further improve his financial standing, affording the possibility of upward mobility in the housing market.

From: JayKam <jkam2@aol.com>
Sent: Sunday, March 26, 2017 4:58 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Jay Kam

Organization

Kam Development LLC

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Kam Development LLC

1249 Wilder Avenue

Honolulu, HI 96822

March 27, 2017

Kam Development LLC has owned property on Keawe Street and Halekauwila Street since 1978. My family has operated businesses based in Kakaako for many years and has helped to support the community's needs. My father (since deceased) and I have always wanted to redevelop the property since the 1990s, but only recently with many things aligning has it made sense. If the state and Hawaii Community Development Authority (HCDA) want to achieve their vision of Kakaako becoming a vibrant urban community with work force housing, I think they need to encourage private landowners in the area to build and redevelop. My company has recently entered into a contract to build work force housing. Even within the last year or so I've witnessed HCDA's interpretations of present rules become less permissive. I only learned of the proposed rule changes a couple of weeks ago and I am concerned that the proposed rule changes may adversely affect the ability to develop a viable project. Furthermore, larger land owners such as Bishop Estate have been able to take advantage of the present rules to build work force housing, and changing the rules now may be unfair to other landowners in Kakaako from doing the same. I request that HCDA reconsider adopting the proposed rule changes and take more input from all interested parties in the future.

Sincerely,

Jay Kam
President

From: Christopher Aguilera <caguilera@tghawaii.com>
Sent: Sunday, March 26, 2017 7:11 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Christopher Aguilera

Organization

Title Guaranty of Hawaii

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Honolulu, HI 96822
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caguilera@tghawaii.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

My interpretation of the proposed rules is that it will have a negative impact on the ability to provide housing for Hawaii's workforce and essential workers. There were a number of Title Guaranty employees who purchased their first home in an 801 South Street building. With the proposed regulations this option may not have been available to them. Title Guaranty also had the pleasure of providing title and escrow services for 801 South Street. From this, TG was able to interact with many excited, first time home buyers, including young professionals that otherwise would be priced out of this market. I understand the need for lower income (more affordable) housing but we also need to consider workforce housing as a major priority.

From: AllanLock <allanlock@ymail.com>
Sent: Saturday, March 25, 2017 11:06 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Allan Lock

Organization

retired

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allanlock@ymail.com <mailto:allanlock@ymail.com>

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Our children and grandchildren can not afford housing in Hawaii. Please help. They need housing like 801 South Street.

From: NewtonChung <NJKChung@gmail.com>
Sent: Saturday, March 25, 2017 5:42 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Newton Chung

Organization

Self

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NJKChung@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

I have watched Kakaako struggle and sputter along without success for the last 40 years in trying to build for-sale housing that us local people could afford. "Reserved Housing" was not the solution because it only got built when a developer was forced by HCDA rules to do so in order to build his "market/luxury" project. No developer voluntarily chose to build for-sale "Reserved Housing" units as a stand-alone project. It did not and still does not make sound financial sense. And that is a major reason why there has never been a proliferation of affordably priced for-sale units ever built in Kakaako.

Then finally "Workforce Housing" rules were adopted. Now for the first time in 4 decades there was a means via Subtitle 4, HCDA Chapter 218, Subchapter 4 to build affordable "Workforce Housing" that had long been overdue in Kakaako. But no, (even after having one major project successfully built under the current Workforce Housing rules), the State of Hawaii and HCDA is looking to repeal this Subchapter 4 and thrust us back in time to repeat what HCDA failed to accomplish in the last 4 decades, which is to stimulate and encourage development of affordable housing for the working force citizens of the State. It has already been difficult to get affordable for-sale housing built outside of the mandatory 20% "Reserved Housing" requirement. But to now add re-sale restrictions to the existing Workforce Housing rules will just about stop potential future, non-mandatory affordable housing to be built. No wonder so much of the development activity has shifted from Kakaako to the Kapiolani Boulevard corridor, because TOD (Transit Oriented Development) has now become the only viable solution in providing an incentive for future affordable housing. Kakaako could remain and become a place for just market and luxury priced condominiums with no more than just the stipulated 20% reserved housing being built, and that would be a shame due to the lost potential of Kakaako being a redeveloped area that would help to satisfying the urgent crisis for thousands more affordable for-sale housing in the State.

It has been noted that the reason for the State and HCDA proposing the re-sale restriction is to assure that prices for affordable housing remain affordable and do not arbitrarily escalate to non-affordable inflated prices. But we all know that sale prices are primarily driven by market supply and demand. So if there were any guarantee for affordable housing prices to remain affordable, the solution is to encourage developers to increase the supply and build more affordable units. In fact, there are not currently enough existing affordable units existing in Kakaako to be concerned about establishing re-sale price restrictions. If we

concentrate on the real problem, which is the lack of supply, instead of trying to unrealistically protect pricing by adding re-sale price restrictions, then we are definitely going to repeat the same scenario of the last 4 decades - no for-sale stand alone affordable housing being built by private developers.

My hope is that the State and HCDA will not add re-sale restrictions to the current Workforce Housing rules because this will definitely not stimulate increased for-sale affordable housing developments in Kakaako. But if so done, then the primary losers will be our young, working class adults who will forever lose the opportunity of owning their own home in Kakaako. And for this they can thank the State and HCDA.

From: BlairSuzuki <bsuzuki@olivermcmillan.com>
Sent: Friday, March 24, 2017 3:11 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Blair Suzuki

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: NathanAlexander <natealex@gmail.com>
Sent: Friday, March 24, 2017 10:48 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Nathan Alexander

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natealex@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Additional research and analysis needs to be completed on the impact of the proposed changes. My initial reading is that they may deter the development of more housing.

From: KristiHirota <kristih@hawaiianprop.com>
Sent: Friday, March 24, 2017 9:38 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Hawaiian Properties

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kristih@hawaiianprop.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: RichardQuinn <rquinn@hhf.com>
Sent: Thursday, March 23, 2017 4:30 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Richard Quinn

Organization

HHF Planners

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rquinn@hhf.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: HenryChang <changh11@yahoo.com>
Sent: Thursday, March 23, 2017 3:18 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Henry Chang

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

The proposed reserved and workforce housing rules change will reduce production of low to moderately priced housing rather than increase it.

Further, construction jobs will be lost, and economic decline of Hawaii will increase during 2017, as well as tax revenues for the State of Hawaii.

The proposed rules will achieve the reverse of the intended purpose of increasing low cost housing production.

