

Moses, Kuulei N

From: GavinThornton <gavin@hiappleseed.org>
Sent: Wednesday, June 13, 2018 7:46 AM
To: DBEDT HCDA Contact
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Gavin Thornton

Organization

Hawaii Appleseed Center for Law and Economic Justice

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Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Support

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- [hiAppleseed-KAKAAKO-RESERVED-HOUSING-RULES-Testimony-6.13.2018.pdf](#)



HAWAI' APPLESEED

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Testimony of Hawaii Appleseed Center for Law & Economic Justice Supporting Amendments to HAR Title 15, Subtitle 4, Chapter 218

Kakaako Reserved Housing Rules
Hawai'i Community Development Authority
Wednesday, June 13, 2018 at 9:00 A.M.

The Hawaii Appleseed Center for Law and Economic Justice is working to build a Hawai'i where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality through research, policy development, education, coalition building, and advocacy.

Thank you for this opportunity to testify regarding the amendments to the Kakaako Reserved Housing Rules.

Our community has invested hundreds of millions of dollars in infrastructure for Kakaako. The affordability requirements being proposed for Kakaako are critical to ensuring that the public receives its fair share of the return on its investment in Kakaako by helping fill the dire need for housing at lower levels of affordability. This can only be accomplished if the level of affordability is appropriate, and the duration of the affordability requirement is meaningful. For reasons further stated below, we support an affordability period of 30 years for the reserve housing units built in Kakaako.

Affordability Requirements

We Need to Find Ways to Build Where the Demand Is

"Perhaps the most significant challenge in housing Hawai'i's people is the high cost of housing across the state. While the multi-million dollar homes sought by wealthy international buyers will nearly always be supplied by the market, the number of homes that are affordable to lower income households is limited."

-2016 HHFDC Hawai'i Housing Planning Study¹

Hawai'i has some of the highest housing costs in the nation and the highest rate of homelessness.² We have the lowest wages in the nation after accounting for cost of

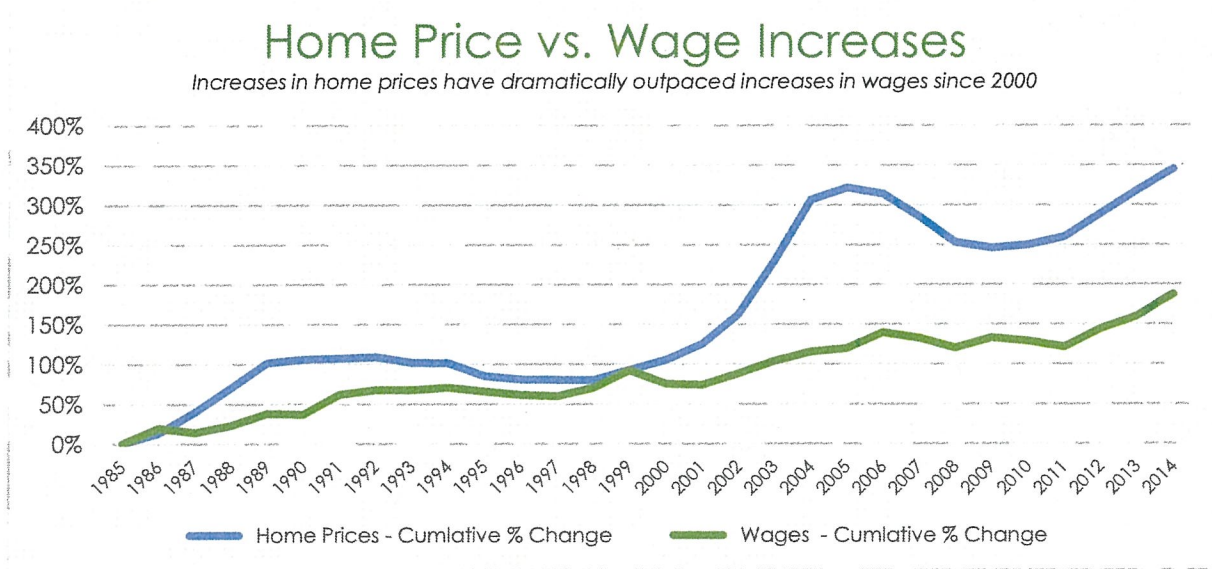
¹ 2016 *Hawai'i Housing Study*, prepared by SMS Research for the Hawai'i Housing and Finance Development Corporation, p. 28 (available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf).

² 2016 American Community Survey 1-Year Estimates Ranking Tables, R2511 and R2514, 2016.

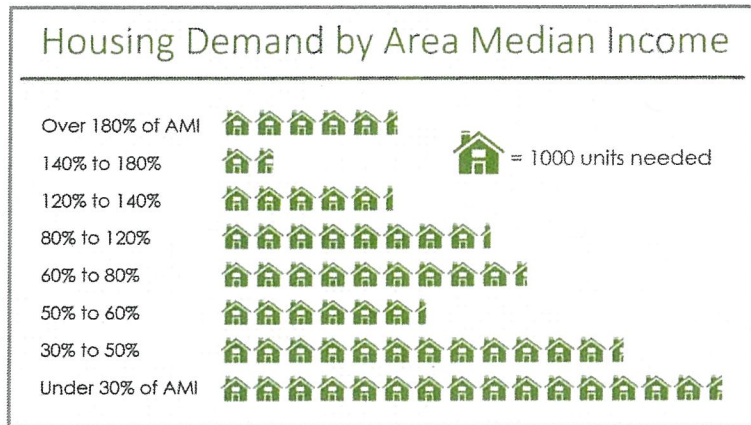
Available at

http://files.hawaii.gov/dbedt/census/acs/ACS2016/ACS2016_1_Year/state_rank/16_state_ranking_file.pdf;

living.³ With increases in home prices outpacing increases in wages, it has become increasingly difficult for Hawai'i residents to afford housing and make ends meet. Forty-eight percent of Hawai'i residents live paycheck to paycheck.⁴



The greatest demand for housing is at the lower-income levels. Households earning 60% or less of AMI represent *half* of the demand for the nearly 26,000 new housing units needed on Oahu by 2025. Households at between 80% and 120% of AMI represent 16% of the demand for housing. The section of the population for whom housing is typically being built by the private market—households at 140% of AMI



The 2017 Annual Homeless Assessment Report (AHAR) to Congress, The U.S. Department of Housing and Urban Development, Dec. 2017 (p. 65). Available at <https://www.hudexchange.info/resources/documents/2017-AHAR-Part-1.pdf>

