



Davies Pacific Center
841 Bishop Street, Suite 1601
Honolulu HI 96813

Ph: (808) 587-7770
Fx: (808) 587-7769
www.avalonhi.com

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July 12, 2017

The Honorable Ron Menor, Chair
The Honorable Ikaika Anderson, Vice Chair
& Members of the Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

RE: Oppose - Bill 58 – ESTABLISHING AN AFFORDABLE HOUSING REQUIREMENT

Aloha Chair Menor, Vice Chair Anderson and members of the council,

My name is Frank Orrell with Avalon Development Company "Avalon". Thank you for allowing Avalon Development Company ("Avalon") to submit testimony in opposition to Bill 58, CD1 regarding the establishment of an affordable housing requirement. Avalon is a multifaceted real estate business that develops, owns and manages properties throughout Honolulu and the state of Hawaii. Recently we completed a 269 apartment rental project in Hawaii Kai, with all private funding. We believe in building accessible housing options for residents of Hawaii at all levels. Although we support the council's intent to increase the stock of affordable housing units in Honolulu, we believe Bill 58, CD1 will have the opposite effect and cause a moratorium on all development.

As extensive research has shown, inclusionary zoning policies actually decrease the rate at which affordable housing units are produced, and instead limit development as a whole. The affordable housing requirements proposed in Bill 58, CD1 will have the same effect on development in Honolulu. These affordable requirements are in addition to other regulations that currently make Honolulu one of the most expensive places in the nation to build homes, resulting in a smaller number of affordable housing units being built. This will also have negative impact on development in the TOD areas, which provides other equally important benefits such as increased real property tax revenues, jobs and other economic benefits, revitalizing deteriorating areas and increasing ridership for the rail.

We ask you this simple question – Why are we not building more affordable housing? It isn't because there is lack of requirements, like the ones that are being proposed within Bill 58 – it is because there are too many requirements to build housing, that adds to the cost and time, and therefore RISKS to building housing in Hawaii. While it seems simple to just tack on requirements of adding affordable housing to anyone who wants to build more housing, we should be seeking ways to motivate and entice more housing to be built.

If Bill 58 does move forward, we propose the following revisions to help reduce some of the negative

effects of these requirements:

First, include a "roll-back" provision to the 30-year affordability period requirement. If a unit with the 30-year affordability term has not sold after being marketed for 30 days, the affordability requirement should be reduced to a 10-year term. If after the additional 30 days (60 days total) a unit still has not sold, the affordability term should be eliminated completely. If there is a buyers' market for affordable units with a 30-year affordability term, the units should be sold within the 30-day or 60-day period. If the market doesn't exist, then the homebuilder should not be left holding the unsold affordable housing units which could jeopardize the homebuilder's ability to obtain financing.

Second, projects with market units priced for buyers at 160% AMI and below should be exempt from the affordable housing requirements. This promotes the policy of building a mix of all types of housing, also benefitting middle income workers, rather than only affordable or luxury units.

Third, the floor areas for on-site affordable units should not be included in the calculation for building floor areas and floor area ratios. This incentive effectively provides reduced priced land for affordable units, assuming maximum density can actually be achieved at a given site, and lessens the financial strain on homebuilders of the affordable housing requirement, with no out of pocket cost to the City.

Finally, the council should consider adding a 3-year sunset date to Bill 58 to force a reevaluation of the policy. If the requirements of Bill 58 are effective at increasing the stock of affordable housing units, the council can readopt the bill. However, if the goal is not achieved, then the council can revise the policy to encourage development of more affordable units.

It is important that the council carefully consider this policy to ensure Honolulu is not forced deeper into the housing crisis with requirements that are well-intended yet ineffectual at increasing the stock of affordable housing for multiple income groups. We hope that you will defer Bill 58 until a reasonable affordable housing policy can be implemented or at the very least include our proposed amendments to Bill 58.

Sincerely,

DocuSigned by:



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Frank Orrell

Project Manager

Avalon Development Company LLC