

Bill 58 (2017), CD1  
Additional Testimony



*Building Housing, Building Hope*

March 26, 2018

From: George S. Massengale  
To: Special Meeting of the Committee on Zoning and Housing  
Date: March 27, 2017 at 9:00 A.M.  
Re: Bill 58, CD1 – Establishing An Affordable Housing Requirement

### Testimony in Support

Chair Pine, Vice Chair Anderson and members of the Committee Zoning and Housing, I am here today on behalf of Hawaii Habitat for Humanity Association and our two Habitat affiliates on Oahu to testify in support of Bill 58, CD1.

Hawaii Habitat for Humanity has testified in opposition to the measure mainly because we oppose the in-lieu fee provision. However, today we are in full agreement with the testimony submitted by Hawaii Appleseed Center's outlining the three critical components of this measure. Specifically;

1. **“A reasonable percentage of truly affordable units** – As explained further below, we favor requirements close to those originally proposed by Bill 58 (e.g., a requirement that 15 to 20 percent of for sale units built on site in TOD zones be affordable—half at 120 percent of AMI and half at 100 percent of AMI).
2. **A minimum of 30 years of affordability for both sale and rental units** – Rail isn't going to happen twice. We cannot afford the possibility of losing the affordable units generated through investment in rail within five or ten years. Other jurisdictions require 60 or 99 years. Thirty years will work.
3. **No in lieu fees** – We need to ensure that the affordable units get built, and we need to prevent income segregation. In lieu fees create an unnecessary risk that the affordable unit will not be built in a timely manner or at all. They also create a risk that they won't be built in the places where lower-income people have access to resources similar of people who are more well-to-do.”

Further, we support Appleseed's position on inclusionary zoning requirements and fully agree with Appleseed that inclusionary zoning works, but if only done the right way.

Given our continued housing crisis in both the rental and home ownership sectors, we would request that the Zoning Committee move this measure forward.

Respectfully,

A handwritten signature in black ink, appearing to read "George S. Massengale".

George S. Massengale  
Director, Community Engagement

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 2:12 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name David D Derauf  
Phone 8088480976  
Email dderauf@kkv.net  
Meeting Date 03-27-2018  
Council/PH  
Committee Zoning  
Agenda Item Bill 58 CD1  
Your position on  
the matter Support  
Representing  
Organization Organization  
KKV  
Do you wish to  
speak at the  
hearing? No

Written  
Testimony

Kokua Kalihi Valley strongly supports this Bill and amendments as contained in CD1. Serving the Kalihi Community for over 45 years, KKV knows that affordable housing is one of the most important issues facing the health of our community. And while this Bill will not solve the housing shortages that affect our community, it is a start towards doing so in a manner that is both more equitable and transparent. We stand ready to support the City council in whatever way we can towards developing affordable housing options for our community. The residents of our community are paying for the rail and the infrastructure improvements to support this development. It is only right that they reap some of the benefits of that.

Testimony  
Attachment  
Accept Terms and  
Agreement 1



#### **Board Members**

##### *President*

Jason Okuhama  
Managing Partner,  
Commercial & Business  
Lending

##### *Secretary*

Marcus Kawatachi  
Deputy Director,  
Hawai'i Civil Rights Commission

Trina Orimoto  
Clinical & Research  
Psychologist

Kaipo Kukahiko  
Executive Director,  
KEY Project

Miwa Tamanaha  
Deputy Director,  
Kua'āina Ulu 'Auamo

#### **HACBED Staff**

Brent N. Kakesako  
*Executive Director*

Keoki Noji  
*Chief Operating Officer*

Athena T. Esene  
*Bookkeeper & Office Manager*

Will Simmons  
*Food Systems Specialist*

Foley Pflanzgraf  
*AmeriCorps VISTA*

Alex Narrajos  
*AmeriCorps VISTA*

## **Testimony of Hawai'i Alliance for Community-Based Economic Development Supporting Bill 58 (2017), Proposed CD2 Establishing an Affordable Housing Requirement**

Committee on Zoning and Planning  
Tuesday, March 27, 2018, 9am

Aloha Members of the Committee on Zoning and Planning,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) supports Bill 58, Proposed CD2, which establishes an affordable housing requirement. Bill 58, Proposed CD2 provides a reasonable percentage of truly affordable units, a minimum of 30 years of affordability for both sale and rental units, and no in-lieu fees.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development and asset building strategies. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. HACBED also facilitated the Family & Individual Self-Sufficiency Program (FISSP), which administered the Internal Revenues Services' Volunteer Income Tax Assistance (VITA) program as a part of its larger asset building and financial education initiatives for needy families.