³ Kolko, Jed. *Cities Where Salaries Go Furthest in the U.S.*, Indeed Hiring Lab (Aug. 24, 2017). Available at <http://www.hiringlab.org/2017/08/24/salaries-go-furthest-in-us-cities/>

⁴ *ALICE: A Study of Financial Hardship in Hawai'i*, Aloha United Way (2017) (available at https://www.auw.org/sites/default/files/pictures/17UW%20ALICE%20Report_HI_1.11.18_Final_Lowres.pdf), *A Study of the Financial Struggles Facing Working Families in Hawai'i*, prepared by Qmark Research for Hawai'i Appleseed Center for Law & Economic Justice (2016) (available at <http://www.qmarkresearch.com/EITC-APPLESEED-CUSTOM-MAR16%5b1%5d.pdf>).

and above—represent only 10% of the demand for housing on Oahu.⁵

The demand for higher-priced housing is likely greater for non-residents versus residents. Homes that Hawai'i residents purchase are typically much less expensive than homes purchased by non-residents. The average sales price for homes purchased by local buyers between 2008 and 2015 was \$477,460, whereas the figure for foreign buyers was \$786,186, and \$612,770 for mainland buyers.⁶ **We need to figure out a way to build housing for the people that need to live, work, and survive in Hawai'i.**

We Need to Adopt Affordability Requirements that Hit the Sweet Spot

Inclusionary zoning works, but not if it's done wrong. Affordability requirements that are too onerous will make development financially infeasible at all income levels. However, studies have repeatedly found that, in the right conditions, inclusionary housing programs produce affordable housing and do not lead to declines in overall housing supply or increases in market-rate prices.⁷ Honolulu is the right environment for inclusionary zoning requirements, and the flexibility of the proposed requirements for Kakaako will allow the requirements to work.

The Importance of the Affordability Requirements Goes Beyond More Affordable Housing

Affordability requirements are about more than just creating additional units that are affordable to more of Honolulu's residents. It also helps to avoid gentrification—pushing out lower income families from areas of opportunity—and encourages mixed-income neighborhoods. Studies on the effects of income-mixing policies suggest that the moderate-income families that will live in the housing created by affordability requirements will experience improved housing quality, increased safety, improved property management, and improved mental health from a reduction in stress.⁸ They will also benefit from proximity to amenities and resources such as transit, shops, and schools that should not be reserved exclusively for the well-to-do.

The affordability of housing doesn't just impact the pocket books of Honolulu's residents; it affects their very lives and their health. Families at the lower end of the income scale are more likely to experience unsafe and unhealthy housing conditions and are least able to remedy them. Poor quality and inadequate housing contributes to health problems such as infectious and chronic diseases, injuries, and poor childhood development.⁹ By implementing strong affordable housing policies that encourage income-mixing, we can move more low-income families, keiki, and kupuna into healthy housing environments.

⁵ 2016 *Hawai'i Housing Study*, prepared by SMS Research for the Hawai'i Housing and Finance Development Corporation, p. 33 (available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf).

⁶ *Residential Home Sales in Hawai'i, Trends and Characteristics: 2008-2015*, Hawai'i Department of Business, Economic Development and Tourism, pp. 3-4 (available at http://files.hawaii.gov/dbedt/economic/data_reports/homesale/Residential_Home_Sales_in_Hawaii_May2016.pdf).

⁷ Lisa A. Sturtevant, *Separating Fact from Fiction to Design Effective Inclusionary Housing Programs*, Center for Housing Policy (2016).

⁸ *Effects from Living in Mixed-Income Communities for Low-Income Families*, Urban Institute (2010) (available at <https://www.urban.org/sites/default/files/publication/27116/412292-Effects-from-Living-in-Mixed-Income-Communities-for-Low-Income-Families.PDF>).

⁹ *Inclusionary Zoning and Mixed Income Communities*, Evidence Matters, U.S. Department of Housing and Urban Development (2013) (available at <https://www.huduser.gov/portal/periodicals/em/spring13/highlight3.html>); *Inclusionary Housing in the United States—Prevalence, Impact, and Practices*, Lincoln Institute of Land Policy, (2017) (available at http://www.lincolninst.edu/sites/default/files/pubfiles/thaden_wp17et1_0.pdf).

Maintaining Long-Term Affordability is Absolutely Critical

An affordability period of 30 years is critical to preserving affordable housing stock created by the Kakaako reserved housing requirements. The requirement is modest and workable—many jurisdictions require 60, or even 99 years.¹⁰

Long-term affordable homeownership programs (LTAH) have proven to be successful across several metrics. LTAH homeowners build wealth, sustain homeownership successfully, rarely became delinquent or foreclosed, and frequently move into market rate homes after selling their restricted homes. At the same time, LTAH programs successfully preserved the ongoing affordability of homes.¹¹ LTAHs can assist two to three and a half times as many households during a thirty-year period compared to conventional or subsidy approaches.¹²

Critics argue that banks will not lend to potential homeowners purchasing an affordability-restricted unit. This simply isn't true. While affordable housing restrictions create special lending needs, private lenders across hundreds of programs have been able to finance homebuyers within affordable housing requirements. Critics have suggested that it will be difficult to sell mortgages encumbered by long-term requirements on secondary markets such as Fannie Mae, Freddie Mac, VA, and FHA. But this fear is unfounded—these secondary markets support affordable housing and will allow restrictions that last any length of time.¹³

Conclusion

The proposed reserved housing requirements for Kakaako represent a balanced approach to inclusionary zoning. Adoption of the requirements should not be deterred by unfounded fears about the changes that the requirements might bring. It is already abundantly clear that what we are doing now does not work—we need to change our approach. These requirements will not solve the affordable housing crisis on their own. But they are an important piece of the puzzle.

Thank you for the opportunity to testify on this important issue.

¹⁰ Heather L. Schwartz et al., *Is Inclusionary Zoning Inclusionary?* RAND Corporation (2012) (available at http://www.rand.org/pubs/technical_reports/TR1231.html).

¹¹ *Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-term Affordability Controls*, Urban Institute (2010) <https://www.urban.org/research/publication/balancing-affordability-and-opportunity-evaluation-affordable-homeownership-programs-long-term-affordability-controls>.

¹² *The Federal Housing Administration and Long-Term Affordable Homeownership Programs*, U.S. Department of Housing and Urban Development (2013) (available at <https://www.huduser.gov/portal/periodicals/cityscape/vol15num2/ch21.pdf>).

