Moses, Kuulei N

From: JuanitaKawamoto <farmfreshhawaii@gmail.com>
Sent: Wednesday, May 17, 2017 7:16 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Juanita Kawamoto

Organization

Resident of Senate District 12, Active member of the Democratic Party of Hawaii, Active member of multiple benevolent Hawaiian organizations

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Aloha HCDA Chair and Board members,

I am unable to attend today's hearing because I am part of the hard working masses that do our best to be part of the solution and not the problem regarding affordable housing in Kakaako. My husband, my children and myself work full time schedules and cannot currently maintain the required living standards for affordable housing in Kakaako. My family has lived, worked and Rest In Peace in Hawaii nei. As an active community volunteer and Kupuna, I have watched Kakaako evolve from a fishing village and work camp to luxury condominiums for a majority of out of state and out of country second home investors. The Kakaako condo developments support multiple non resident billionaire developers. I question, when did hardwork and commitment from Hawaii citizens turn into no affordable housing and oppression of the Hawaii working class who are now defined as Hawaii second class citizens with no hope for a future and no affordable homes for their children and grandchildren?

In my humble opinion, the HCDA is acting as if it is just an acronym and not a true representation of the Hawaii Community Development Authority who should support the citizens of the State of Hawaii in master planning communities in their relevant districts . As a representative of my family, who resides in Kakaako, please support our request to oppose the proposed increases that clearly limit real affordable housing for Hawaii's local population.

How can the pillars of a family structure support its foundations when they are constantly absent, working at jobs that don't match the unreasonable standards set by those who are ambivalent to our community needs?

Please oppose any further increases to minimize real affordable housing units in all current and future development in Hawaii, especially Kakaako!

Mahalo for your attention to these matters.

Sincerely,
Juanita Kawamoto
Kakaako district resident

Moses, Kuulei N

From: BryanLi <bryankkli@yahoo.com>
Sent: Tuesday, May 16, 2017 10:12 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Bryan Li
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Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose
Comment
We all agree that affordable housing is needed. However, HCDA's proposed amendments will have the opposite effect. Less housing will be built which will further exacerbate the housing crisis. Rather than imposing additional regulations, HCDA should examine ways to encourage affordable housing development.

Moses, Kuulei N

From: BenWang <wang_benjamin@hotmail.com>
Sent: Tuesday, May 16, 2017 5:13 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Ben Wang

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wang_benjamin@hotmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

I live and work in Kaka'ako/Ward and am strongly opposed to the proposed rule changes for affordable housing by HCDA. Buying a home is a difficult enough endeavor for a potential homebuyer, why would you make it more difficult for that person by restricting future gains or having a ROFR on their future home sale? Is HCDA making an equity investment in that person's decision to purchase the home? If not, then it is not taking any risk, and should not have any right to make a profit off the back of someone else.

Development restrictions like the ones proposed, or as Maui had instituted, effectively create a building moratorium on new development. The city and other regulator agencies need to create incentives to entice developers to build more affordable housing, not create additional barriers to overcome in an already difficult development environment. If developers are pulling back on luxury projects because the economics don't make sense, then I can guarantee affordable housing will be exponentially more difficult to build.

Regards,
Ben Wang

Moses, Kuulei N

From: GalenFox <galenwfox@gmail.com>
Sent: Tuesday, May 16, 2017 3:45 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Galen Fox

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Support

Comment

With reservations, spelled out in testimony.

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The People Want and Need Affordable Housing

Galen Fox
HCDA Public Hearing, 9:00 a.m.
May 17, 2017

I support reserved and workforce housing rules that lower residents' qualifying upper limit for government-assisted housing. Government programs should help those who most need help. I also support lengthening the period during which the affordable housing pool remains affordable both for the families that first occupy housing and for families qualified to replace those who move on. HCDA is right to lengthen its control over affordable housing.

Honolulu has the nation's least affordable housing, the highest rate of homelessness, the lowest rate of home ownership. Honolulu's share of households paying more than 30% of income on housing is 47%; highest in the nation. 66,700 of Honolulu households (21%) live crowded and/or doubled up. The hidden homeless plus at-risk-for-homelessness households total 123,380 (26%). Only 5% of buyers qualify to purchase a median priced home. A majority of renters don't earn enough to pay median rent. Average rent is 2nd only to San Francisco, but unlike Oahu, Bay Area residents are free to move farther away to affordable homes.

Honolulu needs around 29,000 new housing units — 88% for median income households or lower. HCDA can help.

I am concerned that HCDA allowing reserved units to sell for 140% of area median income is inconsistent with HCDA's law. Wouldn't it be better for HCDA to follow the City's current policy of requiring developers benefitting from rezoning to sell 20% of their units to residents earning no more than 120% of area median income? Please see the attached fact sheet on this subject.

<u>120% Area Median Income = Top of Affordable Housing Range</u>

- HCDA's law requires "affordable" housing, requires HCDA to build "housing for residents of low- or moderate-income," and defines "reserved housing" as both "affordable" and "for residents in the low- or moderate-income ranges."

- *Merriam-Webster* defines "moderate" as "tending toward the mean or average." HCDA would match the dictionary definition if its "moderate" range went no farther above the mean than below — if "moderate" meant 80% to 120% of Area Median Income (AMI).

- HCDA's 2005 "Mauka Area Plan" defined "low-moderate" as below 80% AMI. The Plan's next step up from "low-moderate" — 80% to 120% AMI — was its "moderate" step, but the Plan called it the "Hula Mae" category.

- HCDA's 2011 "Mauka Area Plan" turned over to HHFDC responsibility for "affordable" housing, and re-defined "reserved" housing as "gap group" housing; "gap group" normally means for residents *above* the "low- or moderate-income" level. This poses a problem because the law defines "reserved housing" as "affordable" for "low- or moderate-income households."

- HCDA's 2015 "Part of the Solution" housing task force report recommended that "reserved housing" go no higher than 120% AMI.

- HCDA's 2016 draft housing rules capped "reserved housing" at 120% AMI.

- HCDA's 2017 draft rules set "reserved housing" to *average* 120% AMI, which indirectly recognizes 120% AMI as affordability's top limit. Yet developers reaping profits off the 80% of units sold at market rates gain even more by also selling <u>half their "reserved housing" above 120% AMI,</u> also at market rates.

- Nationally, "affordable" means up to 120% AMI. UHERO studied affordable housing in 29 mainland jurisdictions. All topped out at 120% AMI or less.

- City housing re-zoning requires 20% of units to sell at 120% AMI or less.

- Proposed City housing rules fix the affordable housing ceiling at 120% AMI.

- A City study stated housing priced above 120% of AMI is *market housing,* adding that government shouldn't subsidize market-priced housing.

Moses, Kuulei N

From: SharonMoriwaki <sharonymoriwaki@gmail.com>
Sent: Tuesday, May 16, 2017 1:55 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

Support most of the amendments except those described in the attached testimony: (1) definition of "moderate income" as 120% AMI; (2) allocation to include low income housing at 80% AMI or less; (3) no cash-in-lieu unless at the rate of creating similar unit.

File Upload

- KU-RH-TESTIMONY-5-17-2017.pdf

File

- KU-RH-TESTIMONY-5-17-20171.pdf

Kaka'ako Ūnited

May 17 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 is submitting additional testimony because we have not only reviewed carefully HCDA's proposed amendments to the Kaka'ako Reserved Housing Rules (2017 and 2016 drafts), HCDA's governing law and past and current plans regarding reserved housing – housing reserved for "low or moderate" income families, but also the testimonies submitted to date. We are saddened by testimony reflecting the lack of understanding or compassion for most of Honolulu's population -- people who require affordable housing. We're especially concerned about those in the 801 South Street project who testified that their purpose is to build equity by selling their reserved housing units at a higher price. This takes their unit out of the affordable housing pool permanently; and denies housing to those who most need it.

We applaud the board for hearing the many voices of those families and individuals who have written that they want to live in Kaka'ako but cannot afford the prices geared toward those earning 140% AMI or more – one family shared that they live with their child; and, while both are UH faculty, they cannot afford the Kaka'ako "reserved or workforce" prices set at 140% AMI – at their combined salaries they make less than 80%AMI. As members of this Kaka'ako community, we want them as neighbors.

Let us look at the standard being set by these revised "reserved housing" rules. Make no mistake, every other jurisdiction having problems housing their citizens set standards – and many lower than 120% AMI. One of the testifiers brought up Maui County's problem, having to loosen its standards to create affordable housing that now works. What is their "loosened standard?" Its "residential workforce housing" means residential developments to be sold or rented to residents within income groups ranging from "very low income" (at 50% or less of AMI) to "moderate income" (100%-120% AMI) see Chapter 2.96, Residential Workforce Housing Policy, Maui County Code. When they deal with higher incomes, they call it "above-moderate income"(120-140% AMI). Also, ownership term is for 25 years (from the initial sale) see Chapter 2.96.060, Maui County Code; and graduated by income group, with 30% for below-moderate income, 30% for moderate income, and 20% for above moderate income; and 20% for even higher. Perhaps like Maui or the City, HCDA could call for a graduated scale that allocates a share of reserved housing for sale and for rent at even lower than 120% AMI; and that standard should be clearly defined with the purpose and intent of the HCDA law – to provide affordable housing for "low- or moderate-income households" based on the definition used in all other jurisdictions: "low-income" at 80% AMI or less and "moderate-income" at no more than 120% AMI.

