

STANFORD CARR DEVELOPMENT, LLC

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City Council, City and County of Honolulu
Committee on Zoning and Housing
Kymberly Marcos Pine, Chair
Ikaika Anderson, Vice Chair

RE: Testimony in Support of Bill 59 (2017) with Proposed Amendments

Honorable Chair Pine, Vice Chair Anderson and members of the Committee

On behalf of Stanford Carr Development, I submit this testimony in support of Bill 59 which provides financial support for the creation and maintenance of affordable rental dwelling units. As we are all too aware, Honolulu is in the midst of a housing crisis and urgently needs to produce additional rental housing units for cost-burdened local families earning between 30 and 120 percent of the area median income (AMI). According to a recent study commissioned on behalf of the Hawaii Housing Finance and Development Corporation, this equates to approximately 20,000 rental units by the year 2020. This bill acknowledges the efforts by the private sector to improve the economics of building and operating such affordable rental housing in Honolulu. Specifically, this bill confers upon qualifying rental housing projects real property tax exemption during construction, waives wastewater system facility charges as well as building permit/plan review fees, and waives park dedication requirements.

Notwithstanding the foregoing, I respectfully request that Bill 59 be revised to reflect the proposed amendments:

Section 2, Chapter 8 (Real Property Tax), Article 10, ROH

“Sec. 8-10, Subsection (c) Exemption-Qualifying affordable rental housing units and dwelling units.

As proposed, Subsection (c) calls for the cancellation of exemptions from property taxes as well as penalties if the ownership of any portion of the real property that qualifies for an exemption under this section during the regulated period change ownership. Although well-intended, this fails to account for the possibility that ownership may change due to unforeseen circumstances related to the nature of private financing. I suggest the language be amended to reflect the use of a recorded regulatory agreement similar to the use of a Declaration of Land Use Restrictive Covenants for Section 201H-38 Exemptions which encumbers the property for the regulated period and “runs with the land” thereby surviving any subsequent changes in ownership.

Reference to Bill 58 requiring affordable rental housing units remain affordable for at least 30 years

The proposed language of Bill 58 calls for the regulatory period of affordable rental units to be at least thirty years. Such verbiage fails to account for how a particular rental housing project is financed, specifically those projects which are privately-funded as compared to projects utilizing federal and state monies. Project’s employing federal and state funding such as Low-Income Housing Tax Credits are already required to enter into regulatory agreements lasting a minimum of thirty years as a condition of receiving such subsidies. This is not true for privately funded affordable rental projects.

MISC. COM. 3385

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My reservation against increasing the duration of the regulatory period lies in the fact that the production of privately-funded affordable rental housing units under the current rules has been minimal or non-existent. This can be attributed in part to the underlying economics of developing such units. To be economically feasible, the production of affordable rental housing units requires the conveyance of land to a project at minimal or no cost. Developers who opt to "donate" their land to build privately-funded affordable housing rental units and forego other potentially more lucrative uses should not be subject to the same requirements as subsidized projects. Setting the regulatory period at a minimum of thirty years will stand to impede rather than encourage and incentivize the production of such affordable rental housing.

In closing, we at Stanford Carr Development commend the Council in their efforts to facilitate the development and maintenance of sorely needed affordable rental housing and appreciate the opportunity to provide testimony in support of the aforementioned bill. Although not a cure-all for Honolulu's housing crisis, passage of Bill 59 with my proposed amendments would greatly incentivize construction of affordable rental housing.

Sincerely,

Stanford S. Carr