¹³ Letter from Rick Jacobus, May 5, 2017, (available at https://www.honolulu.gov/rep/site/dpptom/officehousing_docs/ahr_docs/Jacobus_Letter_5-5-17.pdf).

Moses, Kuulei N

From: DBEDT HCDA Contact
Sent: Tuesday, June 12, 2018 8:59 AM
To: JonIshihara; DBEDT HCDA Contact
Subject: RE: Public Testimony Website Submission Kakaako Reserved Housing rules

Aloha Mr. Ishihara,

Thank you for your email. This is to confirm your testimony was received on June 4 and included in the record.

Aloha,
Hawaii Community Development Authority
547 Queen Street
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Telephone: (808) 594-0300

From: JonIshihara [mailto:jonishihara@gmail.com]
Sent: Monday, June 11, 2018 4:05 PM
To: DBEDT HCDA Contact <dbedt.hcda.contact@hawaii.gov>
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 comments submitted prior to the June 6, 2018 hearing.

Moses, Kuulei N

From: JonathanValdez <valdezjo@hawaii.edu>
Sent: Wednesday, June 06, 2018 10:43 AM
To: DBEDT HCDA Contact
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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Jonathan Valdez

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UH Manoa- Graduate Student Organization

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Project Name

Kakaako Reserved Housing rules

Comment

Good afternoon to the HCDA Committee,

My name is Jonathan Valdez, the University of Hawaii at Mānoa Graduate Student Organization's president for the academic year 2018 to 2019. Today, I'm here to lend my voice to the parking issues faced by graduate students who study and conduct research at the John A. Burns School of Medicine and to represent the sentiments of my fellow graduate students who have submitted testimony today. As GSO President I serve roughly 77 graduate students in four departments that operate to some degree in Kaka'ako.

I recognize that HCDA is currently in conversation with JABSOM faculty and staff in regards to parking issues that mainly affect graduate students who commute from Mānoa to Kaka'ako. I hope the testimony I offer today can help the HCDA move towards plans that help alleviate the financial, physical, and mental stress of graduate students.

While I'm new to the position and the more substantial nuances of issues at JABSOM, I've learned over the years that graduate students face particular hurdles. Talking to some constituents, graduate students often face difficulties finding parking amidst the current slew of construction in Kaka'ako. The existing Honolulu bus routes are also a hassle which logs a commute from UH Mānoa to JABSOM 41 minutes at peak hours at midday, not accounting wait times or delays.

Data from a JABSOM survey conducted in 2014 collected 237 responses, of which 37 graduate students offered anecdotes, suggestions, and critiques of parking. Collectively from JABSOM, stakeholders called for accessible and affordable parking spaces and rates near the campus as well as public transportation that supports easier commutes for students traveling between UH Mānoa and JABSOM and between related medical facilities in the area. If the Committee has not already partnered with the Honolulu Complete Streets Initiative, I highly encourage you to do so to contribute solutions to Honolulu's dynamic traffic issues.

Therefore, I ask that the HCDA committee to move to consider creating housing plans and neighborhoods that will assist graduate students as leaders in medical research. The HCDA committee can quickly do this by providing affordable house rentals and parking per the Kakaako Affordable Rental Housing Task Force's Findings & Recommendations document

published on June 6, 2018 (Points 4 and 8). Points 4 and 8 provide a way forward to alleviating graduate students' struggles in housing and commuting so that they too can enjoy the promise of "live, work, play."

Mahalo,

Jonathan Valdez
President of the Graduate Student Organization
The University of Hawai'i at Mānoa

Moses, Kuulei N

From: EleanoreChuang <eleanore@hawaii.edu>
Sent: Wednesday, June 06, 2018 10:28 AM
To: DBEDT HCDA Contact
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Eleanore Chuang

Email

eleanore@hawaii.edu

Project Name

Kakaako Reserved Housing rules

Comment

Please see the uploaded statement regarding Kakaako Reserved Housing and JABSOM parking.

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- [2018-0606-Testimony-to-HCDA-Kakaako-Reserved-Housing-JABSOM-parking.docx](#)

To: Hawaii Community Development Authority (HCDA)

From: Eleanore Chuang

Date: June 6, 2018

Re: Kaka'ako Reserved Housing and JABSOM Parking

In August 2017, I graduated from the University of Hawai'i at Mānoa (UHM) with a PhD from the Department of Tropical Medicine at the John A. Burns School of Medicine (JABSOM). In November 2017, I began a postdoctoral fellowship in Tropical Medicine at JABSOM. As a graduate assistant, I did not earn enough to afford reserved housing in Kaka'ako. As a postdoctoral fellow, my salary is roughly double that of a graduate assistant, but it is well below the national average, and I still do not qualify for all but a very few reserved housing units in Kaka'ako.

Most reserved housing units in Kaka'ako are unaffordable for students and recent graduates, a population ideally suited to become the workforce of the future technology center under construction. In keeping with Kaka'ako's "live, work, play" motto, I ask HCDA to consider development of more high-density rental units that are affordable for students and recent graduates who can grow into first-time home buyers in the same neighborhood. At the same time, introduction of community shuttles and promotion of car sharing programs could help reduce traffic congestion and demand for parking in Kaka'ako.

In the meantime, phased construction of the Hawai'i Technology Development Center as now planned will eliminate currently available parking in Lot C when construction of the Phase 3 parking garage begins. This will negatively impact people who work but do not live in Kaka'ako, including students, staff, and faculty at JABSOM. The lack of parking upfront will also hinder the technology center's ability to attract tenants. I urge HCDA to revisit the technology center's phased construction schedule and to work with developers and neighborhood employers, including the University of Hawaii, to ensure that construction projects do not inadvertently harm some of the very people whom the reserved housing program should be helping. As it stands, those likely to be disproportionately impacted by the changes in parking are students, who can least afford an increase in rates.

Kaka'ako is undergoing growing pains. Please consider the aforementioned suggestions for Kaka'ako to truly embody its motto of "live, work, play".

Sincerely,
Eleanore Chuang

Moses, Kuulei N

From: DBEDT HCDA Contact
Sent: Wednesday, June 06, 2018 8:20 AM
To: Moses, Kuulei N; Neupane, Deepak
Cc: Kamemoto, Garrett H
Subject: FW: Public Testimony Website Submission Kakaako Reserved Housing rules

This is the last testimony (#4) I will be taking today to be included in the script. Kuulei – please add this one to your script, I will make the copies.

