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THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the Honolulu City Council

HONORABLE ERNEST Y. MARTIN, CHAIR

Wednesday, July 6, 2016

10:00 a.m.

City Council Chambers - Honolulu Hale

RE: BILL NO. 27 (2016) TO AMEND CHAPTER 14, CHAPTER 18, and CHAPTER 22, REVISED ORDINANCES OF HONOLULU 1990, AS AMENDED, RELATING TO INCENTIVES FOR ACCESSORY DWELLING UNITS PRODUCTION

Dear Chair Martin, Vice-Chair Anderson, and members of the Council:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-Hawaii is in **strong support** of Bill 27, which proposes to create incentives for accessory dwelling unit production by temporarily exempting "accessory dwelling units" from certain fees and to permanently exempt accessory dwelling units from the requirement to provide or dedicate land for park and playground purposes.

Last November, the BIA- Hawaii convened a Housing Summit, with the Chamber of Commerce Hawaii, that addressed one of Hawaii's most pressing issues - home affordability. With the median home price in the Islands now at \$730,000, the repercussions are having a major impact on Honolulu's economy.

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

If potential employees cannot find affordable homes they will choose not to move to Hawaii and current residents affected by stratospheric home prices will leave. Employers across a wide spectrum of enterprises are already feeling the pinch. Mid-level employees are especially impacted with educators, medical professionals, and small businesses particularly hard hit.

When launched last September, the Administration's ADU initiative was purported to provide approximately 20,000 new rental units into the housing supply. The fact that only a handful of ADU's have been permitted since then is an indication that there needs to be more thought given to the time and cost required to insure that these types of housing initiatives will succeed. It also points out that the City needs to change its mind set from being "reactive" in permitting individual projects to being "proactive" in how to incentivize or stimulate the construction of much needed new housing units.

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The Honorable Ernest Y. Martin, Chair
Honolulu City Council
Bill 27 (2016)
July 6, 2016

The ADU program is part of the City's proposed Island-wide Housing Strategy, which acknowledges that the marketplace is not building enough housing to keep up with demand. Many people live in overcrowded homes, spend more than 45% of their incomes on combined housing and transportation costs, or are homeless. Oahu will need more than 24,000 additional housing units to address pent-up demand and new household formations. The City's housing goals should be simple: build more homes to meet the projected demand.

Similarly, the Department of Business, Economic Development and Tourism forecasted demand for additional housing units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period for a statewide total of 64,693 units (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

In order to address the current "housing crisis," there needs to be a shift in how government views housing development and transition from being regulatory to being more production oriented. For example, this shift would have the City and County of Honolulu adopt a goal of approving an average of 2,500 new residential units each year over the next 10-year period to address the projected 25,847 unit demand.

Finally, while BIA-Hawaii believes *Bill 27 is a step in the right direction*, there exists several issues that must be addressed in order to reach stated goals for ADUs. Firstly, infrastructure is still lacking and is one of the biggest barriers to building ADUs. Unless sewer capacity is improved, we will not be able to build ADUs. Secondly, a homeowner could save time and money if there was a map of where there is adequate infrastructure. Without that information readily available, a homeowner would need to go through the entire ADU process, only to be denied if there is insufficient infrastructure.

The need for legislative action to modify the existing permitting system speaks to the need for a more comprehensive legislative package to "increase the supply of housing" at all price points on Oahu.

We are in strong support of Bill 27 (2016) and appreciate the opportunity to express our views regarding this matter.