And these units should be reserved for those who truly want to live in Kaka'ako and are buying or renting units they can afford. This will help us build a community of residents –not investors—as envisioned by the Legislature in 1976 when it created Kaka'ako and the HCDA.

The HCDA should be commended for the amendments other than the following, which must be changed if we are to truly serve the citizens of Honolulu and Hawaii:

1) Section 15-218-5. Definition of moderate-income household" – Align the definition of moderate-income" with every other jurisdiction by accurately defining "moderate-income" as "does not exceed [~~one hundred forty percent~~"] "one hundred twenty percent AMI." HCDA has been skirting its responsibility to provide "affordable" "low- or moderate- income" housing for Kaka'ako. Giving that responsibility to HHFDC or any other agency was not intended by the HCDA law.

2) 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" or "average of 120% AMI." And, like other counties, HCDA should allocate a portion of the "reserved housing" to low-income households similar to the City or Maui; or return to Section 15-218-21 of the HCDA's 2016 draft which proposed a for-sale reserved housing schedule that provided for 10% at 80% AMI or less, 60% at 80-110% AMI, and 30% at 110-120% AMI.

3) Section 15-218-21. "Workforce housing" Using the same income standards as for other projects is proper. Under the past HCDA rules, "workforce housing" has been a misnomer. Housing for the workforce is better defined by those for whom the housing is built rather than by the number of housing units that the developer will build. Currently at 100-140% AMI as the defining standard for these so-called "workforce housing" units, HCDA is not meeting the needs of Hawaii's workforce – those for whom this housing was intended. Testimony from university faculty state that their dual incomes are at less than 80% AMI—far from the current 140% AMI standard. Reserved or workforce housing is not for the workforce unless it follows the same requirements for buyers and renters, i.e. that they earn no more than 120% AMI and even allocate some units for those at 80% AMI or less. The concessions such as double density and exemption from public facilities fees, etc. are sufficient developer incentives for building 75% of units for low-or moderate- income households.

4) Section 15-218-46. Cash-in-lieu should not be less than the cost to build a reserved/workforce housing unit. If developers don't like this provision, why not delete it and require the developer to build; or, instead, as in Maui, require that the "in-lieu fee" be satisfied by providing improved our unimproved land.

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

Thank you for the opportunity to testify.

Moses, Kuulei N

From: DianaLorenz <feedinghawaii@live.com>
Sent: Tuesday, May 16, 2017 12:49 PM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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feedinghawaii@live.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

I am the Assistant Director of Feeding Hawaii Together Org which was located on Keawe Street until our building was sold to a mainland developer. I want to express the need to bring full reality to this board about how the development in Kaka'ako that was sold to us as a place where local families can purchase a condo in an area close to where they work in Honolulu that gives a family environment of parks, walking distances to restaurants and stores & biking distances to these or work. The reality of the income of what the full scale of local employees are, are not given the chance of this opportunity because of your ruling of "moderate income households" and being at $140,000. From an article in Honolulu Magazine the salaries/wages are from your descriptions of essential workers are -
police - $66,468
fire fighter - $46,020
hotel housekeeper - $31,033.50
teacher - $40,895
travel agent - $28,190
receptionist - $19,090
retailers - $16,640
bank teller - $23,566.64
doubling these salaries/wages for two employed families don't even amount of of your "households making $140,000" so the average local family has no opportunity to live in this new environment only investors making millions on our rights and the 1% of our world's population making high salaries.
Overseeing a food pantry we are to follow the guide lines given to us by the US Department of Agriculture that gives the poverty/low income financial incomes for a family of -
one - $25,290
two - $34,096
three - $42,902
four - $51,708
five - $60,514

six - $69,320
seven - $78,126
eight - $86,969
With these standards given to us by the USDA, a high number of our families are considered low income so please face reality of the high number of families are considered by the federal government has low income so we ask for you to change your ruling to help our workforce to "low income- moderate families" and to re-consider the amount of $140,000 for a family of four to qualify. Let us set our standards to help our local workforce that deserve a nice home in the land they work and/or have been birthed in.
Thank you

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- wages-in-Hawaii.docx

File

- first-time-client-form.docx

FOOD AND DRINK

$7 per hour, not including tips **$43,056.00 – per 40 hr week & $200 in tips per day**
Server, Doraku Sushi
Servers at Doraku Sushi make less than the state minimum wage. “When it is busy they can make from $100 to $300 a shift in tips,” says manager Todd Sutton.

$7 per hour, not including tips **$43,056.00 – per 40 hr week & $200 in tips per day**
Bartender, Senor Frogs
Bartenders at Senor Frogs make less than the state minimum wage of $7.25.

$52,797
Chef, Hawaii average, according to Hawai‘i Employers Council.

$40,000 to $45,000
Restaurant manager, Bubba Gump Shrimp Co.

$7.25 to $8.05 per hour **minimum wage is now $8.50 $17,680.00 per a 40 hour wk**
Counter help, McDonald’s

$8 to $12 per hour **per $12 per a 40 hr wk - $24,960.00**
Counter help, L&L Hawaiian Barbeque

$42,132 to $67,488
State health inspector
There are 31 DOH inspectors statewide for Hawai‘i’s thousands of restaurants.

$13 an hour **$27,040.00 per 40 hr wk**
Door host (bouncer), Level 4 Nightclub & Ultra Lounge
Level 4 door hosts don’t work more than 40 hours a week.

$100 a night, not including tips **$26,000.00 per 5 days a wk with no tips**
Go-go dancer, Zanzabar Nightclub. Dancers at Zanzabar dance three, 30-to-40-minute sets per night.

$20 to $35 per hour **$28,800.00 per a six month period at $30.00**
Beer promoters, brand ambassador for Heineken, Bud Light or Miller Light. These are seasonal positions.

SERVICES

$31,000 (including tips)
Hairstylist, J Salon, starting

$24,000 to $30,000 (including tips)
Hairstylist, W Salon, starting

$20 to $25 per hour $52,000
Master designer, Beretania Florist
Master designers do larger projects, such as weddings and other special events.

$10 to $18 per hour $37,440
Designer, Beretania Florist

$8 to $10 per hour $20.800
Assistant designer, Beretania Florist

$33,228
Plumber, Hawaii Department of Education

$15 per hour $31,200
Window washer, starting, Worldwide Window Cleaning

$14.92 per hour $31,033.60
Hotel Housekeeper, Hawaii average, according to the Hawai'i Employers Council.

$21,600
Water delivery person, Aloha Water Co.

$33,228
Public school custodian

$30,160
Weed control applicator, Hawaiian Commercial & Sugar Co.

$50,730
Welder specialist, Hawaiian Commercial & Sugar Co.

$24,860
Funeral attendant, Honolulu average, according to the U.S. Bureau of Labor Statistics.

$11.33 per hour $23,566.64
Bank teller, Hawai'i average, according to the Hawaii Employers Council.

$17,940 to $22,770
Mail assistant, Honolulu salary range, according to OfficeTeam, an international staffing service.

$19,090 to $26,680
Receptionist, Honolulu salary range, according to OfficeTeam.

$28,190
Travel Agent, Honolulu average, according to the U.S. Bureau of Labor Statistics.

RETAILERS

$8 per hour $16,640
Salesperson, Raging Isle Surf & Cycle (no commission)

$12.57 to $13.70 per hour $28,496
Sales consultant, AT&T
Consultants can earn up to $1,200 more per month in commissions.

$9 to $15 per hour $31,200
Cashier, Foodland

$16 to $25 per hour $52,000 based on the $25
Top jewelry sales associates (including commissions), Maui Divers Jewelry

CONSTRUCTION

$39,480 to $60,744
Building construction inspector

$51,936 to $79,992
Chief building inspector

$38.95 per hour $81,016
Heat and frost insulator and allied workers

$31.15 per hour $64,792
Cement worker

$33.60 per hour $69,888
Roofer, shingle or tile worker

$36.10 per hour $75,088
Crane operator, waterfront dredging

$28.93 per hour $60,174.40
Concrete-mixing truck driver, Hawaiian Cement

$35.19 per hour $73,195.20
Hot liquid asphalt tanker driver, Grace Pacific Corp.

$55,930
Real estate broker, Honolulu average, according to the U.S. Bureau of Statistics.

TRANSPORTATION

$25,518 to $38,277
Security screener, Honolulu International Airport

$7.25 to $9 per hour $18,720
Parking structure attendant, Honolulu International Airport

$72,000 per year (including commissions)
Car salesperson, starting, Tony Group

$12 per hour $24,960
Car mechanic, Manoa Service Station, starting

$19 per hour $39,520
Car mechanic, Manoa Service Station, top scale

$31,500
Vehicle service attendant, starting, Enterprise Rent-a-Car

$9 per hour $18,720
Mover, M. Dyer & Sons

$75,000
UPS delivery truck driver

$21.31 per hour $44,324.80
Hawaii letter carrier, starting, U.S. Postal Service
Letter carriers also receive an additional 25 percent cost-of-living allowance.