From: DallasWalker <dallasw@hawaii.edu>
Sent: Thursday, March 23, 2017 12:41 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Dallas Walker

Organization

UH Law Student

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

I support some changes, but oppose others. Please see attached word doc.

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- [Testimony.docx](#)

Testimony of Dallas Walker
Hearing on Changes to Kakaako Reserved Housing Rules
Hearing Date: March 28, 2017

Hawaii Community Development Authority
547 Queen St.
Honolulu, HI 96813

March 23, 2017

Aloha,

I am a third-year law student at the University of Hawaii at Manoa. I am submitting this testimony as a requirement of my class in administrative law.

First, I would like to express my admiration and support for the HCDA and its developmental activities. The HCDA has done wonders to facilitate the economic development of underutilized areas in Hawaii.

Here are some of my thoughts on the proposed rule changes regarding reserved and workforce housing in Kakaako. Of these, I feel most strongly about the first issue: parking.

1 - §§ 15-218-18(a)(3); 15-218-18(b)(3) and 15-218-21(d). (Parking)

Most importantly, these changes indicate that there would no longer be a requirement to provide parking for reserved housing units, as an incentive for developers to provide more reserved housing units. I oppose this measure (§ 15-218-18(a)(3)) along with accompanying sections §§ 15-218-18(b)(3) and 15-218-21(d).

Parking in Kakaako is horrendous as it stands. I am in Kakaako frequently. I work out at the UFC gym. I surf at Kewalo Basin. Occasionally I find myself at the Ward Village shops. I am in the Kakaako area almost every day. Street parking is very hard to find. For this reason, removing the parking requirement for reserved housing units would not be wise. People need transportation to get to work. They may not feel safe on the bus. The rail, if at all, may not

make it past Ala Moana. Cars are still an integral mode of transportation. Because parking is so tight in Kakaako, removing the parking space requirement would be hurting those who need the reserved and workforce housing.

There are plenty of other ways to incentivize developers. Of all the issues discussed in my testimony, this is the one I feel the most strongly about.

2 - § 15-218-5 (Definition of “Household Income”)

This section contains a fairly comprehensive list of types of income. I suggest that worker’s compensation and temporary disability income should be added. I am not certain if they have been omitted intentionally, or if they are included in another listed category. TDI is temporary, so it might be better to leave it out of the calculations. However, perhaps leaving it out of calculations would give a less accurate picture of the household’s income altogether.

Also, my understanding is that workers’ compensation can be longer-term. So it may be worthwhile to include it in the list of types of household income.

3 - § 15-218-17(d)(3) (Cash-in-Lieu Payments)

Unfortunately, I would oppose the cash-in-lieu provision here. I realize that high-end developers may be opposed to making a certain percentage of their units “affordable.” (I use the term “affordable” in the common sense of the word, as opposed to any legally defined category of housing). I also realize the importance of incentivizing developers. However, the provision under §§ 15-218-17(d)(1) and (2), which states that they can provide reserved housing units elsewhere in the mauka area and in urban Honolulu should suffice. I am admittedly unaware as to how often the HCDA has experienced a situation where a high-end developer declined to produce a development because of a lack of a cash-in-lieu provision.

If the cash-in-lieu payment would go toward creating affordable housing in urban Honolulu, then I would be more inclined to support this change. However, I do not see any provision to this effect.

4 - §15-218-17(i) (“Regulated Term”)

I am confused on the addition of the phrase “regulated term.” Subsequent uses of this phrase have been deleted. In fact, in § 15-218-36, it appears that the HCDA abandons the “regulated term” concept and replaces it with a right-of-first-refusal.

I could be incorrect, and this is not my area of expertise. However, if I am confused, then developers and other stakeholders might also be confused. Litigation is common in the construction industry, so anything that HCDA can do to make it more understandable for attorneys would help.

5 – Conclusion

Thank you for your time and reviewing my testimony. Again, I would like to express my support and admiration of the HCDA overall. I hope that my testimony has been constructive.

Mahalo,

Dallas Walker
J.D. Candidate, 2017

From: CarolSakata <csakata808@gmail.com>
Sent: Thursday, March 23, 2017 7:13 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Carol Sakata

Email

csakata808@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: steventogami <steve.togami@cmc.com>
Sent: Wednesday, March 22, 2017 12:19 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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steven togami

Organization

CMC, dba Associated Steel Worker

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Phone

(808) 682-5588

Email

steve.togami@cmc.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: RICHARDMCDONALD <mcdonaldr002@hawaii.rr.com>
Sent: Wednesday, March 22, 2017 10:44 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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RICHARD MCDONALD
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Phone
(808) 295-0304
Email
mcdonaldr002@hawaii.rr.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: JustinIzumi <jizumi@abs.cc>
Sent: Wednesday, March 22, 2017 4:03 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Justin Izumi

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Email

jizumi@abs.cc

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: RosannaVierra <rosannavierra@gmail.com>
Sent: Tuesday, March 21, 2017 9:45 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Rosanna Vierra
Organization
Personal Card
Address
1838 SAINT LOUIS DR HONOLULU, HI 96816-1933 United States Map It
Email
rosannavierra@gmail.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: ChrisAnjo <chrisanjo@yahoo.com>
Sent: Tuesday, March 21, 2017 8:10 PM
To: &HCDA
Subject: Public Testimony Website Submission

Name

Chris Anjo

Address

3219 Pahoa Ave

Honolulu, HI 96816

United States

Map It <<http://maps.google.com/maps?q=3219+Pahoa+Ave+Honolulu%2C+HI+96816+United+States>>

Phone

(808) 497-3518

Email

chrisanjo@yahoo.com <<mailto:chrisanjo@yahoo.com>>

Do you support or oppose?

Oppose

From: AlexFergus <alex@fergushawaii.com>
Sent: Tuesday, March 21, 2017 5:52 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Alex Fergus
Organization
Fergus & Company
Email
alex@fergushawaii.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose
Comment
The proposed amendments will only compound the housing problem by adding further layers of regulation which will result in significantly less housing being constructed for local people.

From: barryraff <bgrpph@gmail.com>
Sent: Tuesday, March 21, 2017 5:19 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
barry raff
Address
1036 Kawaihoa Way Honolulu, HI 96825 United States Map It
Email
bgrpph@gmail.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: guychurchill <churchgc@yahoo.com>
Sent: Tuesday, March 21, 2017 5:17 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

guy churchill

Email

churchgc@yahoo.com <mailto:churchgc@yahoo.com>

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

This is poorly thought through.