The Family Economic Self-Sufficiency Standard (FESS) depicts the obstacles that Hawai'i families are facing. The FESS measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 25.9% of families with two adults and two children;
- 77.3% of single-adult families with one child; and
- 74.3% of single-adult families with two children.

The passage of Bill 58, Proposed CD2 would go a long way to ensure that these working families will have options to live in truly affordable units, via:

- *Reasonable Percentage of Truly Affordable Units* – the requirements originally proposed by Bill 58, including 15-20% of for sale units built on site in TOD zones be affordable with half at 120% AMI and half at 100% AMI;
- *Minimum of 30 Years of Affordability* – for both sale and rental units, which is much lower in comparison with other jurisdictions at 60 or 99 years;

- *No In-Lieu Fees* – these have been historically ineffective in providing meaningful affordable housing relief as cited by the City Audit in their 2007 Audit of the City’s Management of Unilateral Agreements in Affordable Housing.

As such, HACBED supports the Bill 58, Proposed CD1, which would provide needed affordable housing requirements.

Mahalo for this opportunity to testify,

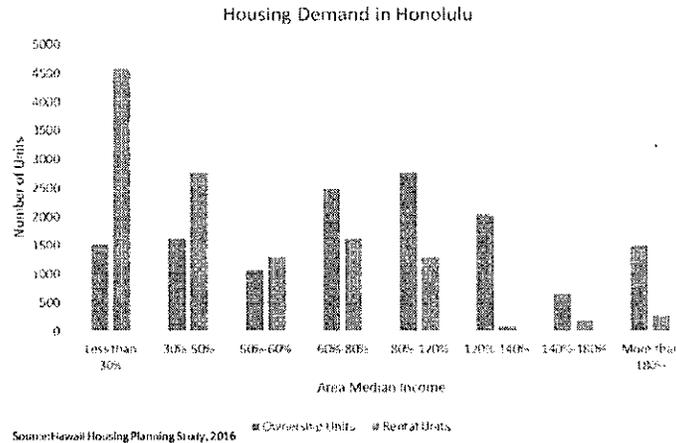
Brent N. Kakesako  
Executive Director

Testimony of YWCA O'ahu in Support of Bill 58, Proposed CD2  
Committee on Zoning and Planning  
Tuesday, March 27, 2018 at 9:00 A.M.

*YWCA O'ahu's mission is to empower women and girls and end racism. Our programs empower women to achieve economic independence by providing a network of support and the development tools to help women thrive in work and in life.*

Thank you for the opportunity to **testify in support of Bill 58 CD2**. We recognize the urgent need our City and County has for affordable housing and encourage development to meet that need. We must also be mindful of the needs of our low-income residents; those who are working tirelessly to make ends meet.

We appreciate the work of the Council and Community on this important issue. The proposed changes in CD2 will create a stronger affordable housing market for the people who live and work here. As we move forward in our goal to create affordable housing, it is imperative we remember where the demand lies for rental and ownership units.



Bill 58 should not allow developers to get a full credit when rehabilitating older units. For many residents, older units are what they can afford and any rehabilitation could risk their current place of residence. Additionally, Bill 58 should not allow in-lieu fees. While fees may be successful elsewhere, here we need to maintain that all development should have affordable units for residents because of our housing crisis.

Thank you for your commitment to development and housing that supports all our residents.  
Kathleen Algire  
Director, Public Policy and Advocacy



Testimony on behalf of the  
Hawai'i State Commission on the Status of Women  
Executive Director  
Khara Jabola-Carolus

Prepared for the  
City and County of Honolulu  
Committee on Zoning and Housing

In Support of Bill 58, CD1 Proposed CD 2 With Amendments  
Tuesday, March 27, 2018 at 9:00 a.m.