$23.96 per hour $49,836.80
Driver, TheBus, after five years of service.

$26,950
Taxi driver, Honolulu average, according to the U.S. Bureau of Labor Statistics. Drivers for TheCab are independent contractors, so they pay TheCab $500 to $600 for a monthly dispatch service and keep their earnings.

CIVIL SERVANTS

$28,836 to $44,412
DMV clerk

$32,980
City park groundskeeper

$46,236
Automated refuse collection equipment operator, a.k.a., garbage truck driver

EDUCATORS

$36,591 to $69,235
Teacher, Sacred Hearts Academy

$39,704.44 to $40,895.84
Public school teacher starting, with a bachelor's degree and state-approved teacher education program. This range reflects an 8 percent pay reduction.

$51,129 to $52,663.56
Public school teacher
starting, with a Ph.D. and state-approved teacher education program. This range reflects an 8 percent pay reduction.

LAW & ORDER

$48,336
Honolulu Police Department officer, recruit

$66,468
HPD officer, with 20 years of experience.

$36,516
Deputy sheriff, recruit

$44,412 to $68,388
Deputy sheriff, lieutenant

$40,163
Adult corrections officer, recruit

$57,660 to $71,184
Adult corrections officer, captain

$42,552
Fire recruit
A recruit usually becomes a firefighter after one year of service.

$46,020
Firefighter, starting

$58,212
Firefighter, with 20 years experience.

Feeding Hawaii Together.org

Providing food clothing and household goods to Hawaii's people in need

Feeding Hawaii Together requires you to provide the following information and documents of proof of income (two of the following - EBT card, letter from financial institution of monthly benefits, last two recent paystubs or tax return). Please fill out this form along with giving to us the above documents.

Today's Date:________________ Check One: D This is my first visit D This is to update my information

First Name: _ _ _ _ _ _ _ _ _ _ Last Name: _ _ _ _ _ _ _ _ _ _ _ _ _ Male D Female O

Date of Birth:____ /____ /____ State ID or driver's license or passport #_________

Home Address or if homeless just state homeless ________________________________

House/Apt #:__________ City:_______________ ZipCode:______________

Number of Adults in Your Household:__________(List names on the back)

Number of Children in Your Household:__________(List names on the back)

Nationality __________________________ Do you have any Hawaiian?______%

This information is used for grant requests.

Home Phone:____________________ Mobile Phone: _________________

Disabled (Circle One): Yes No Retired (Circle One): Yes No

FINANCIAL STANDARDS – HOUSEHOLD INCOME CANNOT EXCEED THESE AMOUNTS PER YEAR

1 Person - $25,290	2 Persons - $34,096	3 Persons - $42,902	4 Persons - $51,708
5 Persons - $60,514	6 Persons - $69,320	7 persons - $78,126	8 Persons - $86.969

What is your MONTHLY INCOME? = from Employment Per Month: $_______________

Are you receiving any of the following? If yes, please list the amount per month.

Food Stamps: $______ Welfare Assistance: $_____ Social Security (Retirement): $_____

SSDI (Disability): $___ Unemployment: $_____

I certify that all the data provided on this application is accurate to the best of my knowledge. I agree to abide to all the rules & regulations set forth by Feeding Hawaii Together and will not sell any food or non-food item that I receive from Feeding Hawaii Together. I understand that falsifying any information on the application and or selling any item that I receive from Feeding Hawaii Together will result in permanent loss of my shopping privileges.

We also reserve the right to film video and take still pictures during all shopping times by which you may be present for promotional marketing purposes in order to obtain funding.

Signature:____

Moses, Kuulei N

From: PaulBrewbaker <paulbrewbaker@tzeconomics.com>
Sent: Tuesday, May 16, 2017 12:03 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

I favor reconsideration of the proposed policy changes at this time and a rejection of the proposals as they currently stand. As background material on my perspectives, I attach along with my testimony my lecture slides from Econ 311, The Economy of Hawaii, at UH Manoa, Spring Semester 2017, on the topic of the economics of Housing and Land Use (April 2017)

File Upload

- Brewbaker-testimony-May-17-2017-HCDA.pdf

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- Housing-and-land-regulation-Brewbaker-Econ-311-Manoa-April-2017-final.pdf

Testimony of Paul H. Brewbaker, Ph.D., CBE

on

PROPOSED AMENDMENTS RELATING TO HAR CHAPTER 15-218
"KAKAAKO RESERVED HOUSING RULES"

May 17, 2017

Thanks again for this second of three opportunities this month to testify on aspects housing economics and inclusionary zoning policy (IZ) prompted by an HCDA proposal to change its affordable (the adjective) housing (the common noun) production quotas, buyback rules, and shared equity requirements to parallel more closely similar changes being considered by the City & County of Honolulu. In my testimony earlier this month I made several observations which I summarize in the next paragraph for the written record. I appear today at the request of several area residential developers with whom I am engaged in consultation to provide an economic analysis of the proposed HCDA policy changes. I plan to make a report on my findings available to HCDA next week and, at the end of the month, will return to offer my three-minute conclusion in testimony at that time.

To recapitulate, my six observations on May 3, 2017 were: (1) reducing HCDA's reserved housing adjusted median income (AMI) thresholds will result in less new housing development, not more, as will increasing production quotas as a fixed fraction of proposed new units; (2) restricting homeowners' leverage (not to exceed 80 percent of *original* purchase prices and, presumably, a declining fraction of future valuations) will undermine households' financial flexibility, deter reinvestment in depreciation mitigation, and may undermine mortgage underwriting and securitization; (3) replacing an American (fixed term) buyback option with a European (perpetual) option encumbers more heavily future values of the underlying asset; (4) prior ownership restriction changes on HCDA reserved housing applicants may simply be an invitation for families to game the system; (5) equity sharing may comprise an unconstitutional taking which, if not in violation of housing anti-discrimination principles (in outcome, if not intent), put the state (small *s*) in the unethical position of profiting on private individuals' equity investments;[1] and (6) using median existing Oahu home prices as an indexing mechanism ignores higher-order moments of the underlying home price distribution and their potentially pernicious effects.[2]

---

[1] Presumably, in social democracies, the wealth transfer would go in the opposite direction, *from* a polity comprising the public at large, *to* individuals and their families whose housing needs cannot be fulfilled because of their low incomes or other economic disadvantages, rather than from poor households to the state (small s).

[2] The resulting distortion might be diminished by using a quality-adjusted price index that relies on broader public-record data such as collateralization amounts underlying mortgage-backed securities, in the spirit of a Case-Schiller index, such as one of the Federal Housing Finance Administration's house price indexes, in addition to transactions-based data.

I was once "schooled" by Stanford University Economics Professor John Taylor, after whom the Taylor Rule of monetary policy is named, when he was U.S. Undersecretary of Treasury for International Monetary Affairs and I was a commercial bank economist debating exchange rate policy with him in an industry roundtable. His observation was, "perhaps you haven't been keeping up with the literature." *Boom*. In this spirit of collegial critique, let me survey what the housing economics literature says about inclusionary zoning.

First, the housing economics literature is unkind to inclusionary zoning policy. To paraphrase a recent UHERO literature review, inclusionary zoning is a policy fail.[3] It yields less housing, and less affordable (the adjective) housing. In jurisdictions like Oahu, geographic constraints ("steep slopes and water bodies")[4] complement regulatory constraints to reduce the responsiveness of new housing supply to changes in demand. This yields more volatile prices and valuation cycles of greater amplitude than in places where towns spatially can radiate outward across the flat prairie and where regulatory burdens are minimal. Honolulu and Hawaii distinctively appear in every empirical quantification of regulatory scarcity at the top of U.S. national rankings as the most costly places to build, by far, *because of these constraints*.

Second, even among my colleagues in what I call "the ULI crowd," the evaluation of inclusionary zoning is mixed at best. A number of papers, including consultants' studies posted on the City & County of Honolulu's web site, conclude their evaluation of the success rate for inclusionary zoning with a resounding "*Meh*." It works some places, it doesn't others, offering little guidance beyond that mediocre assessment. I conjecture that the places IZ doesn't work most likely have "steep slopes and water bodies" and face a housing regulatory environment notorious as most burdensome nationwide. Even Honolulu's konohiki of TOD, Harrison Rue, observed (somewhat cavalierly) at the last HCDA public hearing that he can get a 120 percent AMI required to work down on Ala Moana (Boulevard). That is the point, isn't it: IZ works as long as you are building luxury condominiums down on Ala Moana Boulevard. Not so much up on Beretania where local families are more likely to live.[5]

Third, ironically, IZ *obligates* developers to build luxury housing units. Only high prices can cross-subsidize the low-cost housing units developers are obligated to build under IZ production quotas. This is why IZ fails: if you *have* to build high-end units to build *any* units (since only high-end units will cross-subsidize the low-end units), then you will never build in the middle. *We all live in the middle.*

---

[3] Carl Bonham, Kimberly Burnett, Andrew Kato (February 12, 2010), "Inclusionary Zoning: Implications for Oahu's Housing Market," *UHERO Project Report 2010-1* (http://www.uhero.hawaii.edu/assets/UHEROProjectReport2010-1.pdf), who write, "Inclusionary Zoning (IZ) policies have failed in other jurisdictions and are failing on Oahu. IZ reduces the number of 'affordable' housing units and raises prices and reduces the quantity of 'market-priced' ...units."