From: AndrewReenders <andrew.reenders@cbre.com>
Sent: Tuesday, March 21, 2017 4:53 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Andrew Reenders
Email
andrew.reenders@cbre.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: ScottMorita <scottmorita@gmail.com>
Sent: Tuesday, March 21, 2017 3:40 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Scott Morita
Email
scottmorita@gmail.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: ScotMatayoshi <smatayoshi@gmail.com>
Sent: Tuesday, March 21, 2017 3:38 PM
To: &HCDA
Subject: Public Testimony Website Submission Proposed Amendments Relating to HAR Chapter 15-218 "Kakaako Reserved Housing Rules"

Name
Scot Matayoshi
Address
Kailua, Hawaii 96734 United States Map It
Email
smatayoshi@gmail.com
Project Name
Proposed Amendments Relating to HAR Chapter 15-218 "Kakaako Reserved Housing Rules"
Do you support or oppose?
Oppose
Comment
Please make it easier for developers to build affordable housing in Hawaii.

From: TobiasMartyn <tobiasmartyn@gmail.com>
Sent: Tuesday, March 21, 2017 3:12 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Tobias Martyn
Organization
Kakaako resident
Address
801 South Street, #3027 Honolulu, HI 96813 United States Map It
Phone
(808) 375-5721
Email
tobiasmartyn@gmail.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose
Comment
As a new resident of 801 South Street, Building B, I have seen first hand the hugely positive impacts that the workforce housing regs (as they stand currently) have had. We need to do more of this not less and any effort to limit work force housing development would be hurtful and unwise. If you have any doubts, talk to the residents of 801 South Street. They will tell you.

From: JonathanJanus <jdjanus@gmail.com>
Sent: Tuesday, March 21, 2017 2:30 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Jonathan Janus
Email
jdjanus@gmail.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: KeslieHui <khui808@gmail.com>
Sent: Tuesday, March 21, 2017 2:24 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Keslie Hui

Address

2243 Piimauna Street
Honolulu, HI 96821
United States
[Map It](#)

Email

khui808@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: JeremyShorenstein <jeremy.shorenstein@gmail.com>
Sent: Tuesday, March 21, 2017 5:58 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Jeremy Shorenstein
Email
jeremy.shorenstein@gmail.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose
Comment
"If we are in the middle of a famine, why would you make it harder for farmers to grow crops?"
Please amend the rules so that they support the development of workforce and affordable housing, rather than making the risk-return so unattractive that builders will only build luxury and not build anything for working class residents like me,

From: TonyAu <tony.au808@gmail.com>
Sent: Tuesday, March 21, 2017 1:48 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Tony Au

Address

3668-A Lilinoe Place
Honolulu, HI 96816
United States
[Map It](#)

Phone

(808) 781-5588

Email

tony.au808@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

HCDA,

Hawaii is in dire need of more workforce housing and there are not enough developments to support the increasing demand. Given this, I oppose the Kakaako Reserved Housing rules as I believe the restrictions proposed will limit the ability for developers in our community to build the housing needed. We need to create more opportunities to attract more workforce housing developments, which are good for our community and our future.

From: AnthonyMizuno <tmizuno@boh.com>
Sent: Tuesday, March 21, 2017 1:38 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Anthony Mizuno
Address
218 Kawaikui Pl. Honolulu, HI 96821 Map It
Email
tmizuno@boh.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose
Comment
The proposed reserved housing rules are bad and will worsen an already under supplied housing market.

From: JacobFergus <jake@fergushawaii.com>
Sent: Tuesday, March 21, 2017 12:59 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Jacob Fergus
Organization
Fergus & Company
Address
360 Papa Place, Suite 101 Kahului, HI 96732 United States Map It
Email
jake@fergushawaii.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: TylerTokioka <ttokioka@islandinsurance.com>
Sent: Tuesday, March 21, 2017 12:35 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Tyler Tokioka
Email
ttokioka@islandinsurance.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: KevinOta <kevino@marcusrealty.com>
Sent: Tuesday, March 21, 2017 12:02 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Kevin Ota
Organization
Marcus & Associates, Inc.
Address
888 Kapiolani Blvd. #1007 Honolulu, HI 96813 United States Map It
Phone
(808) 554-8246
Email
kevino@marcusrealty.com
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose

From: SpencerLee <spencerfunk@gmail.com>
Sent: Tuesday, March 21, 2017 11:15 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Spencer Lee

Address

3911 Koko Drive
Honolulu, HI 96816
United States
[Map It](#)

Email

spencerfunk@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Hello, I'm a loan officer in Hawaii and I've personally worked with about a hundreds of new condo project borrowers. In talking to these folks I already know that many of them wouldn't have purchased a unit if some of these regulations were passed. Though the new regulations are well intended, they have the perverse negative consequence of reducing overall buyer demand, thus developers may decide not to build new projects. Some of the issues that will turn off buyers the most are:

1. The occupancy guideline will turn away come buyers who plan to have kids in the future, but cannot buy a 2 bedroom unit.
2. The asset limit will hurt buyers who have saved a substantial amount of money. Why penalize savers?
3. Many people are turned off by the 5 year buy back term and equity sharing for reserved housing already, but still go through with the purchase because they rationalize that 5 years will go by quickly. If the buy back and equity sharing provisions goes in perpetuity, then many, many people simply won't buy because earning appreciation on the unit is a large motivating factor. With less incentive to buy these people will just continue to rent, thus pushing up rental prices, which is an unintended consequence of hurting renters, many of whom have no choice other than to rent.
4. The same reasoning applies to the proposed workforce housing buy back and equity sharing provision in perpetuity.

Thank you

From: JimMiller <jpmiller83@gmail.com>
Sent: Tuesday, March 21, 2017 10:09 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Jim Miller

Email

jpmiller83@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Please think long and hard about what you are intending to do with the proposed changes to reserved and workforce housing rules. Sometimes the best-laid plans have adverse impacts and this is no different. Further restrictions and requirements on reserved and workforce housing will have the opposite impact of what is intended and slow down deliveries of market, reserved and workforce units.

Ultimately the housing problem on Oahu is a very simple supply and demand function. Supply has been perpetually constrained due to the inherent difficulty of development on an island. This has been enhanced by heavy regulation resulting in and arduous entitlement processes that result in high costs and long timelines to get new projects off the ground.

The current model for reserved housing requires developers to subsidize reserved units with market units resulting in what Paul Brewbaker describes as barbell building. Building high-end, high-margin product to subsidize low-end reserved units. This results in building for the tails on either side the normal distribution curve leaving the bulk of the curve underserved. The current workforce housing model does a good job of filling this gap but it still provides developers a significant challenge to make a project pencil.