Thanks,

Aloha,
Tommilyn K. Soares
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813
Telephone: (808) 594-0300
Email: tommilyn.soares@hawaii.gov
Website: www.hcdaweb.org

From: DavidArakawa [mailto:darakawa@lurf.org]
Sent: Wednesday, June 6, 2018 8:01 AM
To: DBEDT HCDA Contact <dbedt.hcda.contact@hawaii.gov>
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

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Land Use Research Foundation of Hawaii

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Project Name

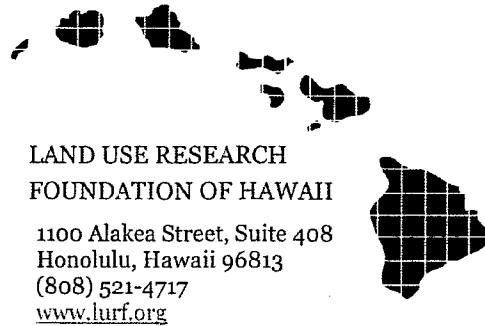
Kakaako Reserved Housing rules

Comment

LURF SUPPORTS HCDA's the proposed Reserved Housing rule amendment relating to the ten-year restricted resale period for affordable housing; OPPOSES, or in the alternative, REQUESTS REVISIONS to the proposed amendment allowing the HCDA, in its sole judgment, to modify its Reserved Housing rules. Please see the attached LURF testimony.

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- [180606-HCDA-Reserved-Hsg-Rule-Changes_LURF-Testimony-w-attch-dza.pdf](#)



LAND USE RESEARCH
FOUNDATION OF HAWAII

1100 Alakea Street, Suite 408
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org

Via email

June 6, 2018

John Whalen, Chair
and Members
Hawaii Community Development Authority
State of Hawaii

**Support, Comments, Concerns and Proposed Revisions relating to
Proposed Rulemaking: Amendments to Hawaii Administrative Rules, title
15, Subtitle 4, Chapter 218, Kakaako Reserved Housing Rules, Hawaii
Community Development Authority (“HCDA”)**

**Wednesday, June 6 (Presentation Hearing) 12:00 p.m.
HCDA Conference Room, 547 Queen St., 2nd Floor, Honolulu, HI 96813**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF’s mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii’s significant natural and cultural resources, and public health and safety.

LURF appreciates the opportunity to express its **support** for HCDA’s the proposed Reserved Housing rule amendment relating to the ten-year restricted resale period for affordable housing. LURF is also concerned, and must oppose the current version of the proposed amendment allowing the HCDA, in its sole judgment, to modify its Reserved Housing rules. In the alternative, LURF respectfully requests **revisions** to the modification provisions.

LURF’s Position.

- **Increasing the current 5-year affordable housing restricted resale period to 10-years, and increasing the current 1-year restricted resale period for workforce housing to 10-years.** LURF supports the current proposed rule which would require a *10-year restricted resale period* for affordable housing (reduced from the originally proposed 30-years). In prior HCDA hearings, there has been testimony in opposition to a 30-year restricted period by, among others, LURF,

all experienced Hawaii housing developers of for sale housing, and Hawaii economic experts. The overwhelming testimony was that a 30-year restriction will harm the production of for sale housing. As further proof, LURF understands that an HCDA member, who is also a housing developer, admitted during questioning with Stanford Carr in an HCDA hearing, that if a 30-year restricted period was imposed on her own project, she probably would not have been able to pre-sell sufficient units to obtain her financing for the construction of the project. In addition to all of the Hawaii housing and economic experts, the attached history of housing in Hawaii has confirmed that 10-year, 20-year and 25-year restricted resale periods have failed in Honolulu, Kauai and Maui. All of this evidence supports Governor Ige's decision to return the prior version of these rules (with the 30-year resale restriction) to the HCDA, and supports the currently proposed amendment relating to a 10-year restricted resale period.

- **HCDA modification of rules in its sole judgment.** LURF has concerns, opposes, and in the alternative, respectfully recommends revisions to the following HCDA proposed amendment to its Reserved Housing Rules:

(j) The authority may suspend [~~these~~] the requirements for reserved housing for a limited duration or modify any provisions of this rule, if, based on market conditions and in its sole judgment, it determines that [~~these~~] the requirements of this rule may unduly impede, preclude, or otherwise negatively impact the primary objective of the authority to promote redevelopment within the Kakaako community development district.

- This proposed revision is a *double-edged sword*: It may seem like this provision will help the production of affordable and workforce housing, however, based on past comments by HCDA members, it will more likely be used as ***“an excuse for HCDA to experiment and pass more onerous housing rules.”*** During the September 2017 HCDA hearing, HCDA members tried to justify imposing the 30-year resale restriction provision (notwithstanding the opposing testimony of housing and economic experts), with words to the effect, *“If it’s too hard to build or sell units under this rule, we can always suspend the rules.”*
- The word “modify” can cut both ways also – HCDA members can “modify” the rules to make them more onerous for developers: In prior hearings, the HCDA Chair and some members used the *same criteria* (*“negatively impacts the primary objective of the authority to promote redevelopment within the Kakaako community development district”*) to justify an experimental 30-year restricted period.
- If this amendment passes, HCDA could use the above justification, and its “sole judgment” and modification powers to turn around , and in the next month vote to *“modify”* the rules to re-impose a new *“30-year”* resale restriction requirement!

- LURF would rather leave the current provision as-is, or
- In the alternative, add a provision which would allow suspension or modification of the rule ***“if it facilitates the production of housing.”***

LURF’s Position. For the above reasons, LURF supports HCDA’s the proposed Reserved Housing rule amendment relating to the ten-year restricted resale period for affordable housing; opposes, or in the alternative, requests revisions to the proposed amendment allowing the HCDA, in its sole judgment, to modify its Reserved Housing rules; and respectfully fully urges your favorable consideration.

Thank you for the opportunity to present testimony regarding this matter.