Dear Chair Pine, Vice Chair Ozawa, and Honorable Members,

On behalf of the Hawai'i State Commission on the Status of Women, thank you for this opportunity to testify in support of Bill 58, CD1, Proposed CD2.

To increase affordable housing, the Commission supports the establishment of affordable housing requirements as part of development projects located in Transit-Oriented Development Zones as well as throughout the island, as proposed by Bill 58. Over 500 local governments in the United States have implemented inclusionary zoning policies in some format to create a stock of affordable housing through private sector development.

The Commission on the Status of Women was established by Executive Order in 1964 to assist in legislative advocacy and implementation, to develop programs, and to serve as an informational resource for Hawai'i's women and girls on a broad range of policies and issues. Housing policy often leaves out essential gender analysis. Finding affordable housing is a significant challenge for Hawai'i residents but the lack of affordability housing has a different effect on women, in particular women with children. If we believe that all women deserve a home, then affordable housing is a feminist issue.

Current policies that define measurements of "affordable" are based on averages and median incomes that do not take into account the gender pay gap and therefore do not benefit women. Wage discrimination and the undervaluing of women-dominated fields of work is more pronounced for marginalized women, especially Native Hawaiians and immigrants who struggle the hardest to find housing. Further, there is a clear nexus between housing instability—women's ability to acquire and maintain housing— and domestic violence, sexual assault, and

commercial sexual exploitation. We need to create a housing system that better serves women, and prioritizes low-income women and families.

The Commission is cognizant that our housing costs are among the highest in the nation, while we have the lowest wages when adjusted for cost of living.<sup>1</sup> In reality, this means that in order for a single mother to approach the self-sufficiency standard, she would have to work three full-time, minimum wage jobs. When I meet with women and girls throughout the state, I hear about resilient efforts to transcend structural problems, improve lives and livelihoods, create safer communities and build economic self-sufficiency. Moving forward, women deserve better housing policies that include subsidized housing for lower incomes.

The Commission recommends the removal of cash-in-lieu of affordable units because in-lieu fees have functioned more as a loophole than a meaningful generator of affordable housing. We thank you for considering our amendment and respectfully request that you pass Bill 58.

Sincerely,

Khara Jabola-Carolus

---

<sup>1</sup> Deluca, M., *Hawaii Vacation Rentals: Impact on Housing & Hawaii's Economy*. Mar. 2018, <http://hiappleseed.org/wp-content/uploads/2018/03/Appleseed-Vacation-Rental-Report-FINAL.pdf>



200 North Vineyard Boulevard, B140  
Honolulu, HI 96817  
Ph: 808-587-7886  
Toll Free: 1-866-400-1116  
[www.hawaiiancommunity.net](http://www.hawaiiancommunity.net)

March 26, 2018

Committee on Zoning and Housing  
Tuesday, March 27, 2018, 9:00am

### **Bill 58, Proposed CD2 – Support with Amendments**

Aloha e Councilmembers:

I am submitting testimony on behalf of Hawaiian Community Assets, the State's largest nonprofit Department of Housing and Urban Development (HUD) approved housing counseling agency, and Hawaii Community Lending, a US Department of Treasury Community Development Financial Institution, to **STRONGLY SUPPORT Bill 58, Proposed CD2 WITH AMENDMENTS.**

With our organization's suggested amendments, Bill 58, Proposed CD2 would unleash \$18 million in capital from community development financial institutions (CDFIs), provide certainty for-profit and nonprofit developers, and create affordable rental and for-sale units to address our homeless and affordable housing crises.

With your constituents having invested in rail through general excise tax based on the promise of affordable housing and the recent passage of Bill 59 which provides incentives to developers of affordable housing, Bill 58 must move forward.

Without Bill 58, the results are clear – no affordable housing will be developed for our families who need it most and CDFIs and for-profit and nonprofit developers will be limited on their ability to leverage City funds for affordable housing.

#### **Using National Best Practices for Affordable Housing in Hawaii**

It is important to note that affordable housing requirements, including inclusionary zoning, have been implemented effectively in jurisdictions throughout the nation. Inclusionary zoning is often part of a more comprehensive affordable housing strategy and, if done correctly, can be used as a tool increase engagement by CDFIs, for-profit and nonprofit developers, and HUD-approved housing counseling agencies in creating affordable housing for low- and moderate-income families earning at or below 100% area median income.