Adding further regulations and restrictions that either: 1. impact the potential buyer pool of reserved or workforce units or 2. add to project costs or 3. reduce potential project revenue will only result in less housing supply. Further impacting supply will only exacerbate the problem.

Rather than looking to more restrictive covenants, the Authority should be looking at what can be done to increase deliveries. A few that come to mind are eliminating the 400 ft height restriction, eliminate parking requirements for reserved or workforce projects, provide RPT and GET exemptions for all income restricted rental projects etc.. These types of changes would provide a carrot rather than a stick resulting in many more deliveries at all price points and would have the largest impact on supply.

Smart and dense development provides the most efficient housing in the right areas and also provides an increased tax base for the city and state. The great side effect of increased supply is the resulting increase in job creating and economic activity resulting in increased taxes proceeds for the city and state.

In closing, I as that you please DO NOT approve any proposed rule, regulation or condition that further restricts building, doing so will directly contribute to the homelessness and affordability problems plaguing the island.

From: ScottKaneshiro <skanedesign@gmail.com>
Sent: Tuesday, March 21, 2017 9:45 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Scott Kaneshiro

Address

94-343 Makapipipi St.
Mililani, Hawaii 96789
United States
[Map It](#)

Email

skanedesign@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: DavidArita <david.arita@tcs-hawaii.com>
Sent: Tuesday, March 21, 2017 9:34 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

David Arita

Organization

The Carpet Shoppe Inc.

Address

98-1017 Palula Way
Aiea, Hawaii 96701
United States
[Map It](#)

Phone

(808) 783-3127

Email

david.arita@tcs-hawaii.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Let's make it easier for everyone to build and buy new homes.

From: ChristinaDwight <cis@christinadwight.com>
Sent: Tuesday, March 21, 2017 9:30 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Christina Dwight

Organization

Commercial Investment Strategies, LLC

Address

126 Queen St. #309
Honolulu, HI 96813
United States
[Map It](#)

Phone

(808) 429-1098

Email

cis@christinadwight.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: DavidAsakura <daasakura@gmail.com>
Sent: Tuesday, March 21, 2017 9:08 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

David Asakura

Email

daasakura@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: MatthewLamon <mattlamon@gmail.com>
Sent: Tuesday, March 21, 2017 8:37 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Matthew Lamon

Address

1615 Liholiho Street
#PH
Honolulu, Hawaii 96822
United States
[Map It](#)

Phone

(808) 228-2219

Email

mattlamon@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

More regulation = less housing = compounding the problem.

From: RonaldFunai <Ronald.Funai@cmc.com>
Sent: Tuesday, March 21, 2017 8:28 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Ronald Funai

Organization

CMC Steel/ASW

Address

911048 Waikapuna Street Ewa Beach 96706
[Map It](#)

Phone

(808) 722-8764

Email

Ronald.Funai@cmc.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

From: DanielLum <daniel.w.lum@gmail.com>
Sent: Monday, March 13, 2017 5:35 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Daniel Lum

Address

801 South Street
1110
HONOLULU, HI 96813
United States
[Map It](#)

Phone

(808) 636-0601

Email

daniel.w.lum@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

I fall into that gap group, I was born and raised in Hawaii, went to school at McKinley, my family is a first generation Americans. I was fortunate enough to be selected to be one of the lucky homeowners at 801 South St.
Two years ago, I was only able to afford a 1 bedroom unit. This past weekend, I proposed to my girlfriend and plan to get married soon. If it wasn't for 801 South St, I don't think I would be ready to start a family. I plan to sell my unit in the coming year, use that equity for a down payment to buy a house that can support my future family. I am thankful, I will have this opportunity to parlay my 801 unit to give me this chance. If not, how can we expect anyone in Hawaii to afford a \$70-80K down payment for a single family house? Does the government expect me to live in my tiny 1 bedroom unit for the next 30 years?
We need less restrictions on the developers to give them a chance to put more housing units into the market, or else there is no way for the supply to meet the demand. On the buyer side, I won't want to buy a house that are tied with numerous restrictions either. I hope I could benefit from my home as others have in Hawaii and this should be 1) my home to live and 2) an investment that will grow with the housing market in Hawaii. If we pass more rules restricting subsequent sales, you are taking away my PERSONAL opportunity to move forward in the social economic ladder. The rich have benefited from the real estate why can't the regular people deserve a chance to start small?

From: VanLaw <vanlaw@gmail.com>
Sent: Wednesday, March 08, 2017 4:44 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Van Law

Address

801 South Street, #3822
Honolulu, Hawaii 96813
United States
[Map It](#)

Phone

(808) 375-5579

Email

vanlaw@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

I am writing to express my opposition to the proposed changes to the Kakaako Reserved Housing Rules, and to offer other suggestions that may have the desired benefits of providing more affording housing for local residents.

I purchased my first home at 801 South Street, Building B, under the old rules, which allowed for a maximum income of 140% the median income (\$86,150.00 in 2016). It is my understanding that the proposed changes would lower the maximum income from 140% to 120% (\$73,850.00 in 2016). Under the new rules, I would not have qualified to purchase a unit at 801 South Street or any of the other Reserved Housing units available in Kakaako. Additionally, I would not be able to afford any of the other market priced units being offered in the neighborhood for at least \$800,000 to over a million dollars.

While I agree more has to be done to address the housing shortage and to provide housing for those making 120% of the median income and less, I believe the proposed changes most negatively impact people and families in my situation. The families who bought and live in 801 South Street are middle-class people, who although make a little more than the median, do not feel rich monetarily and do not live lavishly.

In thinking about the housing shortage situation in Hawaii, I believe you can impose a mixed tier approach to the income limits. Instead of mandating all 20% of units within new developments be priced for those making 120% of the median income, why not consider allocating some units for those making both 120% and 140% of the median income? This way those in my situation would not be priced out of the market, and those needing more affordable housing will have better options.

Another recommendation I have for the 20% Reserved Housing rule is to tie it to the total square footage, and not just the number of units. Many of the more luxurious buildings have larger units, which results in far fewer total units, which results in far fewer Reserved Housing units. For example, Waiea, takes advantage of the full height limit allowed in the neighborhood, but only provides 171 residential units. Under your rules, they would only have to provide 34 Reserved Housing units despite each of their units being twice or three times bigger than those available at Ke Kilohana. If your rules tie the Reserved Housing units to square footage instead of number of units, they would be required to provide 70-100+ new units priced for Kamaaina families.