LIKELY FAILURE OF 30-YEAR RESTRICTION AND WHY IT IS UNNECESSARY
June 6, 2018

LIKELY FAILURE OF 30-YEAR RESTRICTION

1. **REPEATED FAILURE OF RESTRICTED PERIODS IN HAWAII. Requirements and Restricted Marketing Periods have repeatedly failed in Hawaii, due to availability of housing units for sale without restrictions.** Statewide, the following Inclusionary Zone (“IZ”) restrictions **have all failed** due to buyers’ opting to purchase available housing units without IZ resale restrictions, leaving the IZ restricted units unsold:
 - **FAILURE OF HONOLULU’s 10-year restriction (1999-2005).** In 1999, the Honolulu City Council admitted that the City’s 10-year IZ restrictions on buyer income and resale **failed**, and the City Council stopped requiring the IZ restrictions from 1999 to 2005.¹
 - **FAILURE OF HONOLULU’s 10-year restriction – no new affordable housing projects proposed (2005-2010).** The Honolulu City Council reinstated the IZ restrictions in 2005, however, between 2005–2010 the restrictions **failed again**, because no new affordable housing projects were submitted for review and approval.²
 - **ONE-TIME FAILURE OF HHFDC’s 10-year restriction – for the Plantation Town Apartments in Waipahu, during the Recession (2010).** In January 2010, like the City, the Hawaii Housing Finance and Development Corporation (“HHFDC”) was **forced to remove its ten-year IZ restriction** on its Plantation Town Project’s 138 unsold units reserved for gap income buyers. The HHFDC said that *“declines in property values had narrowed the gap between market prices and Plantation Town unit prices to the point where the income limits and resale restrictions turned away buyers. Qualifying gap income households were not interested in reserved affordable housing units that come with major restrictions when market units with no restrictions were already affordable to them.”*³
 - **FAILURE OF KAUAI’s current 20-year resale restriction is currently failing (2007-present).** According to a presentation by the Kauai Housing Director at the HSAC Conference in September 2017, Kauai’s IZ policy has resulted in zero affordable housing units built and sold.
 - **FAILURE OF MAUI’s prior Residential Workforce Housing (RWH) ordinance and 25-year restriction failed (2006-2014).** Maui’s 50% RWH requirement and 25-year restriction included less stringent, more relaxed deed restrictions than the City’s proposed Bill 58.

During the period of Maui’s prior affordable RWH law (2006-2014), there was only one signed RWH agreement; only fourteen affordable units were built; only three units were sold at affordable rates to low-income buyers WITH the 25-year restricted period; the balance of 11 affordable units with the 25-year restrictions were NOT SOLD; and were eventually sold at

¹ See, University of Hawaii Economic Research Organization; Inclusionary Zoning: Implications for Oahu’s Housing Market (February 12, 2010) (“UHERO IZ Report”), p.4.

² See, UHERO IZ Report, p. 4.

³ See, UHERO IZ Report, pp. 5-6.

market rates WITHOUT any restricted period. The failure to sell those eleven units at affordable prices can be attributed to the fact that Maui buyers were not willing to accept a 25-year restricted resale period. (See, Maui Council Housing & Human Concerns Committee Report, dated December 19, 2014; Maui Ordinance 4177 (2014); Tables below and attached, re Maui County's past and present affordable Workforce Housing ordinances, MCC 2.96)

- **SUCCESS OF MAUI's New Workforce Housing ordinance (2015-present).** In December 2014, the Maui Council amended the County's Housing Policy via Maui Ordinance 4177 (2014), changing the prior 25-year restricted period to the following:
 - i. **10 years** – "Below-moderate income" (80% AMI up to 100% AMI)
 - ii. **8 years** – "Moderate income" (100% AMI up to 120% AMI)
 - iii. **5 years** – "Above-moderate income" (120% AMI up to 140% AMI)

The following are the results of Maui's new workforce Housing ordinance and reduced restricted marketing periods:

MAUI RESIDENTIAL WORKFORCE HOUSING POLICY, MCC §2.96	MCC §2.96 HOUSING AGREEMENTS*	PROPOSED RWH UNITS	RWH UNITS BUILT**	RWH SOLD AT AFFORDABLE PRICES***
OLD 2006-2014 (eight years): 50% of total units required to be affordable; 25-Year Restricted Resale Period	1	17	14	3
NEW 2015-present (Dec 2014 to Dec 2017 – three yrs): 25% total units required to be affordable; Restricted Resale Periods: 10 years (80% AMI to 100% AMI - Below Moderate Income); 8 years (100% AMI to 120% AMI - Moderate Income); and 5 years (120% AMI to 140% AMI - Above Moderate Income)	10	486	83	63
COMMENTS:	*New law (2015-present): 1,063 total proposed RWH & market units		**Construction on-going	***Approximately two dozen currently in escrow

2. **CURRENT 10-YEAR RESTRICTIONS ARE WORKING.** The following "reasonable" (10-years or less) resale restriction periods for affordable units are working

- a. **Hawaii County:** 10-yr restriction is working; last year, 6 new projects
- b. **HHFDC (statewide):** 10-yr restriction is working today
- c. **Honolulu:** 10-yr restriction has been working since 2010 (Ho'opili, Koa Ridge, etc.)
- d. **Maui County:** New policy is very successful: 10-8-and 5-yr restrictions = ten new projects in less than 2 yrs (2015-2017); prior restriction was 25-yrs

- e. **HCDA: 5-yr** restricted period and workforce housing restricted periods are working and has created more affordable housing than the City in the past five years (KS, Howard Hughes, 801 South Street, etc.)

3. **CITY'S DRAFT FINANCIAL ANALYSIS CONFIRMS THAT MOST HOUSING DEVELOPMENTS ON OAHU ARE ALREADY INFEASIBLE.** The City's 2016 Draft Financial Analysis Report confirms that the most housing developments on Oahu are infeasible, even without the proposed City IZ restrictions and 30-year restricted resale period; and that the additional financial and other burdens imposed by a 30-year resale restriction would make housing developments financially infeasible in all areas of Oahu, except for 40-story condos in the Ala Moana area, which have substantial height and density bonuses and other incentives. (See, Strategic Economics; *Draft Affordable Housing Requirement Financial Analysis*, Draft Report for City, April 7, 2016)
4. **COMPETITION FROM UNITS WITHOUT ANY RESTRICTED PERIOD.** A proposed 30-year restricted period will likely fail, due to competition with approximately 1,900 affordable units sold each year with NO resale restrictions (See, Board of REALTORS® statistics); and over 5,400 affordable units which will be marketed with drastically less restricted resale years. Experienced housing developers and financial experts have predicted that a 30-year affordability requirement will fail, based on the City's Draft Financial Analysis (April 7, 2016); the past history of restricted resale periods in Hawaii; and competition from the following affordable units that will be for sale over the next few years.
 - **NO resale restrictions.** Competition from approximately 1,900 affordably priced single family homes and condos each year,* that could be sold annually, with NO restricted resale period. *SOURCES: See HHFDC's 2017 Honolulu County Affordable Sales Price Guidelines 2017; and Honolulu Board of REALTORS®, compiled from MLS data (December 2017)
 - **5-year resale restrictions in Kakaako.** Howard Hughes and Kamehameha Schools have vested requirements to build approximately 900 for-sale affordable "reserved" units in Kakaako with only a 5-year restricted resale period; and
 - **10-year resale restrictions for Ho'opili and Koa Ridge.** The projects have vested rights to build approximately 4,500 affordable units, with only a 10-year restricted resale period.