[4] Andrew Paciorek (December 2011), "Supply Constraints and Housing Market Dynamics," *Federal Reserve Board Finance and Economics Discussion Series WP 2012-01* (https://www.federalreserve.gov/pubs/feds/2012/201201/201201pap.pdf), published as (2013), "Supply Constraints and Housing Market Dynamics," *Journal of Urban Economics*, vol. 77, pp. 11-26

[5] As evidenced by the *thousands* of new housing units under urban redevelopment along the King Street / Beretania corridors as we speak. OK, I'm being sarcastic. Currently I know of *none*.

Fourth, HCDA current and proposed policies require that *only the new guy* has to pay a tax to subsidize low-end housing. Old guys, some in red t-shirts, and the public at large, simply free-ride off the new homebuyers. This is odd redistribution policy construct. Need a new school? Make the new guy pay. Fire Station? The new guy. TheTrain station? "Woah nelly, *us old guys no pay for notting*."

The higher the production quota, or the lower the AMI threshold, the *more* luxury units a developer has to build to fulfill its quota, and the fewer new units will be built for regular people who live in the middle of the housing price distribution. This is upside-down. I can statistically demonstrate, in a plausibly specified long-run framework, that beginning with housing policy changes adopted in the 1970s that included the creation of the Kakaako Redevelopment Authority, HCDA's precursor, and the embrace of IZ policies in the 1980s, subsequent homebuilding on Oahu contracted from one residential investment cycle to the next over the last four decades. (See Figure 1, appended). Once Honolulu exhausted most urbanizable land in proximity to the urban core during the late-20th century, regulatory restrictions incrementally constrained—in each consecutive cyclical recovery—subsequent new housing *flow* supply responses. Never in the last half century (between 1956 and 2016) have there been fewer new housing units authorized by building permit on Oahu in any eight continuous years *than during the last eight years*.

Next time I will offer a constructive alternative to the proposed HCDA policy changes involving a measured *reduction* to regulatory barriers to entry for development of new housing units priced in lower quantiles of the distribution of existing home prices. Current IZ policy conflates an income problem (not enough of it) for a housing problem (not enough of it). Let's solve the housing problem.

Mahalo for your time and attention,

Paul H Brewbaker

Paul H. Brewbaker, Ph.D., CBE
TZ Economics
606 Ululani St.
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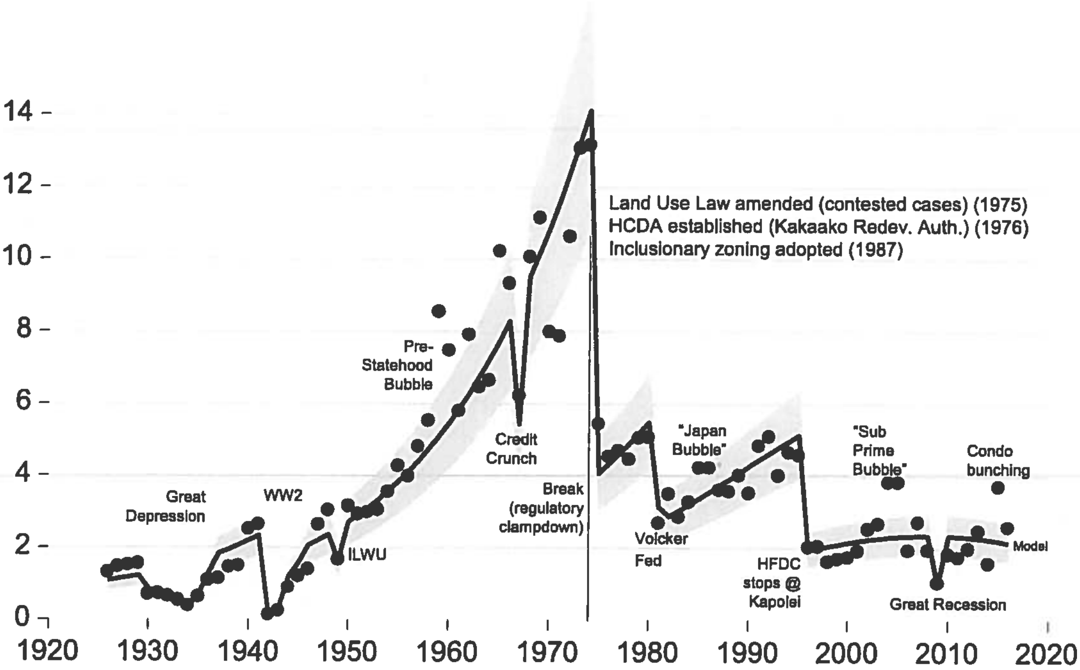
Figure 1. Regulatory constraints are responsible for the break in, and failures to fully recover back to earlier level of, new home construction

New housing units (thousands per year) authorized by building permit on Oahu, and a regression with breakpoints and dummy variables on a low-order polynomial trend component



Path illustrated uses OLS trend regression on third-order polynomial with endogenous breakpoints and dummy variables (calculated from residuals from first-pass regression) for the Great Depression (1930-1936), World War II (1942-45), ILWU strike (1949), the Volcker Fed (monetary aggregate targeting (1981)), and the Great Recession (2009). All other step-wise breaks are endogenous, with final specification selected to minimize the Akaike Information Criterion. A regulatory break dummy variable is set to the value 1 from 1975 onward, and is set to the value 0.00001 from 1926-1974 (estimating equation is specified in natural logarithms). Shaded blue area is two standard-error bandwidth around model's estimate.

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- Housing-and-land-regulation-Brewbaker-Econ-311-Manoa-April-2017-final.pdf

Moses, Kuulei N

From: GerryMajkut <gmajkut@hdcc.com>
Sent: Tuesday, May 16, 2017 11:49 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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May 15, 2017

Chairman John Whalen, and
Executive Director Jesse Souki
Committee Members
Hawaii Community Development Authority
547 Queen Street
Honolulu, HI 96813

RE: Proposed Amendments to Reserved Housing Rules

Dear Chair Whalen and Director Souki,

Thank you for the opportunity to provide testimony on the Proposed Amendments to Reserved Housing Rules. Founded in Hawaii in 1902, Hawaiian Dredging Construction Company is the largest general contractor in Hawaii. We are very proud to be part of the community.

I have attended the HCDA meetings on March 1 and May 3 and listened to the testimony presented at those hearings as well as had the opportunity to read some of the written testimony. I have a concern that these proposed rules will have a negative effect on the development of future workforce housing in Kaka'ako. This of course will have a negative impact on the construction industry. The many business leaders, financial institutions, land owners, and developers that have provided testimony have identified that this may stop development of future housing in Kaka'ako, in effect, diminishing employment in the construction industry in Kaka'ako.

Based on the testimony of recent and current developers in Kaka'ako and the reality of construction costs in Honolulu if the proposed rule changes are adopted no new reserved or workforce housing units will be developed in Kaka'ako without government financing support.

Hawaiian Dredging Construction Company will soon be opening our new office in Kaka'ako at 605 Kapi'olani Blvd and we look forward to being a significant part of the overall development of Kaka'ako.

Sincerely,

J. Gerry Majkut
President

Moses, Kuulei N

From: KarenSeddon <kseddon@tmo.com>
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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Please see our attached testimony. Thank you.

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Michaels Development Company
University Student Living
Michaels Military Housing
Prestige Building Company
Interstate Realty Management Company
Michaels Management Services
Continental Mortgage Corporation
Riverside Capital

Testimony of Michaels Development Company – Hawai`i Region
RELATING TO PROPOSED KAKA'AKO RESERVED HOUSING RULES
Wednesday May 17, 2017 at 9:00am

Chair Whalen, members of the HCDA Board of Directors and Executive Director Souki:

We appreciate the opportunity to testify on the proposed amendments to the Kaka'ako Reserved Housing Rules. Although our development focus is primarily on low income affordable rental projects, we fully support affordable housing at all levels both in the for-rent and the for-sale market.

We respectfully oppose the proposed draft amendment to the Reserved Housing Rules. Regulations such as these, while proposed with the best of intentions, have the impact of impeding the development of housing stock in general and affordable housing in particular. While many factors contribute to the challenges of developing affordable housing in Hawai'i, including land scarcity, construction costs, and infrastructure capacity, additional regulations add significant layers of difficulty that serve as a disincentive to development of affordable housing.