Speaking of Waiea and Ke Kilohana, I believe you also have to address the rules that allow developers to provide Reserved Housing in other buildings. It is my understanding that Ke Kilohana satisfies the Reserved Housing requirements for multiple luxury condominiums in the Howard Hughes development, including Waiea, Anaha, Ae'o, and the Gateway Towers. In my opinion, this is fine, but they should be required to provide more units if they are being provided in a separate development.

Those four luxury condominiums using Ke Kilohana to satisfy their Reserved Housing requirements are in prime locations near the ocean and vibrant shopping centers, while Ke Kilohana is located more inland and is situated a mere 100 feet away from an adjacent high rise condominium. Units in Ke Kilohana are nowhere near equal to any of those available in the other four luxury developments and should be counted at a rate of 50% in meeting the minimum Reserved Housing totals.

Finally, I want to address the issue with outside investors buying up everything in Kakaako. These out of state investors with their deep pockets are the prime driver in the cost of housing going up. These investors are not purchasing these condos to use as their home, but as investments, which they leave vacant until it is an opportunistic time to sell. It is obvious when you drive by the luxury condos at night, and see only 20% of the lights on. There has to be some penalty imposed on the out-of-state investor to stabilize the market for local families. I believe a 20% penalty imposed on any out-of-state investors would help keep prices more manageable. The 20% penalty could be used to fund lower income projects like the Artspace Lofts that is currently being developed.

In conclusion, I believe the proposed changes to the median income requirement for purchase of Reserved Housing units is unfair to the average local family and will not do much to drive the cost of housing down. I have provided some options that I hope you will explore that could affect real change and provide more housing for those making 140% of the median income and less. I hope you take my considerations to heart.... and, Kakaako needs more green spaces!

From: BillWilson <bwilson@hdcc.com>
Sent: Tuesday, February 28, 2017 3:51 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Bill Wilson

Organization

Hawaiian Dredging Construction Company, Inc.

Address

201 Merchant Street
Honolulu, Hawaii 96813
[Map It](#)

Phone

(808) 735-3322

Email

bwilson@hdcc.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

STATE OF HAWAII

PUBLIC HEARING

RE:

AMENDMENT OF HAWAII ADMINISTRATIVE RULES,
TITLE 15, SUBCHAPTER 4, CHAPTER 218,
"KAKA'AKO RESERVED HOUSING RULES"

TRANSCRIPT OF PROCEEDINGS

Tuesday, March 28, 2017

Taken at 547 Queen Street, Second Floor
Honolulu, Hawaii 96813
commencing at 9:01 a.m.

Reported by: LAURA SAVO, CSR No. 347

A P P E A R A N C E S

Curtis T. Tabata, Hearings Officer

Deepak Neupane, Dir. of Planning and Development

Garett Kamemoto, Communications & Community Outreach
Officer

MEMBERS PRESENT:

(None present.)

I N D E X

PAGE

I. Call to Order

4

II. Introduction

4

III. Adjournment

24

PUBLIC TESTIMONY BY:

Richard Bowles

7

Paul Cassiday, Jr.

9

Bill Wilson

11

Harrison Rue

13

George Massengale

13

Galen Fox

15

Dan Nishikawa

18

Stanford Carr

19

Ken Chang

21

Lisa Eveleth

22

1 Tuesday, March 28, 2017, 9:01 a.m.

2 -o0o-

3 THE HEARINGS OFFICER: Good morning. I'd
4 like to call the March 28, 2017, public hearing of
5 the Hawaii Community Development Authority to order.
6 It is now 9:01 a.m. My name is Curtis Tabata, and I
7 am the hearings officer appointed by the Authority to
8 conduct this hearing.

9 Today's public hearing is held pursuant
10 to the provisions of Chapter 91 and Chapter 206E,
11 Hawaii Revised Statutes, Title 15, Chapter 219,
12 Hawaii Administrative Rules. Section 15-219-26 of
13 the HCDA's Rules of Practice and Procedure provides
14 that, to the extent permitted by law, the Authority
15 may duly appoint a hearings officer pursuant to
16 Section 92-16, Hawaii Revised Statutes.

17 The hearings officer so appointed shall
18 have all the powers, which would be held and enjoyed
19 by the chairperson or authority or any member thereof
20 in connection with the hearing.

21 Section 206E-5.6 HRS provides that two
22 separate public hearings be held before the Authority
23 can adopt an amendment to any of the Authority's
24 community development rules.

25 On October 5, 2016, the Authority

1 approved the retention of a hearings officer to
2 conduct the public hearings relating to the proposed
3 amendments to the Kaka'ako Reserved Housing Rules.
4 HCDA staff presented the proposed draft amendments to
5 the Kaka'ako Reserved Housing Rules to the Small
6 Business Regulatory Review Board on December 21,
7 2016, and the SBRRB voted to recommend holding public
8 hearings on the park rules.

9 On October 21, 2016, Governor David Ige
10 approved the HCDA to hold public hearings on the
11 Kaka'ako Reserved Housing Rules.

12 Notice of this public hearing was
13 published on February 26, 2017, in the Honolulu
14 Star-Advertiser. The notice was also sent to HCDA's
15 email list and posted on the HCDA website.

16 The HCDA's proposing to amend Title 15,
17 Chapter 218, Hawaii Administrative Rules, entitled
18 "Kaka'ako Reserved Housing Rules." The overarching
19 purpose of the proposed amendments to the Kaka'ako
20 Reserved Housing Rules is to promote the development
21 of additional reserved housing units while preserving
22 the existing inventory of current reserved housing
23 units in the Kaka'ako Community Development District.

24 The proposed amendments will expand the
25 sources of reserved housing units, encourage further

1 development of for-sale and rental reserved housing
2 units, preserve existing reserved housing inventory,
3 ensure consistency with affordable housing rules
4 administered by other state and city agencies, and
5 clarify specific existing provisions and terms in the
6 current Kaka'ako Reserved Housing Rules.

7 Additionally, the proposed amendments will establish
8 buyback and equity sharing options for workforce
9 housing units.

10 The decision-making hearing for this item
11 is scheduled for March (sic) 3, 2017, at 1:00 p.m.
12 On that date, public testimony will be accepted prior
13 to the report from the hearings officer on the
14 testimony heard here today. After the receipt of
15 public testimony and the report, the HCDA Authority
16 members will take action on this item.

17 I would note, as of March 24, 2017, the
18 HCDA has received 70 written testimonies. We will
19 now hear testimony from the public. Speakers will be
20 called up to testify in the order in which they have
21 signed up. Public testimony will be limited to three
22 minutes each. Please refrain from reading your
23 written testimony, and, instead, summarize your
24 comments in the time that you have available. When
25 you are called, please come up to the witness table

1 and speak directly into the microphone. Please state
2 your name and any organization that you are
3 representing.