Moses, Kuulei N

From: DBEDT HCDA Contact
Sent: Tuesday, June 05, 2018 4:32 PM
To: Moses, Kuulei N; Neupane, Deepak
Cc: Kamemoto, Garrett H
Subject: FW: Public Testimony Website Submission Kakaako Reserved Housing rules

Forwarding another testimony (#3) for the reserved housing rules

Aloha,
Tommilyn K. Soares
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813
Telephone: (808) 594-0300
Email: tommilyn.soares@hawaii.gov
Website: www.hcdaweb.org

From: PETERSAVIO [mailto:PETERS@SAVIO.COM]
Sent: Tuesday, June 5, 2018 3:32 PM
To: DBEDT HCDA Contact <dbedt.hcda.contact@hawaii.gov>
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

PETER SAVIO

Organization

THE SAVIO GROUP

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United States
[Map It](#)

Phone

(808) 951-8976

Email

PETERS@SAVIO.COM

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

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- [Peter-Savio-Testimony-1.pdf](#)

SAVIO

SAVIO ASSOCIATES LLC

DATE: June 6, 2018

TO: Mr. John Whalen, Chairperson, and Members

FROM: Peter Savio

SUBJECT: TESTIMONY RELATING TO THE PROPOSED AMENDMENTS TO HAR CHAPTER 15-218, KAKA'AKO RESERVED HOUSING RULES

I am Peter Savio, a local developer and long-time advocate and builder of affordable housing for Hawaii's people. I have the experience that it can be done and I want to see Kaka'ako and HCDA use what little public land and authority is has in zoning and community development incentives to build housing for our residents. I am concerned that the Governor did not sign the original Amendments to the Reserved Housing Rules which would have at least started to build long-term available housing for moderate income people to start meeting the tremendous crisis-level affordable housing problem in our state.

It is unfortunate that the current proposed amendments provides for substantially more incentives to developers with very little added to address the dire need for housing for residents way below the maximum sale price of reserved and workforce housing units. The demand is for housing at below the area median income, the supply is built at almost market prices at 140% AMI. I have sold without government financing housing units in Rycroft Terrace that sold out to buyers as low as 20% of median and 95% of Rycroft units sold to buyers under the 80% AMI—and that happened in one day with over 4,000 buyers lined up to buy! It is possible and we can build more affordable units if zoning incentives for more density and less restrictions on parking. I have and can build for longer regulated terms and in fact if you provided incentives to developers to build “rent to build equity” you can get a return to renters to buy their own homes and that would really stabilize our communities. I am willing to commit a building for up to 60 years for a rent to build equity program.

We need to change from “one size fits all” to a system that will allow creativity and innovation rather than forcing all developers into one program. If your mission is to offer affordable units to at least 20% of the units being built then incentives should accrue to developers who provide housing where needed at income levels at the median and below. Why not provide incentives on a sliding scale, ie. more density, height, public facilities dedication fees, government financing, street setbacks and off street parking if the developer sells units at the lower income levels and less at the 120-140% AMI levels or keep the units in the program longer. In my case, 60 years.

Further, cash-in-lieu (Section 15-218-17(d)(3)) should be based on actual cost of building a unit so funds paid by the developer is sufficient for HCDA to build a comparable affordable unit.

This is the state's opportunity to build affordable housing in Kaka'ako so it can house workers in Waikiki and Downtown as envisioned in Chapter 206E, HRS, that created HCDA and the other community development districts. The amended rules should encourage the ability and creativity rather than the present one program fits all. If these amended rules can incorporate that vision we can meet the now formidable housing demand. Mahalo for the opportunity to testify.

Moses, Kuulei N

From: DBEDT HCDA Contact
Sent: Tuesday, June 05, 2018 11:16 AM
To: Neupane, Deepak; Moses, Kuulei N
Cc: Kamemoto, Garrett H; Murray, Francine K
Subject: FW: Public Testimony Website Submission Kakaako Reserved Housing rules

Forwarding testimony (#2) for PH re: Kakaako Reserved Housing Rules.

Aloha,
Tommilyn K. Soares
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813
Telephone: (808) 594-0300
Email: tommilyn.soares@hawaii.gov
Website: www.hcdaweb.org

From: sharonmoriwaki [mailto:sharonmoriwaki@gmail.com]
Sent: Tuesday, June 5, 2018 10:27 AM
To: DBEDT HCDA Contact <dbedt.hcda.contact@hawaii.gov>
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

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sharon moriwaki

Organization

kakaako united

Address

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honolulu, HI 96813
United States
[Map It](#)

Phone

(808) 428-1348

Email

sharonmoriwaki@gmail.com

Project Name

Kakaako Reserved Housing rules

Comment

Support in part and oppose in part see comments

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- [TESTIMONY-ON-RHWH-RULES.pdf](#)

File

- [need-built-HiAppleseed.pdf](#)

Kaka'ako Ūnited

June 6, 2018

To: Mr. John Whalen, Chairperson, and Members
From: Sharon Moriwaki, Kaka'ako Resident & President, Kaka'ako United
Subject: Testimony Relating to the Proposed Amendments to HAR Chapter 15-218, Kaka'ako Reserved Housing Rules

Kaka'ako United (KU) seeks to ensure that the Kaka'ako Community Development District (District) be planned and developed to support a livable and quality community. For this reason, we are concerned that the Governor refused to sign the Amendments to the Reserved Housing Rules which would have achieved the purpose of the law governing the Kaka'ako Community Development District. Development should meet the highest needs of our residents. And we all know the highest need is for **affordable** housing.

Your staff recommended a re-opening of the 3-year long process of amending the reserved and workforce housing rules to address two amendments suggested by the Governor: 1) reducing the regulated term for for-sale units from 30 years to 10 years; and (2) calculating the buyback price based on the current vs original fair market value.

While we didn't support all of the proposed rule changes, we went along with the compromise recommended by the Authority. They followed many meetings and hearings with the past and current Authority in which we participated. We appreciate the hard work of this Authority. To undo what the Governor's appointed Authority delivered after listening to all parties—is most unfortunate.