The 2016 Hawai'i Housing Planning Study conducted by SMS for Hawai'i Housing Finance and Development Corporation (HHFDC) notes that Hawai'i is one of the most highly regulated states in the nation, and that government regulation serves as one of the major impediments to production of housing[i]. A George Mason University white paper supports this statement, noting that while "most municipalities regulate urban development with zoning, density restrictions, and parking requirements. [s]uch policies restrict housing supply . . . and increase the cost of housing." In fact, these policies are ". . . regressive [and] – a disproportionate share of their costs falls on the relatively poor." [ii]

An Affordable Housing Regulatory Barriers Task Force report issued in 2008 on affordable housing stated that the unintended consequences of regulations related to affordable housing is to increase the cost of building affordable homes. The result of regulations, according to Land Use Research Foundation, is that a housing project can take up to SEVEN years from concept to completion[iii]. The cost to work through the regulatory environment directly impacts the price of housing, so if regulations were decreased to shorten the development process the reduced development costs will result in lower housing prices overall.

We recognize the need for and the desire to promote affordable housing. Our housing shortage is acute and it will take everyone in the public and private sector involved in development working together to meet demand. We applaud HCDA's efforts to periodically review its housing rules and hope that it takes a step in the right direction by reducing the regulatory barriers that serve to limit affordable housing.

Michaels Development Company is the largest affordable housing developer in the nation, having overseen $3.5 billion in development and substantial rehabilitee, resulting in 52,661 units in 376 communities, since 1973. There are 50,459 units under management serving 115,000 residents, including the Towers at Kuhio Park in Kalihi. Two more communities will be added in December 2017 with the completion of the 85-unit Hale Makana 'Ohana and the 85-unit Hale Makana 'O Kupuna in Kailua-Kona.

---

[i] SMS, Inc. "Hawai'i Housing Planning Study, 2016." Hawaii Housing Finance and Development Corporation, December 2016.
[ii] Sanford Ikeda and Emily Washington. "How Land-Use Regulation Undermines Affordable Housing." Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, November 2015.
[iii] Governor's Take Force on Affordable Housing. "Report of the Governor's Affordable Housing Regulatory Barriers Task Force", December 2008.

Pacific Guardian Center – Mauka Tower
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Moses, Kuulei N

From: CatherineGraham <catgraham48@gmail.com>
Sent: Tuesday, May 16, 2017 10:01 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?

Support

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The Housing Now Coalition

Catherine Graham
Rev. Bob Nakata

A Coalition of FACE Hawaii

May 16, 2017

Aloha, HCDA Board,

Thank you very much for considering affordable housing regulations for Kakaako. We have experienced so many missed opportunities for housing for locals in this area already. Please, let us keep our local families, college graduates, and workers of all sorts in mind when new reserve housing regulations are put in place.

Thinks to consider are

1) the length of affordability. 30 years is the absolute minimum if we want to truly create an inventory of affordable housing in our community. 60 years or in perpetuity would be even better.
2) The level of affordability – thinking that any development built at 120% – 140% of AMI is affordable is not realistic, These are market levels of affordability. Housing Now recommends that rentals should be tiered with a certain percentage built for those earning 30- 50% AMI, others 51-80% AMI, and a few from 81-100% AMI. For sale units should be built for 80% to 100% AMI - if we are truly interested in the welfare of our local residents.
3) The welfare of Honolulu – how can we be welcoming to newcomers (I was a newcomer myself 40 years ago) while looking after our local folks? This is the dilemma before us. Making sure that developers use local unionized labor, are aware of our housing crisis and care about our local issues – not just about turning a profit – These are important considerations.

I understand that developers will push back, that these considerations may not be the best for their bottiom line. But now is the time for them to give back to the community that has already been very good to them. To look at the larger, long term picfture. To do what is best for the Common Good, not just for the development community.

Respectfully submitted with Aloha,

Catherine Graham, co-chair

Moses, Kuulei N

From: robert armstrong <singabob@gmail.com>
Sent: Tuesday, May 16, 2017 9:57 AM
To: &HCDA
Subject: Opposition to HCDA Reserved Housing Rules

16 May 2017

To: Mr. John Whalen, Chairperson

Hawai'i Community Development Authority

Fr: Mr. Robert M. Armstrong

Ala Moana-Kaka'ako Neighborhood Board

Re: Kaka'ako Reserved Housing Rules

In **opposition**

Aloha Mr. Whalen and Committee Members,

While I represent sub-district 3---the prime development area makai of Kapi'olani Boulevard---of the Ala Moana-Kaka'ako Neighborhood Board, I want to make clear my testimony here is my own private opinion and does not represent a formal position by the Board. However, I believe I can state without hesitation, the entire Neighborhood Board #11 is very interested and concerned about the future direction of housing in our beloved home area. Of particular note is the thirty year regulated term for workforce and reserved housing developments. This is a very positive first-step in your rulemaking proposals.

That is one example of how HCDA has taken many significant and positive steps of late toward a more diverse neighborhood with an eye toward equitable and affordable housing here. However, the current proposals, as they are written, do NOT go far enough in achieving the balance I believe your body seeks.

As a result, I am forced to **oppose** your currently written housing rules and ask for a more liberal and fairer computation be found. I understand the delicate balance between what developers need to make on a large scale project in order for it to work and the community desire to seek and establish more affordable housing. However, since the economic panic of 2008, market forces have not corrected themselves in favor of average, hard-working citizens, many of whom are leaving O'ahu in increasing numbers to seek employment and housing on the continent. In fact, all indications---economic research, factual reporting and even anecdotal accounts ---suggest housing opportunities are getting worse here. The recent kerfuffle over the Hawai'i City Plaza proposal (while outside the purview of HCDA) is testament to both that fact and the interest our community has in finding and creating affordable moderate and work force housing in Kaka'ako.

Specifically, I would humbly ask <u>the definition of moderate income, as it is proposed, is simply too high to make a positive difference on our mutual needs</u>. Wages in Honolulu and across the country do not and have not kept pace with that high standard and reflect a level few, if any current families and/or individuals can make use.

Instead, I urge the Board to be brave and courageous! Please rewrite your rules to reflect a definition of "moderate income" to be no more than 115% of the median income. If my calculations are correct, that would mean a single-income earner would have to make approximately $81,000 per year to qualify and a family of four, almost $115,600 annually. I come up with those figures after deeply thinking about income and costs on our Island, surveying salary listings for both corporate and government opportunities, and recognizing those who qualify are truly at the 'higher end' of their individual and collective earning potentials for jobs found in Honolulu. The previously discussed thresholds of 120% are still too stratospheric to be of much use for most residents.

Please understand I have some first-hand knowledge in the impact of your proposals. As a former seven-year resident in the Republic of Singapore, an affluent country about half of the size of O'ahu, I witnessed the building and construction effect of the opening of the 'Circle Line' subway on development there. While that project was very costly (and even behind schedule), the opening of the rail line created a tremendous push in my neighborhood for housing of all types and created an invigorated retail and workplace scene. Before its introduction, I lived in a high-rise building that was 'alone' in a complex of empty buildings called 'Fusionopolis.' Afterwards, my corner of the island was vibrant and alive, with loads of mixed-use development and housing. Further, after the development 'boomlet' was over, the opportunities for further growth and construction were just about exhausted. I think Kaka'ako faces the same situation if this opportunity is not handled correctly.

While the State of Hawai'i is clearly different than Singapore, there are some important parallels to their experience, from which I urge the Board to learn. While Singaporeans have enviable forced savings accounts, most there make about the same wages as we do in Honolulu. There was significant doubt, opposition and hostility to change as well and a large outside contingent advocating building high-end, high-tax generating stock and cater to the nouveau rich coming from Malaysia, India and mainland China. Singaporean leaders resisted and did the right thing and I urge you to follow in a similar fashion.

Mahalo for your interest and involvement in this issue and I appreciate the opportunity to write to you today to express my personal concerns.

Sincerely,

Robert M. Armstrong

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Moses, Kuulei N

From: AreciaMickens <arecia.tuck@yahoo.com>
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Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose
Comment
I oppose the determined AMI and request to amend the "moderate income" definition to be consistent with HUD's "moderate income" definition.
I also oppose rental housing reserve draft rules and request to amend the rental housing reserve draft rules section to require Kakaako rental units be reserved for "low income" households according to the Federal definition as provided by HUD.

Moses, Kuulei N

From: DianeSakai <diane.sakai@gmail.com>
Sent: Tuesday, May 16, 2017 12:11 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

Comment

We ask HCDA to require developers to build housing for local families who presently cannot afford to live in the high priced condos in Kakaako. The reserved housing rules must be changed to address the need for housing for many of us, especially for our young families who wish to live near their job sites. Kakaako needs all income levels of people to live there: those with low and moderate incomes as well as those who can afford the luxury high rises being built and sold. Unfortunately, there are too many luxury housing being sold to local and non-local investors, and not to those of us who want to live in Kakaako. We would like the following changes to be made to the rules: (1) define "moderate income" to no more than 120% of the area median income; (2) keep the low and moderate income for sale units available for 30 years just like the rental units; and (3) reserve some housing for low income families. We support the equity sharing for units sold sooner than 30 years and having one set of rules for workforce and reserved housing project.