4 From the sign-up list, our first public
5 testifier is Richard Bowles to be followed by Paul
6 Cassiday, Jr.

7 Please.

8 MR. BOWLES: Good morning.

9 THE HEARINGS OFFICER: Good morning.

10 MR. BOWLES: My name is Richard Bowles.
11 I recently moved into 801 South Street, Building B.
12 That's what prompted me to come in and speak this
13 morning.

14 I don't really have an affiliation other
15 than my wife and child, my 10-year-old daughter, and
16 perhaps, I guess, I would be affiliated with just
17 regular people. And as you know, as anyone in the
18 room knows, it's difficult in Hawaii right now. My
19 wife and I have good jobs. She's been with the State
20 of Hawaii for 30 years, and I've been in IT in
21 Honolulu for 40. And so we've been part of the
22 business community, and we make a fair salary, but
23 it's just difficult for us to get into something like
24 this workforce housing that we're basically
25 privileged and blessed to be a part of now.

1 So I'd just like to say that although the
2 reserved housing amendments or the rules, in general,
3 are a really good thing to make sure there's a cross
4 section within Kaka'ako of regular people amidst a
5 lot of wealthy type of situations that only certain
6 people can afford condos there. So I would just like
7 to implore you, as far as the workforce housing
8 specific rules go, to leave things be because I guess
9 I'm of the opinion if it ain't broke, don't fix it.
10 Because I just lived through this experience right
11 now where we're not able to get a nice place unless
12 we go out past Pearl City or Waipahu or perhaps
13 Kaneohe, but not Kailua. Not Hawaii Kai. We're kind
14 of in a difficult situation to try and live the dream
15 or to have a good quality of life and not spend hours
16 on the freeway every day or in our commute.

17 So thank you, HCDA, for the opportunity
18 that we have in our current place and what you've
19 done with workforce housing, and I would just beg you
20 and implore you, beseech you, to keep things the way
21 they are and allow more of these types of structures
22 to come up near the city, near the downtown area
23 where people can walk to work and have their quality
24 of life with their families where they don't need to
25 travel so far to get to their jobs. And they can

1 also be part of this community, whether it's coaching
2 kids or giving back in other ways to be part of this,
3 and not tax the people that do produce these
4 structures with any more rigorous kinds of rules and
5 regulations. Thank you.

6 THE HEARINGS OFFICER: Thank you.

7 MR. BOWLES: Thank you very much. I
8 really appreciate your time.

9 THE HEARINGS OFFICER: Paul Cassiday, Jr.

10 MR. CASSIDAY: Good morning. My name's
11 Paul Cassiday, Jr., and I thought --

12 (Bell ringing.)

13 MR. CASSIDAY: Oh, good. That was you,
14 not me.

15 THE HEARINGS OFFICER: That was me.
16 Sorry.

17 MR. CASSIDAY: I love it.

18 THE HEARINGS OFFICER: I've got to turn
19 this off. It's my way to keep time.

20 MR. CASSIDAY: It's a smartphone. It's
21 the operator.

22 THE HEARINGS OFFICER: Yes, sir.
23 Please --

24 MR. CASSIDAY: Good morning.

25 THE HEARINGS OFFICER: -- state your name

1 and your affiliation, if any.

2 MR. CASSIDAY: My name is Paul Richard
3 Kaunahoakalani Cassiday, Jr. I am a sixth-,
4 seventh-generation Hawaiian. My great, great, great,
5 great grandfather Alexander Adams had a house around
6 here. He also had a business -- one of the first
7 businesses. It was a Lucas Mill. They were
8 contractors and built the palace and then Moana
9 Hotel, got out of the business and the family spread.

10 My affiliation today is with the
11 Waterhouse Foundation. They are great supporters of
12 things like the National Association of Social
13 Workers, which they gave 500 bucks to, because my son
14 got a scholarship from them, for his thing up at UH.
15 So I was pretty pleased about that.

16 They have talked to me, reached out over
17 the years about affordable housing, and I got a call
18 yesterday asking if I'd come in to testify. I said,
19 "Yes." They said, "Would you represent our point of
20 view?" And I said, "I'd be more than pleased to.
21 You guys are good community people."

22 So it's pretty simple. They have land in
23 Kaka'ako, and they've been part of the outreach of
24 the staff here to inform landowners and other
25 stakeholders of the proposed changes and why and

1 wherefore. To date today, they don't feel that they
2 have enough time to digest what is being proposed and
3 what the effect of that will be. So it is my
4 testimony that there be more time given for critical
5 thought applied to these changes on something as
6 important as this.

7 Just as a point of reference, I also did
8 the 2014 Affordable Rental Housing Study for the
9 state, the city and the other four counties, and it
10 showed that probably one in five households in the
11 state struggle with shelter, obtaining shelter, and
12 need some sort of public assistance. So referencing
13 that report as the fact of where we are in terms of a
14 critical juncture for housing our own people, I think
15 it is worth considering giving more time before
16 coming to a decision on this, and that would be my
17 testimony.

18 THE HEARINGS OFFICER: Thank you.

19 Bill Wilson.

20 MR. WILSON: Good morning.

21 THE HEARINGS OFFICER: Good morning.

22 MR. WILSON: My name is Bill Wilson, and
23 I'm the chairman of the Hawaiian Dredging
24 Construction Company.

25 Our company has built and is building

1 more of the recent residential housing projects in
2 Kaka'ako than any other contractor. My concern is
3 that the proposed rules will effectively stop future
4 work in the district. It has already slowed in the
5 last year as the demand for market units has, in
6 fact, reduced, and the proposed changes associated
7 with reserved housing units will make it more
8 difficult for those developers to subsidize those
9 units. Further, for the workforce housing units,
10 that the challenges that will exist there will be
11 greater too given both the equity sharing and buyback
12 rights that are proposed for future workforce housing
13 projects.

14 In the recent years, only one workforce
15 housing project has been developed, and I believe
16 that the restrictions that are proposed will ensure
17 that others are not in the future. I think that the
18 real concern is who will build future projects. The
19 work is needed for the construction industry. The
20 construction industry is prepared to build affordable
21 projects in Kaka'ako as we have in the recent past,
22 but, unfortunately, with these proposed rules, I
23 believe that will not occur, and the opportunities
24 for the buyers in the district in the past will not
25 occur in the future due to those proposed

1 limitations. Thank you.

