I am in support of the proposed changes for Kaka'ako reserved housing rules EXCEPT that the HCDA should reconsider the guidelines for income qualifications. This should be decreased to allow for those making less than the proposed 135%. Allowing for 80-120% seems a reasonable approach to truly allow for affordable housing.
March 28, 2017

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

Chairperson Whalen and Board Members:

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

We appreciate the Hawaii Community Development Authority (HCDA) undertaking the task of amending the Reserve Housing Rules. The Kobayashi Group would like to offer our comments on the following proposed amendments:

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Proposed Rules</th>
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<tbody>
<tr>
<td>1 Reserved Housing</td>
<td>Developments of 10 residential units or more shall provide 20% of the total number of units as reserved housing units.</td>
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**COMMENT:** The proposed amendment will unfairly place the small property owners in the same category as large land owners. The current rule allows small land owners the option to undertake a small scale housing project without higher development expenses. Instead of creating more reserved units, it will serve as a deterrent for small landowners to do any housing development. We strongly suggest HCDA review how many small property owners will be affected by this proposal.

| 2 Reserved Housing | A ‘Reserved Housing Unit Type and Corresponding Factor Table’ is being proposed to determine reserved housing units requirement for a development. |

**COMMENT:** To encourage and build more reserve housing units, HCDA has contracted with a developer to undertake the planning, design, and construction of a 17-story “micro units” on a 10,409 square foot property at 630 Cooke Street. We believe this was innovative in providing more reserve units. The proposed amendment appears to have reversed that direction. Larger units translate to higher building cost that is not recoverable by the developer/landowner. The reality is that affordable units, for sale or rental, should not expect larger units, parking, and amenities as market rate units.
Additionally, we are interested to know when the ‘Reserved Housing Unit Type and Corresponding Factor Table’ will be made available to the public for further review and comment.

9 Reserved and Workforce Housing  Based on a household income of 140% of AMI. Requires the average sales price of all reserved housing units in a project to be based on no more that 120% of AMI.

**COMMENT:** Using average cost projections to amend the 140% AMI to 120% AMI will be approximately $________ per unit multiplied by the total reserved units for the project. The cost to subsidize building reserve units will be added to the market sales units. This cost is upward of $_____ or more. This will make the pricing beyond the financial reach of the average income buyer. We want to see more units at 120% AMI; however, HCDA needs to provide developer incentives to offset the expense to build reserve units. This can be in form of higher density, reduced parking requirement, reduced open space, and eliminate regulatory requirements and fees. We suggest that the HCDA Board seeks to adopt incentives for developers to undertake and offset the financial risk to build affordable units at 120% AMI. Without the developer incentives, including financial subsidies, we cannot support this proposed amendment in its present form.

We are also concerned with HCDA have a difference set of affordable definitions as the Federal, State, including HHFCD, and the City and County of Honolulu as it will affect project financing and/or make it more difficult to obtain loans.

When HCDA was enacted by the Hawaii Legislature in 1976, the legislative intent was to be able to timely develop certain core districts of Honolulu by adopting more flexible building rules. In doing so, HCDA was given special designation that specifically exempts cumbersome building regulatory requirements by the City & County of Honolulu. This proposal serves as a detriment to fulfill the legislative intent to develop Kakaako with the exception of the two largest Kakaako landowners. They are “grandfathered” under the HCDA approved master permit or until the master permit expires.

Thank you for the opportunity to provide comments.

Sincerely,

Bert A. Kobayashi
Senior Advisor
May 22, 2017

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

Subject: 2017 Reserved Housing Rules Proposed Amendments

Aloha Chairperson Whalen and HCDA Members,

Mahalo for the opportunity to contribute to this important discussion regarding the proposed amendments to HAR Chapter 15-218 regarding Kakaako Reserved Housing Rules. American Savings Bank has been proudly serving Hawai‘i’s residents and businesses for over 90 years, and we share the community’s concern for the need for affordable housing.

We have reviewed the proposed amendments and commentary from HCDA. It appears that Subchapter 3 contains many of the proposed changes; namely §15-218-30 through §15-218-45, and §15-218-47, which bundle reserved housing and workforce housing together into the same regulation. If these amendments are accepted, the rules for Sale and Rental of Reserved Housing Units – Subchapter 3 (despite its title) will also apply to workforce housing units.

It’s our observation that generally workforce housing developments are less elaborate and have fewer amenities compared to reserve housing developments. Thus workforce units are sold at market price commensurate with the unit’s appeal, unlike reserved units which subsist in highly amenitized projects and are sold at discount to market price. Because of this fundamental difference in project type, workforce units have inherent market price ceilings that keep them within the intended 140% AMI target.

While there may be apparent equality between workforce housing units and reserved units from a regulatory/academic standpoint, the proposed changes would effectively create additional burdens on workforce housing buyers which are not balanced by benefits. We are concerned that an unintended consequence of the proposed amendments may be to suppress demand and accordingly, the supply of future workforce housing development. Therefore, we cannot support the proposed amendments as written. If Subchapter 3 remains unchanged, there will be no risk of an unintentional negative consequence to workforce housing.

We appreciate your consideration.

Respectfully,

Dean Hirabayashi
Senior Vice President &
Commercial Real Estate Loan Manager