Moses, Kuulei N

From: AnnAbeshima <abeshima@gmail.com>
Sent: Monday, May 15, 2017 8:42 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

I support the provisions in the 2017 draft rules that require the Authority to provide housing for Hawaii's low or moderate income residents in Kaka'ako, as required by its own law. I also support the proposed rule changes for rental units to remain affordable for 30 years and capping the re-sale price of units, adjusted for appreciation. However, I oppose the following points in the Reserved Housing Draft Rules:
I oppose the use of "140% AMI" as a maximum threshold for any definition of "moderate income" households for reserved or workforce housing. The proposed rules contain a definition of"moderate income" household that is too high and incongruent with the true definition of "moderate income," which is 80% to 120% AMI in the rest of the country. Reserved housing should be reserved for households with annual incomes no higher than 120% of the area median income. Hawai'i residents deserve homes that they can afford. Affordable housing should not be out of reach for public servants in education and healthcare, for example; $98,560 is well above the average salary of a nurse or public school teacher, and therefore 140% AMI cannot be used to define "moderate income." If Kaka'ako is truly to be designed as a community that will help meet the affordable housing needs of Honolulu's hard working, moderate income, and tax paying residents, then we need to build housing that they can actually afford otherwise halt development. The future of Hawaii is economically unstable without the middle-income sector and it is critical for the HCDA to make wise decisions about development and housing that impact this group.
I oppose the lack of housing reserved for low and moderate income housing in the 2017 draft rules. HCDA should return to the provision in its 2016 draft rules that ensure that housing is available for a mixed income households, using the formula of 10% for those with incomes of 80% of the area median income; 60% for those with incomes of 80-110%; and 30% for those earning 110-120% of the area median income.
I oppose rental units being reserved to an average of 140% AMI. I urge the HCDA to return to its provision in the 2016 draft rules that reserved rental units for low-income households of 80% of the median income or lower. Renters are a very vulnerable population and are more likely than homeowners to lack financial resources for adequate food supply, which can lead to homelessness. If we are serious about address homelessness in our state, then we need to start by providing more affordable rental units.

Moses, Kuulei N

From: JasonNishikawa <jasonn@marcusrealty.com>
Sent: Monday, May 15, 2017 2:35 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

Comment

See attached written testimony.

Thank you for your time.

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Marcus & Associates, Inc.

Residential
Commercial
Industrial

Brokerage Services
Property Management
Asset Management

Leasing
Development
Consulting

May 15, 2017

Hawaii Community Development Authority
547 Queen Street
Honolulu, Hi 96813

RE: Testimony AGAINST the Proposed Rule Changes to Subchapter 4, Workforce Housing

Dear Chairman Whalen, Executive Director Souki and Board of HCDA,

When changes are proposed to a set of rules and regulations, it's normally due to a reaction by those in charge of such rules that the current rules have somehow failed to achieve their intended goals. In the case of HCDA's proposed changes to the Workforce Housing Ordinance, since only one project to date has been built under these rules, it is my understanding that those in charge feel that 801 South St has somehow failed to achieve their goals. Through discussions with those in charge, analyzing the proposed changes and listening to the concerns expressed in the public hearings and through the media, it is my conclusion that HCDA's main point of contention comes from the fact that a few Buyers "flipped" their units for "windfall profits". And therefore, they feel the objective of the Workforce Housing Ordinance [that is: 1) to create more affordable housing for Hawaii's Workforce and 2) to keep it affordable in perpetuity] has missed its mark. It is my fear that this overreaction is short sighted, misguided and will have dire effects on the big picture which is trying to solve Hawaii's housing problem.

1) *Buyers made $100,000-$200,000 PROFIT!*
    - Yes, there were some Buyers in Building A that made a profit. However, these profits were a result of the historic rise in real estate prices over the past few years (reminder: the original prices in the project were set three years prior to recordation) coupled with the fact that a lack of comparable product (new, in town, at affordable prices) were available for the second purchasers to buy, driving values up. If there were more 801 South St buildings built and available for these second purchasers to buy, prices would not have escalated so quickly. This is simple supply and demand that no one can dispute.
    - Secondly, even at the repurchased prices, <u>ALL but one</u> of the resales sold for prices <u>UNDER 140% AMI!</u> The prices of the units in 801 South St are <u>still affordable</u> per HCDA's formula.

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- Thirdly, there have been only twenty-three resales in the two years since the building has been completed. That's in a building with 635 units! That means over 96% of the building is still owned by the original Buyers! NINETY-SIX PERCENT (96%)! Where is the exploitation?
- Lastly, when did making money become such an evil concept? The hostility I hear from people about "Buyers making money", like its somehow a bad thing, is perplexing to me. Last I checked, Hawaii is still part of the United States of America and not some communist country. If somehow the market went down and people lost money, I guess these same opponents would then be...cheering???

2) *801 South St is no longer an affordable project and is now a Luxury Building.*
   - Come on now. Anyone that believes this has never visited the building. The concept with 801 South St is a development that is designed and appointed tastefully while being feasibly possible for the Developer to sell 75% of the project for under 140% AMI. There are no luxury amenities such as pools, gyms, theaters, etc. There are no ceiling to floor glass walls. And the units are of comfortable size. Buyers that are looking for a building that provides more than that simply do not buy in 801 South St.
   - For additional proof that 801 South St will never be sold at luxury prices all one has to do is look at the Developer's past projects. The prices of his other projects (1133 Waimanu, 1448/1450 Young Street, 215 N King Street and Country Club Village 6) all remain affordable today. Even 1133 Waimanu, which is located near arguably one of the most valuable parcels of real estate in Hawaii (neighboring ultra-luxury projects Hokua, Waihonua and Koolani as well as Ala Moana Center), does not command luxury prices. 1133 Waimanu is the prototype of 801 South St. This is not theory nor is it hypothetical. This is proof.
   - If you want to have a condo remain affordable in perpetuity, you should be encouraging more Workforce Housing projects to be built, not discouraging it. The Workforce Housing Ordinance is brilliant in concept. Requiring a Developer to sell 75% of a project for under 140% AMI, will all but assure that the design and appointment of the entire project will be fairly simple in order for the Developer to develop it while still turning a profit. This is in stark contrast to Reserve Housing where a Developer only has to sell 20% of a project for under 140% AMI. Under this scenario, a Developer can design and appoint their project more luxuriously as they will be able to make up the "loss" from the discounted units with the higher returns garnered from the other 80% of sales. This is simply why many Reserve Housing units don't remain affordable after the initial buy back term. These units are designed and appointed as part of a luxury project and naturally will be sold at luxury prices once they are able to.

3) *The Government agencies would like to align all of their affordable housing policies.*
   - I actually applaud the government agencies trying to align themselves. Any way to get consistency across the board will hopefully lead to efficiency. However, trying to group Workforce Housing and Reserve Housing in the same basket is nonsensical. In addition to the differences between the two concepts that I described earlier, my understanding is the Workforce Housing Ordinance was implemented to *incentivize* Development for the 100-140% AMI ("The Workforce") whereas the Reserve Housing Rule is a *requirement* of any Developer wanting to build in Honolulu. These are not the same.
   - I recently saw a study that stated for the thirty years prior to 801 South St being built, there were merely 620 condo units built for sale under the Reserve Housing rules in HCDA's Kakaako jurisdiction (45% of that count coming by way of the Developer's earlier project, 1133 Waimanu, as previously described). 801 South St meanwhile has provided over 1,000 units within the last two years. This is a result of the Workforce Housing Ordinance which was created to incentivize Developers to build more affordable housing. It used 100% private funds. In fact, not only did it not require any government funding, it has created millions of dollars in revenue for the government by way of recording fees, conveyance taxes and residual property taxes.

4) *Double density is a government subsidy.*
   - No it's not. Double density was the incentive that encouraged a Developer to build a project that requires 75% of it to be sold under 140% AMI. Without that incentive, the project would not pencil out and nothing would have been built (like the previous thirty years). The high cost of land in the urban core combined with the high cost of construction makes building a project where 75% of it needs to be sold for under 140% AMI impossible without government funding. 801 South St received no government funds.
   - The ordinance was created by the previous administration to invigorate Development for the middle class (which it did). It seems to me that the new administration is trying to quell Development by now adding more regulations. If anything, even more incentives should be given to encourage more of this type of development rather than more roadblocks.
   - By the way, if the Workforce Housing ordinance is such a loophole, why has only one project been built in the last six years since the ordinance has been around?