CDFIs, along with for-profit and nonprofit developers, have the potential of bringing Federal and State funds as well as private capital from foundations, banks, credit unions, and Native Hawaiian Trusts to the table for affordable housing development.

**Amendment 1: Maintain Affordability Requirements Identified By Experts**

HCA recommends the Council amend Bill 58, Proposed CD2 to uphold the affordability requirements consistent with research conducted by the experts commissioned by the Caldwell Administration. See table below for more information.

		On-Site Production	Off-Site Production
Within a rail transit station area	For Sale	20 percent (half at 120% of AMI; half at 100% of AMI)	25 percent (half at 120% of AMI; half at 100% of AMI)
	For Rental	15 Percent at 80% of AMI	
Areas outside of a transit station area	For Sale	10 percent (half at 120% of AMI; half at 100% of AMI)	15 percent (half at 120% of AMI; half at 100% of AMI)
	For Rental	5 Percent at 80% of AMI	

I believe this recommendation is a compromise among all parties, especially due to the fact that 68% of affordable housing demand for rental and for-sale units is among those earning at or below 80% area median income. This compromise has the potential of attracting \$18 million in capital from CDFIs and partnerships with HUD-approved housing counseling agencies immediately.

**Tools Available for Development of Units with Affordability Requirements**

In February 2018, the Hawaii Community Reinvestment Corporation announced a partnership with the nation’s largest CDFI, the Local Initiative Support Corporation, for a \$12 million loan fund that will provide grants and loans for pre-development, gap financing, and construction costs of rental and for-sale units by for-profit and nonprofit developers. In addition, Hawaii-based CDFIs have a combined \$6 million in capital for affordable housing development. Altogether, this represents \$18 million in capital through financing tools that would be made available by CDFIs to for-profit and nonprofit developers if Bill 58 were to be passed.

These financing tools provided by CDFIs were first developed 40 years ago and have laid to rest the argument that financing is not available for developers unless they are able to pre-sale 75% or more of their for-sale units. CDFIs provide patient, long-term capital that makes affordable housing development a reality on projects that require up to 100% of their units to be affordable. CDFIs are relatively unknown by the building community in Hawaii, however, they have the capacity and proven track record to unlock public and private investments in affordable housing that could leverage the City’s incentives passed in Bill 59.

If Bill 58 is not passed or the affordability requirements are watered down beyond what the experts have recommended, we could leave \$18 million on the table that could have otherwise been used for affordable housing for Oahu’s families earning at or below 100% to 120% AMI. This \$18 million does not include the potential capital our CDFIs could access through Federal and State funds as well as private capital from foundations, banks, credit unions, and Native Hawaiian Trusts to the table for affordable housing development.

**HUD Housing Counseling Prepares Renters and Homebuyers**

If there are concerns about the ability of our local families to qualify for rental or for-sale units that will be developed as a result of Bill 58, I highly encourage the City, this Council,

developers, and all other key stakeholders bring in HUD-approved housing counseling agencies to be part of the marketing efforts so the units can be leased up as soon as possible.

Our work consists of group workshops, individualized counseling, and grants and loans for first month's rent/deposit, down payment/closing costs, and credit improvement in order to qualify renters and homebuyers for housing units. Please allow us to be part of this solution to affordable housing.

### **Amendment 2: Require Minimum 30 Years of Affordability for Both Sale and Rental Units**

While HCA believes the City should impose an affordability period on rental and sale units of no less than 99 years to mirror requirements of housing trusts, like Hawaiian Home Lands, we recommend the City require a minimum of 30 years of affordability for both sale and rental units.

### **Mortgage Lending IS Common for Units with Affordability Restrictions**

As Executive Director of the State's largest HUD-approved housing counseling agency and statewide CDFI, Hawaii Community Lending, which brokered mortgage loans from 2002 to 2011, I can tell you that the argument that lenders will not provide mortgages to families if an affordability restriction is in place is false.