It is unfortunate that the current proposed amendments provide for substantially more incentives to developers with very little added to address the dire need for housing that our residents can afford, which is way below the proposed maximum sale price of reserved and workforce housing units. The demand is for housing at or below the area median income, yet the supply is at market prices at 140% AMI. See attached chart from Hawaii Appleseed.

If indeed the mission of government and, in particular, HCDA, is offering affordable units then incentives should accrue to developers who provide housing where needed at median income and below. Maximum incentives and financing should be given to developers building for regulated terms of 60 years or more and with AMI at the lowest levels.

Mahalo for the opportunity to testify.

KŪ: Kaka'ako Ūnited

PO Box 235965 • Honolulu, Hawaii 96823

www.kakaakounited.org • info@kakaakounited.org



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

Housing Demand by Annual Income



Moses, Kuulei N

From: DBEDT HCDA Contact
Sent: Tuesday, June 05, 2018 11:15 AM
To: Neupane, Deepak; Moses, Kuulei N
Cc: Kamemoto, Garrett H; Murray, Francine K
Subject: FW: Public Testimony Website Submission Kakaako Reserved Housing rules

Hi Deepak: Forwarding for the PH re: Kakaako Reserved Housing Rules.

Kuulei – Please keep track of these as they are required to be part of the record.

I will make the copies for the board.

Aloha,
Tommilyn K. Soares
Hawaii Community Development Authority
547 Queen Street
Honolulu, Hawaii 96813
Telephone: (808) 594-0300
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Website: www.hcdaweb.org

From: JonIshihara [mailto:jonishihara@gmail.com]
Sent: Monday, June 4, 2018 5:39 PM
To: DBEDT HCDA Contact <dbedt.hcda.contact@hawaii.gov>
Subject: Public Testimony Website Submission Kakaako Reserved Housing rules

Name

Jon Ishihara

Organization

Kaka'ako resident

Email

jonishihara@gmail.com

Project Name

Kakaako Reserved Housing rules

Do you support or oppose?

Oppose

Comment

I oppose the draft amendments. I took a partly analytical, partly subjective approach and compared the current rules with the draft amended rules. I categorized specific sections of the rules into what I called "restrictions" and "adjustments/incentives" and placed these specific selected sections of the current rules side by side in a table format with the draft amended rules. See the two attachments, which are separated into a comparison of the reserved housing rules and a comparison of the workforce housing rules.

It would appear that the proposed amendments that affect reserved housing are relatively minor and incremental in nature. The

proposed amendments that affect workforce housing, on the other hand, are not incremental but are sweeping. Others have previously noted the plausible connection of these changes to unit sales at 801 South Street.

I did not include administrative changes and most procedural changes (such as how sales price may be calculated) in my comparison. The overall conclusion after looking over the proposed amendments in this table format is that, aside from some changes that may benefit owners of reserved housing and some changes that may become an additional incentive for a developer, the majority of the proposed amendments are more restrictive on applicants, owners and developers. This does not square with the stated purpose of the proposed amendments to "promote the development of additional units." The proposed amendments "may" preserve existing inventory (quotation marks are used because one does not know the future).

I am aware of the 4+ years behind this effort, including the many meetings and public hearings, testimony, staff work, and so on. But like some others, I believe the proposed amendments will not promote development of additional units. If preserving inventory is the main purpose, more must be done to add "adjustment/incentives" for a developer to develop additional workforce housing units, since the pool of applicants "may" shrink with the increased "restrictions." The removal of the clause on government funding is a plus for a developer, but all past testimony points to the other proposed amendments overwhelming this one plus.

I wish to support Mr. Carr's viewpoint that for-sale units and rental units are very different. Please consider a suggestion to focus only on making amendments to promote development of rental reserved housing (or rental workforce housing), instead of making changes that affect for-sale reserved housing, rental reserved housing, for-sale workforce housing and rental workforce housing. Start the changes by getting one thing going well.

Mahalo.

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- [Compare-Current-Chapter-218-of-Title-15-with-2018-Proposed-Amendments-RH.pdf](#)

File

- [Compare-Current-Chapter-218-of-Title-15-with-2018-Proposed-Amendments-WH.pdf](#)

**Comparison of Current "Kakaako Reserved Housing Rules" With Proposed 20180606 Draft Amendments
 Current Chapter 218 of Title 15, Hawaii Administrative Rules, "Kakaako Reserved Housing Rules," adopted September 14, 2011
 HAR-Chapter-15-218-Proposed-Amendments**

Related to Reserved Housing	
"Restrictions" on developer	
15-218-17(e)	The delivery of reserved housing units shall be required prior to the issuance of the initial certificate of occupancy for the project...
15-218-17(e)	The construction of reserved housing units shall commence prior to the issuance of the initial certificate of occupancy for the project...
15-218-19	The Reserved Housing Unit Type and Corresponding Factor Table below shall be utilized in determining the total number of reserved housing units required to be provided for any development.
"Restrictions" on applicants	
15-218-20(a)	The following occupancy guidelines shall be used for sale or rental of reserved housing units during the initial application period when the number of applications exceeds the number and type of reserved housing units available:
15-218-30(a)(4)	Has never before purchased a reserved housing or workforce housing unit under this chapter
15-218-30(c)	If a household includes two or more persons regularly living together that are related by blood, marriage, or by operation of law, the majority interest restriction shall apply to all household members
15-218-32(a)	The household income of the applicant shall not exceed one hundred forty per cent of the area median income (AMI)...
15-218-33(a)(2)	The purchaser or lessee shall physically occupy the reserved unit.
15-218-35(b)	During the regulated term, a reserved unit owner shall not purchase additional limited common elements or personal property.
15-218-35(d)	After the end of the regulated term, the owner may sell the unit or assign the
	No change
	No change
	(removed)
	No change