5) *The 'red shirts' argument: we need more housing for the under 80% AMI demographic so the rules should be even tighter.*

- I agree. We do need more housing for the under 80% AMI demographic. Truthfully, we need more housing for all demographics. However, the only way you get development at under 80% AMI is to have government throw a lot of money into it. And we all know the government has no money to do so. <u>801 South St is a real life example of how you can increase housing at the 80% AMI as a result of building for the 140% AMI demographic.</u> At 801 South St, 550 Buyers were either previously renting somewhere or upgrading from a condo they previously owned. Once they moved into 801 South St, this freed up the inventory they once occupied. Most of this inventory is undoubtedly affordable to the 80% AMI demographic. This is a classic example of the housing ladder at work. If you want more inventory at the 80% AMI without the need of government funds, again, you should be encouraging Workforce Housing development that costs the government <u>NO MONEY</u>.
- My problem with the 'red shirts' argument is that if you look beneath the surface of their argument, it comes down to the fact that they just don't want any more development in their back yard. I get it. But when you buy a home in a neighborhood that has been slated for redevelopment as Kakaako has been for the last forty years, you must be prepared for it. And as long as the development is helping the greater good of the community, we must support it. The following is a list of community groups that are opposed to any changes to the Workforce Housing Ordinance:
    - Private Landowners who feel the changes will devalue their properties and are unfairly targeted while the large Landowners (Howard Hughes and Kamehameha Schools) are exempt from such changes.
    - Lenders and Mortgage Association groups with the difficulties in providing mortgages to real estate with the proposed encumbrances.
    - Construction trades with their concerns that these changes will all but stop construction.
    - Business Employers with their concerns for attracting and maintaining talented employees with the lack of decent housing.
    - Buyers and their concerns about having to share their profits and ultimately making it harder for them to move up the housing ladder. This is not government housing nor public housing. Why should profits be shared? If the values were to go down, would the government credit the owner for their losses?

6) *140% AMI is too high, we need to lower it to 120% AMI. Also we need to put a cap on a Buyers' assets.*
    - Ask anyone who makes 140% AMI if they feel like they are rich here in Hawaii and they'll laugh. Yes, in comparison to someone making 80% or 100% they may be considered rich but with Hawaii's nation leading high cost of living, those that make 140% AMI will tell you it's still a struggle. By lowering the AMI limits you are pushing out many of our deserving residents from being able to afford a place of their own. Reminder: <u>the Workforce Housing Ordinance was created to incentivize development for the gap between affordable housing and luxury housing. It is not government housing. It is not socialized housing</u>. Also, by implementing asset limits, you are penalizing those that are financially frugal and responsible.

I understand as government officials that you have the difficult task of trying to find some solutions to Hawaii's housing crisis. My hope is that you are able to see through all the rhetoric and see 801 South St for what it truly is and did for the community. As a real estate agent for over seventeen years, I help Buyers every day in their pursuit of the "American Dream". And it's during that pursuit that much too often the reality of how expensive it is to live here (not only in real estate but in the basic cost of living) hits my clients. Some persist on while others give up (continue renting, living with parents, move off island, etc.). 801 South St is a shining example of a project that gave these Buyers hope. Many were able to finally buy a place in town, near their work and that was new (not the 30 - 40 year old buildings that were their only previous option). It wasn't fancy and didn't have the bells and whistles of other places but it was a place people could call their own. It was affordable in comparison to the other new developments. And the low maintenance fees assured that it will remain that way. Oh, and along the way, the Buyers increased their wealth by gaining a little equity. They are now living the American Dream!

801 South St is a resounding success. Ask the 1,000 families that call it home. Please don't change the rules, we clearly need more Workforce Housing.

Sincerely,

Jason Nishikawa
Senior Vice President
Marcus & Associates, Inc.

Cc: Governor David Ige
Mayor Kirk Caldwell

Soares, Tommilyn

From: LahelaWilliams <lahelakwilliams@gmail.com>
Sent: Friday, May 12, 2017 11:46 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Lahela Williams

Address

2558 Laau Street
Apt. #2
Honolulu, HI 96826
United States
Map It

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2017 MAY 12 PM 12 20
HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

Phone

(808) 861-9448

Email

lahelakwilliams@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

Aloha HCDA Hearing Officer and Commission,
Thank you for opportunity to submit my testimony with regard to the proposed amendments to the Reserved Housing Rule.
I am strongly opposed to the HCDA's proposed amendment in your 2017 draft rules that currently define "low and moderate income" as up to 140% AMI. You have long promoted housing developments in Kakaako as housing for low- and moderate-income families.
The Federal Department of Housing & Urban Development defines low- and moderate-income as households that are at or below 80% AMI (for low income) and at or below 100% AMI (for moderate income).
I humbly ask that the HCDA's definitions for low- and moderate-income households be amended to be consistent with the Federal definition. This change would ensure more of Hawaii's genuinely low- and moderate-income families have access to Kakaako without having to compete with families at 100-140% AMI who can afford market rate housing.
Mahalo for your time!

First Hawaiian Bank
Neal K. Okabayashi
Senior Vice President & Attorney
Government Affairs

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HAWAII COMMUNITY
DEVELOPMENT
AUTHORITY

May 2, 2017

Mr. John Whalen, Chairman
Mr. Jesse Souki
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813

Re: Proposed Amendments Relating to HAR Chapter 15-128
Kakaako Reserved Housing Rule

Dear Messrs. Whalen and Souki:

My name is Neal K. Okabayashi, a senior Vice President at First Hawaiian Bank and also in charge of government relations.

Thank you for this opportunity to express our views on this effort to increase affordable housing in the Kakaako neighborhood. We applaud your efforts to increase the inventory of affordable housing in Kakaako. However, some of the proposed restrictions on the units impacted by the proposal, such as equity sharing, may result in the unintended consequence for the goal of increasing affordable housing and workforce housing and serve as an impediment to that goal.

One concern is that mortgage loans on such units may not be a qualified mortgage under the Consumer Financial Protection Bureau's ability to repay rules because government sponsored enterprises (e.g., Fannie Mae) may not be willing to purchase such mortgage loans. Failure of such loans to qualify as a qualified mortgage, will impact marketability as the inventory of available loans may shrink. If the number of sold units will be diminished, that may lead to discouraging developers interested in constructing more housing units. Thus, the laudable goal of increasing the affordable housing inventory may be deterred by the proposed amendment, especially the equity sharing proposal. Therefore, we urge you to carefully review your proposal to not create unintended consequences.

If you have any questions, please feel free to call the undersigned at 525-7732.

Sincerely,

Neal K.

Neal K. Okabayashi

First Hawaiian Bank • P. O. Box 3200 • Honolulu • Hawaii 96847 • **fhb.com**
PHONE: (808) 525-5785 • FAX: (808) 525-5025 • Email: nokabayashi@fhb.com

HAWAI'I PACIFIC HEALTH | KAPI'OLANI PALI MOMI STRAUB WILCOX

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HAWAII COMMUNITY DEVELOPMENT AUTHORITY

May 3, 2017

Hawai'i Community Development Authority
HCDA Kakaako Office
547 Queen Street
Honolulu, HI 96813-5015

RE: Opposition to Proposed Amendments to HAR 15-218 Kakaako Reserved Housing Rules Concerning Workforce Housing

Dear Members of the HCDA:

As President and CEO of Hawai'i Pacific Health, I would like to express our organization's strong opposition to the proposed amendments to the Hawaii Administrative Rules Chapter 15-218 "Kakaako Reserved Housing Rules" concerning workforce housing.

Anchored by our four medical centers – Kapi'olani, Straub, Pali Momi, and Wilcox – as well as more than 70 locations statewide, Hawai'i Pacific Health is the second largest non-government employer in the state of Hawai'i. Our nearly 7,000 employees perform a wide variety of functions that are critical to supporting and maintaining the health and well-being of our local community as we strive to accomplish our mission of creating a healthier Hawaii. Our employees earn a wide range of incomes, with the bulk of our workforce's family incomes lying within the range of 80% to 140% of the area median income. Families with incomes in this range constitute the demographic that HCDA's workforce housing rules are intended to assist.

We oppose the proposed amendments to the Kakaako Reserved Housing Rules because we believe they would have the unintended consequence of severely slowing or even halting the production of much needed workforce housing for our employees and other members of our community in Kakaako. Our state's critical shortage of housing for middle class income earners is a primary concern for a significant portion of our workforce, and we oppose the proposed amendments regarding workforce housing that we believe will inhibit the production of housing for Hawai'i's middle income families. For example, we believe that the proposed new provisions regarding buyback requirements and equity sharing for workforce housing units will have a chilling effect upon the production of housing for our employees and other working families. Encumbering workforce housing units with these types of economic restrictions reduces the appeal of those units, since potential buyers would be restricted in their ability to build equity and eventually move up the housing ladder. Such deed restrictions would significantly decrease the feasibility of private sector workforce housing development, as developers would be impaired in their ability to both attract buyers for the units and to secure financing to build such projects in the first place.

As the HCDA is aware, Hawai'i faces a growing shortage of healthcare providers. Housing issues are a significant and recurring concern impeding the recruitment process of healthcare workers at all levels of hiring across our industry. Development restrictions that impact housing supply will create an additional barrier to recruit workers interested in relocating to Hawaii to start their careers here and will hamper the state's ability to recruit and retain qualified healthcare providers.

