

BEFORE THE HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII

In re Application of

THE TRUSTEES OF THE ESTATE
OF BERNICE PAUAHI BISHOP

to Amend the Master Plan Permit,
File No. PL MASP 13.2.8, Issued by
Hawaii Community Development
Authority on September 2, 2009

MASTER PLAN PERMIT NO. PL MASP
13.2.8

**DECLARATION OF PAUL H.
BREWBAKER, Ph.D.**

I, Paul H. Brewbaker, hereby declare based upon my own personal knowledge as follows:

1. I am the Principal of TZ Economics, a Hawai'i economics consultancy in corporate work, financial risk and development impact analysis and litigation support. My background is in research on the Hawai'i economy and financial risk analytics from a 25-year affiliation with Bank of Hawaii. I am a graduate of Stanford University where I received an A.B. in economics. I received my Ph.D. in economics from the University of Hawai'i. I have done graduate work at the University of Wisconsin and taught at its Madison and Milwaukee campuses and in the University of Hawai'i system. I am a member of the American Economic Association, American Finance Association and National Association for Business Economics with its Certified Business Economist designation. I am the former president of the Hawaii Economic Association. Additional information about my background can be found in my Curriculum Vitae, which is attached hereto as Exhibit 13.

2. I have personal knowledge of the facts stated in this Declaration, except as to matters stated on information and belief, and as to those matters, I believe them to be true. This written testimony in the form of a declaration is submitted on behalf of Kamehameha Schools (“KS”) and in support of the proposed amendments to the Kaiāulu ‘o Kaka‘ako Master Plan (“KKMP”).

The State of the Current Urban Development Market Necessitates Building a Degree of Flexibility into the Planning Stage.

3. The proposed amendments come at a time of rapid change in Honolulu’s urban development market. In recent decades, Honolulu’s urban core has enjoyed a homebuilding renaissance as focus has shifted from urban sprawl of the late-20th century back to the city’s center in the early-21st century. A combination of factors have influenced this shift, including active lifestyles among younger adults seeking to blend recreational amenities with work requirements and older adults downsizing and seeking to return to the urban core following decades of child-rearing and family commitments.

4. Most recently, an explosion of Work-From-Home induced by the necessity of public health responses to the novel coronavirus is creating new cross-currents of housing demand.

5. On the one hand, demand for detached dwellings in suburban and exurban locales absent requirements for long commutes to work has increased. On the other hand, the modulation of urban (especially commercial) real estate costs, particularly in office space and also in brick-and-mortar retail, will induce countervailing demand for habitation in an urban core featuring amenities not present in suburbs.

6. A heterogeneous housing supply response will both hedge against risks associated with newer countercurrents, as well as ensure resilience in the face of unfolding climate change impacts on coastal areas, along streams and waterways, and in mauka areas encroaching on Honolulu's narrow physical bandwidth. The 2020s, perhaps more than in recent decades, would be well-served by a diverse pattern of urban habitation development. Incorporating a degree of flexibility at the planning stage is crucial to allow developers and their partners the ability to adapt to rapidly changing market demand. The proposed amendments seek to build such flexibility to adapt to market changes into the Master Plan.

The Anticipated Economic Impact of the Proposed Amendments.

7. Based upon the general scenarios provided in pages C-14 through C-17 of the Master Plan Amendment, attached as Exhibit 5 to KS' Petition for Amendment of the Master Plan Permit, my preliminary calculations indicate the following economic impacts from direct and indirect outlays on construction and development, and using the State of Hawaii's input-output model to estimate the associated direct, indirect, and induced impacts over six years inclusive, 2021-2027, taking into account leakages to imports and labor-saving productivity growth, in present values of constant 2021 future dollars:

a. Under a baseline scenario without 201H projects: approximately \$1.89 billion in output, \$600 million in earnings, \$117 million in state taxes, and an average 1,645 annual jobs over six years (one job for one year).

b. Under a scenario including an additional 460,000 square feet of floor area including one 201H project: approximately \$2.14 billion in output, \$700 million in earnings, \$130 million in state taxes, and an average 1,900 annual jobs.

c. Under a scenario including an additional 1 million square feet of floor area including two 201H projects: approximately \$2.54 billion in output, \$800 million in earnings, \$150 million in state taxes, and an average 2,200 annual jobs.

d. Permanent cumulative present value county residential property tax receipts in constant dollars over thirty years: \$74 million (Scenario 1); \$84 million (Scenario 2); \$101 million (Scenario 3).

e. Permanent cumulative maintenance and operations impacts over thirty years:

- i. Scenario 1: \$841 million in output, \$278 million in earnings, \$51 million in state taxes, and an annual average 158 jobs.
- ii. Scenario 2: \$976 million in output, \$323 million in earnings, \$59 million in state taxes, and an annual average 183 jobs.
- iii. Scenario 3: \$1.14 billion in output, \$377 million in earnings, \$69 million in state taxes, and an annual average 213 jobs.

The Proposed Amendments Help Address O`ahu's Housing Shortage

8. Over the last several decades, a combination of geographic constraints (“steep slopes and water bodies”) and regulatory constraints (*e.g.* state and county-level zoning) on housing development have reduced the supply of new housing in

Hawaii. Homebuilding cycles of narrowing amplitude over time have been accompanied by a downward trend in production since the 1970s.

9. Homebuilding on Oahu during the decade of the 2010s, pre-COVID, was the lowest since the 1940s, *without* world war. This diminution unfolded over more than a half century during which Oahu's civilian population grew substantially and occupancy patterns shifted towards smaller households and substantially greater independent living than in the past. Growth of housing supply was constrained at this time of growth in housing demand. The consequences have resulted in Honolulu being ranked among the nation's most expensive cities, differentials rooted primarily in housing cost.

10. High-density redevelopment in long-neglected areas of urban Honolulu, such as Kaka'ako, could contribute positively and materially to current and future housing need and could position the city for a revitalization crucial for the maximization of positive economic benefits. These proposed amendments arrive at a time when mass transit investments and ground transportation innovations such as ride-sharing, autonomous vehicles, and remote work could mitigate the congestion externalities customarily associated with Honolulu's urban core. The combination of proximity and mobility could contribute substantially to boosting productivity in Honolulu.

11. Master Plan Effective Period Time Extension. Providing the amount of housing necessary to meet demand after a decades-long drought in housing development cannot occur overnight. Extending the effective period of the master

plan will only help in providing the substantial benefits that urban core development can deliver. I declare under the penalty of law that the foregoing is true and correct.

DATED: Honolulu, Hawai'i, March 22, 2021.

A handwritten signature in black ink, reading "Paul H. Brewbaker". The signature is written in a cursive, flowing style with a prominent initial "P".

PAUL H. BREWBAKER, Ph.D., CBE