2 THE HEARINGS OFFICER: Thank you.

3 Next testifier is Harrison from DPP. I
4 can't read the last name. Sorry. Is there a
5 Harrison here?

6 MR. RUE: Too many microphones.

7 Harrison Rue. For the record, R-u-e. We
8 stand on our written testimony.

9 THE HEARINGS OFFICER: Thank you.
10 Harrison, could you spell your last name for me,
11 please?

12 MR. RUE: R-u-e.

13 THE HEARINGS OFFICER: Thank you.

14 George Massengalo? Sorry if I
15 mispronounced your name, sir.

16 MR. MASSENGALE: You did, but that's
17 okay.

18 THE HEARINGS OFFICER: If you could
19 please --

20 MR. MASSENGALE: Everybody does.

21 THE HEARINGS OFFICER: If you could
22 please correct me, I'd appreciate that.

23 MR. MASSENGALE: My name is George
24 Massengale, M-a-s-s-e-n-g-a-l-e, and I'm here today
25 on behalf of Hawaii Habitat for Humanity.

1 We did not prepare a formal testimony;
2 however, I will submit something after this
3 meeting -- after this hearing today. Our main
4 objection to the regulations at this point in time is
5 we question the affordability requirements. We think
6 most of the units that we see in workforce housing
7 and for-sale housing are for people between 100
8 percent and up to 140 percent. We think those should
9 be lowered.

10 Late last year, the city council, which
11 we offer a lot of testimony, defined affordable
12 housing as housing between 30 and 80 percent AMI. We
13 would like to see these -- the high end lowered on
14 the particular projects that are outlined on the
15 rules.

16 I would point out that 100 percent AMI is
17 \$100,000 a year for a family of four. 120 is about
18 120,000. 140, 140,000. The rules, as they are now,
19 would price people outside of the market. So we
20 would like to see some softening of affordable
21 housing requirements. And, again, I will submit
22 testimony after this hearing when I get back to my
23 office today.

24 THE HEARINGS OFFICER: Thank you.

25 MR. MASSENGALE: Thank you.

1 THE HEARINGS OFFICER: Galen Fox.

2 MR. FOX: Thank you. I'm Galen Fox. I
3 speak as a resident of Kaka'ako and a member of
4 Kaka'ako United.

5 I want to just make one point and that is
6 that 140 percent of area medium income is not
7 affordable, and the law under which HCDA operates
8 under Section 20E-1 (sic) speaks of the problem of
9 lack of affordability of housing in Honolulu that's
10 to be solved, in part, by HCDA.

11 Section 206E-4(18) says that "Affordable
12 housing requirements should be satisfied through
13 reserved housing," and that's also workforce housing.

14 And Section 206E-101 says that "Reserved
15 housing means housing designated for residents in the
16 low- or moderate-income range." So it's very
17 important. To fulfill reserved housing requirements,
18 you have to build affordable housing in the low- or
19 moderate-income range. 140 percent of area median
20 income is not affordable housing and is not in the
21 moderate-income range.

22 A study commissioned by the City said
23 that households making over 120 percent of area
24 median income don't need government support. They
25 also say that the 140-AMI tier used by the City

1 represents housing incomes from 120 to 140 percent.
2 That's a tier above the affordable range.

3 The former executive director of HCDA,
4 Tony Ching, used to constantly present a ladder
5 that's referenced in my written testimony. The
6 ladder shows the rising levels of affordability.
7 "Affordable" -- the word "affordable" tops off at 100
8 percent of area median income. Above that from 100
9 and 140 percent, he defines as workforce or reserved
10 housing. By his own law, he cannot define workforce
11 or reserve housing above affordable because it has to
12 be affordable.

13 Now, the University of Hawaii's economics
14 department studied 29 mainland jurisdictions for how
15 they handled inclusive housing. HCDA is supposed to
16 be about inclusive housing. That's where you bring
17 people of various income levels together -- living
18 together. The 29 jurisdictions they studied, not
19 one -- not one of those 29 jurisdictions recognizes
20 anything above 120 percent of area median income as
21 affordable. In fact, only eight even go as high as
22 120 percent. The City, in its latest proposal, tops
23 off at 120 percent. The chart shows the data that I
24 just gave and is in my written testimony.

25 I was stunned to read in the newspaper

1 recently that the current executive director of HCDA
2 said that stakeholders have come up with an agreement
3 to keep the 140 percent AMI level in the rules. Now,
4 that's in contrast to the rules that were presented
5 last year. The draft rules stopped at 120 percent.

6 So the executive director comes in and
7 says "stakeholders." I've always thought that word
8 "stakeholders" is probably 10 or 20 people at the
9 most, people who can get around the table. The
10 community is not present. We never heard about this
11 stakeholders' meeting. We don't know anything about
12 it. You know, it's good that you have a hearing, but
13 I'm here to speak for thousands of people who cannot
14 qualify for housing between 120 and 140 percent of
15 area median income. Thousands, tens of thousands,
16 hundreds of thousands.

17 86 percent of the people in Hawaii,
18 according to the 2013 statistics, file tax returns
19 showing their income as less than 100,000 a year.
20 Less than 100,000 a year, you cannot buy a piece of
21 property in the 120 to 140 percent range.

22 Please -- please do not go away from the
23 2016 draft and raise this level from 120 percent to
24 140 percent. Bad. Thank you.

25 THE HEARINGS OFFICER: Thank you.

1 Dan Nishikawa.

2 MR. NISHIKAWA: Good morning. My name is
3 Dan Nishikawa, and I'm within OliverMcMillan.

4 We have submitted testimony, but I wanted
5 to summarize a few key points this morning. We have
6 successfully completed two projects here in Kaka'ako
7 Mauka: Pacifica Honolulu and Symphony Honolulu. We
8 are proud to have completed 224 reserved housing
9 units in each of these buildings, 25.5 percent of our
10 877 units delivered. Over 85 percent of all of our
11 units sold have been to local Hawaii residents.

12 We understand and appreciate that certain
13 rule changes are good and appropriate, specifically
14 when it's changed to add additional qualified buyers
15 for this reserved housing program and changing other
16 provisions in the Mauka Rules to give the developers
17 the ability to add the additional density on these
18 projects.

19 We think that any of these changes to the
20 rules, most importantly, must be made to enable and
21 promote additional reserved housing units, and making
22 rule changes that make it difficult or more difficult
23 for developers, or buyers may make these projects
24 unfeasible. We also think that the rules should be
25 different for for-rent, multi-family projects, and

1 the same rules should not necessarily apply to
2 for-rent projects. Our view is that incentives
3 should be considered for for-rent, workforce,
4 multi-family projects for rent.