While many of HCDA's existing conditions imposed on reserved and workforce housing development may be appropriate to encourage the production of affordable housing in the urban core, we believe that the proposed amendments to the workforce housing rules go too far and would have the effect of hampering our community's ability to provide housing for working individuals and families earning average incomes. If barriers to producing workforce housing are enacted, we fear that the end result will be a halt in production of housing units for middle class families in Kakaako as private developers will only find it economically feasible to produce luxury housing for the wealthy. Very low income earners may still encounter limited opportunities to own and lease homes in Kakaako if low income housing is built using government subsidies, but the housing needs of middle income families such as those of the majority of our employees earning up to 140% of the area median income will be left unaddressed.

We urge HCDA to reconsider the proposed amendments to the rules governing workforce housing development, and to instead work toward preserving and enacting policies that encourage the production of badly needed housing for our middle class workforce. To this end, we request that HCDA delay making a final determination on the proposed amendments until it has had more time to solicit feedback from community stakeholders and to carefully examine the potential negative effects of the rule changes upon our housing supply.

Sincerely,

Raymond P. Vara, Jr.
President & Chief Executive Officer
Hawai'i Pacific Health

Soares, Tommilyn

From: RoxanneHanawahine <roxy_96795@yahoo.com>
Sent: Tuesday, May 9, 2017 11:26 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name
Roxanne Hanawahine
Address
United States
Map It <http://maps.google.com/maps?q=United+States>
Email
roxy_96795@yahoo.com <mailto:roxy_96795@yahoo.com>
Project Name
Kakaako Reserved Housing rules
Do you support or oppose?
Oppose
Comment
Aloha,
I oppose HCDA 2017 Draft Rules amendment, "moderate income" housing definition should be changed to 120% of the area median income NOT 140%AMI or average of 120% AMI which don't meet Honolulu's need for affordable housing .
The State has promoted housing developments in Kakaako as housing for low- and moderate-income families. Low- and moderate-income definitions which according to the Federal HUD are at or below 80% AMI (for low income) and at or below 100% AMI (for moderate income).
HCDA's definitions for low- and moderate-income households should be consistent with the Federal or better yet the State definition. This could be the policy change needed to ensure that myself, family and friends will have access to Kakaako without having to compete with families at 100-140% AMI who can afford market rate housing.

Mahalo,
Roxanne Hanawahine

Soares, Tommilyn

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HAWAII COMMUNITY DEVELOPMENT AUTHORITY

From: JeffGilbreath <jeff@hawaiiancommunity.net>
Sent: Tuesday, May 9, 2017 8:04 AM
To: &HCDA
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Jeff Gilbreath

Organization

Hawaiian Community Assets

Address

200 N Vineyard Boulevard
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United States
Map It

Phone

(808) 587-7653

Email

jeff@hawaiiancommunity.net

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

File Upload

- HCDA-2017-Draft-Rules-Oppose.pdf

HAWAIIAN COMMUNITY ASSETS

200 North Vineyard Boulevard, A300
Honolulu, HI 96817
Ph: 808-587-7886
Toll Free: 1-866-400-1116
www.hawaiiancommunity.net

May 8, 2017

To: Hawaii Community Development Authority Chair John Whalen & Members
Re: Revision of HCDA Reserved Housing Rules ("2017 Proposed Rules")
Date: May 17, 2017

Aloha e Chair Whalen and Members:

I am testifying on behalf of Hawaiian Community Assets (HCA) in my capacity as Executive Director to **oppose** the HCDA's 2017 Reserved Housing Draft Rules, specifically the rules' definitions of low- and moderate-income households which, in their current form, are inconsistent with the Federal Department of Housing and Urban Development's (HUD) definitions and therefore do not address the demand for housing among our low- and moderate-income Hawaii families.

HCA is the State of Hawaii's largest HUD-approved housing counseling agency. Founded in 2000, our organization serves 1,500 low- and moderate-income families annually with free financial education, housing counseling, and asset building programs with the goal of assisting Hawaii's underserved residents obtain rentals, purchase homes, or prevent foreclosure. In the last 16 years, we have served more than 16,000 individuals and assisted 5,879 children and adults secure or sustain affordable housing.

With more than 3,000 families enrolled in our programs, who are at or below 80% the HUD Area Median Income (AMI) limits, there remains great need within Kakaako and as part of the State of Hawaii's plan to develop 22,5000 affordable units by 2026 to ensure our clients have access to affordable housing opportunities. While we agree that some of the draft rules will help make afforable housing a reality for our clients in Kakaako, it is critical to amend the draft rules to meet the overwhelming need in our community among this this target population, as follows:

(1) Amend "moderate income" definition to be consistent with HUD's "moderate income" definition. The proposed rules contain a "moderate income" definition that is at or below 140% AMI. To remain consistent with the Federal government's "moderate income" definition as provided by HUD, and prevent confusion among Hawaii residents, housing developers, and the other key stakeholders now and in the future, the proposed rules should limit its "moderate income" definition to 100% AMI.

(2) Amend the rental housing reserve draft rules section to require Kakaako rental units be reserved for "low income" households according to the Federal definition as provided by HUD. According to HUD, "low income" is defined as a household earning at or below

80% AMI. In light of the lack of affordable rental units throughout our islands and the fact that our state reports the highest homeless rate per capita of any state in the nation, this proposed amendment would target our families who are most in-need of housing as a vehicle to meet the State mandate for affordable housing and take our children and parents off the beaches and streets.

Mahalo for the opportunity to testify in opposition, with suggested amendments, the HCDA's 2017 Reserved Housing Draft Rules. Please contact me directly at 808.587.7653 or via email at jeff@hawaiiancommunity.net should you have any questions or need further clarification.

Sincerely

Jeff Gilbreath

Jeff Gilbreath
Executive Director

May 3, 2017

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

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
547 Queen Street
Honolulu, Hawaii 96813

MAY 03 2017

Receive
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From: Louise Black, Kaka'ako Resident
876 Curtis St, #3504
Honolulu, HI 96813
Email: louise.leilehua@gmail.com

Subject: Revision of HCDA Reserved Housing Rules

Reserved and Workforce Housing asset limits for qualifying buyers should be 120% of Area Median Income (AMI) instead of 140%.

In 1976, Kaka'ako became a community development district under the HCDA to serve the "highest needs and aspirations of Hawaii's people". Kaka'ako's "highest needs" included affordable housing, reserving a share of housing for "low- or moderate-income households". Early HCDA newsletters touted a balanced mixed-use and mixed-income community. Instead, Kaka'ako is becoming a playground for the world's investors.

The UH Economic Research Organization's (UHERO) 2010 study of affordable housing policies offered zero support for defining 140% AMI as "moderate". Of 29 mainland jurisdictions' studied, including high-cost San Francisco, New York and Virginia's Fairfax County, none supported households making above 120% AMI. In fact, only 8 jurisdictions even reached 120% AMI.

Our own City's proposed housing rules make 120% the upper limit of their affordable housing definition. The City had commissioned a study by Keyser Marston Associates, Inc. The study defined "moderate income" housing as between 80% and 120% of AMI. Keyser Marston stated that households making over 120% of AMI don't need government support.

Also, a housing study done by the former HCDA Board drafted new housing rules defining "moderate income" as no higher than 120% of AMI.

There is a looming crisis of a lack of sufficient affordable housing. Mayor Caldwell, has underscored the fact that households earning about 80% of AMI represent about three-fourths of this housing need. According to Civil Beat's "Living Hawaii" series, Honolulu has the third-highest housing costs of any American city. 47% of Honolulu households pay more than 30% of income on housing – highest in the nation. In 2013, 86% of Honolulu income tax filers earned less than $100,000. HCDA can make the move in the right direction to help alleviate the acute need for affordable housing.

MORTGAGE BANKERS ASSOCIATION OF HAWAII

Mortgage Bankers Association of Hawaii
P.O. Box 4129, Honolulu, Hawaii 96812

May 2, 2017

The Honorable John P. Whalen, Chair,
Jesse Souki, Executive Director
Members of the Task Force Committee
Hawaii Community Development Authority

Re: Proposed amendments relating to HAR Chapter 15-218, "Kakaako Reserved Housing Rules"

I am Victor Brock, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service or support the origination and servicing of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation or rules, it is related only to mortgage lending and servicing.

The Mortgage Bankers' Association of Hawaii supports all efforts that can be made to increase the availability of affordable housing while preserving the most flexible of financings options for those homebuyers to both purchase and to refinance those properties to lower their monthly housing expense and/or finance maintenance or improvement of those properties.

Specifically, with respect to the proposed revisions to the HAR Chapter 15-218, "Kakaako Reserved Housing Rules", we support the following:

- The exclusion of "income of a co-mortgagor who is not a household member" in the definition of "Household Income" in section ***§15-218-5 Definitions***
- The exclusion of both "qualified retirement accounts" and "gifts of equity up to twenty per cent of the purchase price" from the calculation of assets subject to the 135% of the applicable income limit in section ***§15-218-32 Income***

We understand that revisions to section ***§15-218-35 Terms of reserved housing and workforce housing for sale*** are intended to extend the ***regulated term*** from 5 years to perpetuity, with the intent of retaining affordable housing designation instead of releasing these properties from the stock of affordable housing after they are owned for five years.