15-218-36	property free from any transfer or price restrictions except for applicable equity sharing requirements...	15-218-35(a)	...if the owner of a reserved housing unit or a workforce housing unit wishes to sell the unit within ten years from the date of issuance of certificate of occupancy for the unit, the authority or an entity approved by the authority shall have the first option to purchase the unit.
"Restrictions" on affordability			
15-218-34(a)(1)	Down payment amount shall not exceed ten per cent of the purchase price;		No change
15-218-34(a)(2)	Monthly payments... shall not exceed thirty-three per cent of gross monthly income...		Maximum allowable monthly housing cost... shall not exceed thirty-three percent of gross monthly household income.
		15-218-34(c)	The maximum allowable sales price of a reserved housing or a workforce housing unit may be calculated based on an AMI of no more than one hundred forty percent, provided that the weighted average sales price of all reserved housing or workforce housing units in a project shall be the price calculated based on an AMI of no more than one hundred and twenty percent.
"Restrictions" on unit			
15-218-35(a)	The regulated term for reserved housing units that are for sale shall be five years from the date of issuance of certificate of occupancy. Reserved housing rental units shall be regulated for fifteen years.	15-218-35(a)	The regulated term for a reserved housing or workforce housing unit shall be ten years from the issuance of certificate of occupancy.
		15-218-43	Reserved housing and workforce housing units for rent shall be regulated for a period of thirty years from the date of issuance certificate of occupancy for the project.
"Adjustments/Incentives" for applicant			
		15-218-30(b)	Subject to approval of the executive director, a current owner of a reserved housing or workforce housing unit may apply to

			purchase a larger reserved housing or workforce housing unit provided...
			Qualified retirements accounts and gifts of up to twenty percent of the purchase price to assist in the down payment for purchase of a reserved housing or a workforce housing unit shall not be counted towards assets
			The authority may on a case-by-case basis consider requests from a reserved housing or workforce housing unit owner to rent the reserved housing or workforce housing unit during the regulated term. The rental of reserved housing or workforce housing units by owner shall be regulated by sections 15-218-32, 15-218-43 and 15-218-44.
"Adjustments/Incentives" for developer			
15-218-18(a)	(1) Residential floor area for reserved housing shall be excluded from calculations of floor area ratio; (2) Residential floor area for reserved housing shall be exempt from the provisions of Hawaii administrative rules, section 15-217-65; (3) For reserved housing units, the off-street parking space requirement shall be one stall per unit.		Removed off-street parking space requirement and placed in 15-218-18(b), see below
15-218-18(b)	The authority may also consider modifying the following requirements of the mauka area rules as an incentive to providing additional reserved housing by an applicant: (1) Building height; (2) Street setbacks; and (3) Loading space.	15-218-18(b)	The authority may also consider modifying the following requirements of the mauka area rules as an incentive to providing reserved housing by an applicant: (1) Building height; (2) Street setbacks; (3) Off-street parking; and (4) Loading space.

Comparison of Current "Kakaako Reserved Housing Rules" With Proposed 20180606 Draft Amendments
Current Chapter 218 of Title 15, Hawaii Administrative Rules, "Kakaako Reserved Housing Rules," adopted September 14, 2011
HAR-Chapter-15-218-Proposed-Amendments

Related to Workforce Housing

"Restrictions" on developer	
15-218-55(a)	New residential project(s)...which does not require financial assistance for construction from Federal, State, or County governmental bodies, and which meets the following unit size requirements...
	Language removed in proposed draft
"Restrictions" on applicants	
15-218-55	... are set aside for purchase by families earning between one hundred to one hundred forty per cent of the AMI...
	...are set aside for purchase or for rent by households earning no more than one hundred forty per cent of the AMI...
	15-218-30(a)(2)
	Shall not have a majority interest in a principal residence or a beneficial interest in a land trust on a principal residence within or without the State for a period of three years immediately prior to the date of application...
	15-218-30(a)(3)
	Shall not have a spouse or dependent child who has a majority interest, in a principal residence or a beneficial interest in a land trust on a principal residence for a period of three years immediately prior to the date of application
	15-218-30(a)(4)
	Has never before purchased a reserved housing or workforce housing unit under this chapter
	15-218-30(c)
	If a household includes two or more persons regularly living together that are related by blood, marriage, or by operation of law, the majority interest restriction shall apply to all household members
	15-218-33(a)(2)
	The purchaser or lessee shall physically occupy the reserved housing or workforce housing unit.
"Restrictions" on affordability	
None comparable to RH.	15-218-34(a)(1)
	Down payment amount shall not exceed ten per cent of the purchase price;

		15-218-34(a)(2)	Maximum allowable monthly housing cost...shall not exceed thirty-three percent of gross monthly household income.
		15-218-34(c)	The maximum allowable sales price of a reserved housing or a workforce housing unit may be calculated based on an AMI of no more than one hundred forty percent, provided that the weighted average sales price of all reserved housing or workforce housing units in a project shall be the price calculated based on an AMI of no more than one hundred and twenty percent.
"Restrictions" on unit			
None comparable to RH.		15-218-35(a)	The regulated term for a reserved housing or workforce housing unit shall be ten years from the issuance of certificate of occupancy.
		15-218-35(a)	...If the owner of a reserved housing unit or a workforce housing unit wishes to sell the unit within ten years from the date of issuance of certificate of occupancy for the unit, the authority or an entity approved by the authority shall have the first option to purchase the unit.
		15-218-35(b)	After the end of the regulated term, the owner may sell the unit or assign the property free from any transfer or price restrictions except for applicable equity sharing requirements set forth in section 15-218-41.
		15-218-35(e)	Any subsequent mortgage placed on the reserved housing or workforce housing unit by the owner shall require approval from the executive director and...
"Adjustments/Incentives" for applicant			
		15-218-30(b)	Subject to approval of the executive director, a current owner of a reserved housing or workforce housing unit may apply to purchase a larger reserved housing or workforce housing unit provided...

			15-218-32(c)	Qualified retirements accounts and gifts of up to twenty percent of the purchase price to assist in the down payment for purchase of a reserved housing or a workforce housing unit shall not be counted towards assets
			15-218-45	The authority may on a case-by-case basis consider requests from a reserved housing or workforce housing unit owner to rent the reserved housing or workforce housing unit during the regulated term. The rental of reserved housing or workforce housing units by owner shall be regulated by sections 15-218-32, 15-218-43 and 15-218-44. (Exemptions removed)
15-218-55(b)	Workforce housing project(s) shall be exempt from the requirements of sections 15-218-35, 15-218-36, and 15-218-41 of subchapter 3 of this chapter.			
“Adjustments/Incentives” for developer				
15-218-55(d)	Workforce housing project(s) shall receive a floor area bonus of one hundred per cent, provided...		15-218-21(c)	Workforce housing project(s) shall receive a floor area bonus of one hundred percent, provided...
15-218-55(f)	Workforce housing projects shall be exempt from the provisions of Hawaii administrative rules, section 15-217-65.		15-218-21(d)	Workforce housing projects shall be exempt from the provisions of Hawaii administrative rules, section 15-217-65.
			15-218-21(e)	The authority may also consider modifying off street parking and loading requirements of the mauka area rules for workforce housing projects.