5 We think that there are certain areas in
6 these draft rules that require additional study.
7 One, specifically, is the calculation of how these
8 reserved units are credited based on size factor. We
9 think that the calculation and use of in-lieu fees
10 need further study, and we think that limiting the
11 blended 120 percent AMI may be challenging for
12 developers in a high-cost and high-interest-rate
13 environment. We stand by our comments in our written
14 testimony. Thank you.

15 THE HEARINGS OFFICER: Thank you.

16 Stanford Carr.

17 MR. CARR: Good morning.

18 THE HEARINGS OFFICER: Good morning.

19 MR. CARR: Stanford Carr from Stanford
20 Carr Development.

21 I'm here -- we've provided written
22 testimony that's been submitted. My two concerns I
23 have are the utilizing of the Honolulu Board of
24 Realtors' condominium index as a means of recognizing
25 the appreciation on a subsequent sale of a reserved

1 or workforce housing unit. I believe this impediment
2 on the appreciation will actually prohibit buyers
3 from actually buying --

4 The unintended consequences would be no
5 project will be built because if they're unable -- if
6 developers are unable to meet their presale
7 requirements, they wouldn't be able to obtain secure
8 and satisfy the conditions of the construction
9 financing.

10 The second comment I have is also related
11 to that on the perpetual perpetuity of keeping the
12 unit in affordability. We've seen this concept fail
13 in many other instances, and I'd like the Authority
14 to recognize the mistakes other cities have made in
15 respect to trying to create what I would interpret as
16 socialized housing.

17 The other concern I have is the 30-year
18 mandatory requirement to preserve rentals. As it is,
19 you don't see production rental housing being
20 developed in the Kaka'ako District. To impose an
21 additional 30 years of building and maintaining
22 rentals is not smart. I mean, it's just adding
23 another disincentive of why you already don't have an
24 existence of production rentals unless you're
25 utilizing a federal/state subsidized program. If you

1 use low-income housing tax credits, you're required
2 to, by way of a regulatory agreement, record it
3 against the land to maintain the units as rentals for
4 a period of 30 years. To impose that same condition
5 on property owners that are not subject to any
6 regulatory agreement or federal/state subsidies to
7 build rental units, it's also not a good idea. Thank
8 you.

9 THE HEARINGS OFFICER: Thank you.

10 Henry Chang.

11 MR. CHANG: My name's Ken Chang. Henry
12 is still parking the car.

13 THE HEARINGS OFFICER: Oh, thank you.

14 MR. CHANG: And we are speaking here on
15 behalf of Ililani, LLC. We're a developer. I would
16 like to just generally say that workforce housing and
17 reserved housing were two separate categories, and
18 the current modifications to the rules would
19 essentially create one category of affordable
20 housing.

21 It is an unfortunate fact, but in this
22 country now, we have what the Urban Land Institute
23 calls two-levels-of-affordability problem. In the
24 housing market, the utilized most recent report
25 describes the big "A" and the small "a" problem.

1 Well, we very much agree with the earlier speaker
2 that the big "A" problem, which involves subsidies,
3 must be solved, and 140 AMI, clearly, is not a big
4 "A" problem with subsidies.

5 There's also a small "a" problem in this
6 country today where the lower-middle and the middle
7 class housing has to be provided. Workforce housing
8 is one of the few successful programs in this country
9 that addresses the lower middle and middle class
10 housing problem.

11 The number of units produced up to date
12 far exceeds the reserved housing units in this city,
13 and we believe that much further study needs to be
14 taken on these rules to make sure there is no
15 confusion that there are two levels of affordability
16 that must be addressed by every community. Thank
17 you.

18 THE HEARINGS OFFICER: Thank you. Lisa
19 Eveleth.

20 MS. EVELETH: Hi. My name is Lisa
21 Eveleth. I submitted written testimony, but I'm not
22 sure if it made it. So just in case, I'd like to
23 read it.

24 My family owns Coral Commercial Center
25 located at 670 Auahi Street. It's about four and a

1 quarter acres in the heart of Kaka'ako. We're
2 currently comprised of warehouse and retail tenants.

3 It's recently come to my attention that
4 HCDA has been working on affordable housing rules
5 that will significantly affect the future development
6 options of my property and other nonmaster plan lands
7 in Kaka'ako. I wasn't approached by HCDA staff or
8 leadership and informed of these proposed changes. A
9 process wasn't laid out for us to learn and voice our
10 concerns about the proposed rule amendments.

11 I think we can all agree that the State
12 of Hawaii is in great need of affordable housing;
13 however, we all need to work together to make this
14 happen. My first recommendation is that we take a
15 step back and gather more information and input from
16 the community so we can best understand how to move
17 forward in a productive manner to create more
18 affordable housing.

19 I commend the HCDA board for all their
20 hard work in trying to increase reserved housing and
21 encourage the affordable housing development in
22 Kaka'ako. I believe that the incentives, such as
23 flexible parking and floor area bonuses for workforce
24 housing, have encouraged developers and landowners to
25 build affordable housing. However, the newly

1 proposed equity sharing and buyback provisions tied
2 to workforce housing do not encourage workforce
3 housing development. As these rules will not apply
4 to master plan areas in Kaka'ako, such as Kamehameha
5 Schools and Howard Hughes, those affected by these
6 new rules will be at a great disadvantage when
7 contemplating workforce housing. The new buyback
8 equity sharing provision creates an uneven playing
9 ground for landowners. If this rule passes, I
10 believe we will see a halt to workforce housing on
11 nonmaster plan areas in Kaka'ako.

12 My second recommendation to the board is
13 to keep the workforce housing as is and please do not
14 add the buyback provision and equity sharing at this
15 time. Kaka'ako is thriving. The live-work-play
16 neighborhood is within reach. It would be a shame to
17 see that development stop before the vision has been
18 met. Thank you.

19 THE HEARINGS OFFICER: Thank you. Is
20 there anybody else here who would like to testify?

21 Hearing none, on behalf of the HCDA
22 Authority members and its staff, I thank you for
23 attending today. Thank you. The hearing now stands
24 adjourned.

25 (Hearing adjourned at 9:32 a.m.)

STATE OF HAWAII)
) ss.
CITY AND COUNTY OF HONOLULU)

That the foregoing proceedings were taken down by me in machine shorthand at the time and place herein stated, and was thereafter reduced to typewriting under my supervision;

I further certify that I am not of counsel or attorney for any of the parties to this case, nor in any way interested in the outcome hereof, and that I am not related to any of the parties hereto.

LAURA SAVO, RPR, CSR NO. 347