Mortgage lenders qualify homebuyers based on their income and debt. Affordability restrictions play no role in mortgage loan underwriting.

In fact, there are mortgage loan programs at Fannie Mae and Freddie Mac along with the US Department of Agriculture, Federal Housing Administration, and the Veterans Administration that provide mortgage financing to low- and moderate-income homebuyers realize with as little as a 0% down payment requirement. These programs are available regardless of whether there are affordability restrictions attached to the property or not.

### **Changing Affordability Restrictions Only Helps Housing Market Speculation**

HCA views the changing of affordability restrictions based on the proposed CD2 as a benefit only to housing market speculators. An affordability requirement of 5 years or 10 years on for-sale units is insufficient and would simply put speculators on watch to determine how they can grab up for-sale units so they could turn them for a profit in 5 to 10 years. We can look to Kakaako as an example of what could happen if the affordability restrictions are changed according to the proposed CD2.

For these reasons, we stand by the expert research commissioned by the Caldwell Administration recommending a 30-year affordability restriction on both rental and for-sale units.

### **Amendment 3: No In-Lieu Fees**

HCA recommends no in-lieu fees be allowed in Bill 58. Our affordable housing crisis is so great that Bill 58 should focus on creating units of affordable housing rather than putting money toward the potential of affordable housing units.

If the building community finds the development of affordable housing too onerous, we could look to national best practices in affordable housing development in which for-profit developers

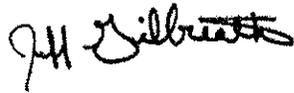
partner nonprofit developers to bring units online. More specifically, for-profit developers could pay for the costs of units to be developed by nonprofit developers, which would in-turn allow the nonprofit developers to attract additional public and private capital to build even more affordable units. This reduces costs for all involved, while still ensuring affordable housing is developed.

At a time when Hawaii reports the highest homeless rate per capita of any state in the nation and our renters and homeowners are the most cost burdened in the country, Bill 58, proposed CD2 with amendments would unleash \$18 million in capital from CDFIs, provide certainty for-profit and nonprofit developers, and create affordable rental and for-sale units for our local workers and families.

Please make good on your promise of rail bringing affordable housing - **PASS Bill 58, Proposed CD2 WITH AMENDMENTS.**

Mahalo for your time, leadership and consideration. Please contact me directly at 808.587.7653 or [jeff@hawaiiancommunity.net](mailto:jeff@hawaiiancommunity.net) should you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Jeff Gilbreath". The signature is written in a cursive, slightly slanted style.

Jeff Gilbreath  
Executive Director



# HAWAII APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

### Board of Directors

David J. Reber, Esq., President  
Naomi C. Fujimoto, Esq., Secretary  
Patrick Byrne  
Michael R. Cruise, Esq.  
David Derauf, M.D.  
Joyce Lee-Ibarra  
Neal Milner  
Nathan Nelson, Esq.  
Blake Oshiro, Esq.  
Garret Sugai

### Co-Executive Directors

Victor Geminiani, Esq.  
Gavin Thornton, Esq.

### Testimony of Hawaii Appleseed Center for Law & Economic Justice Supporting Bill 58 (2017), Proposed CD2 Establishing an Affordable Housing Requirement Committee on Zoning and Planning Tuesday, March 27, 2018 at 9:00 A.M.

---

*The Hawaii Appleseed Center for Law and Economic Justice is working to build a Hawaii where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality through research, policy development, education, coalition building, and advocacy.*

---

Thank you for this opportunity to testify in support of Bill 58, proposed CD2, and to recommend some important amendments.

The community has invested billions in rail, which has increased the value of the properties around the rail stations and opened up the possibility of valuable height and density bonuses and parking waivers. Affordability requirements like those proposed by Bill 58 are critical to ensuring that the public receives its fair share of the return on its investment in rail and to maximize this one-shot opportunity to leverage rail to help fill the dire need for housing at lower levels of affordability.

In brief, we believe that the following are three critical components of Bill 58:

1. **A reasonable percentage of truly affordable units** – As explained further below, we favor requirements close to those originally proposed by Bill 58 (e.g., a requirement that 15 to 20 percent of for sale units built on site in TOD zones be affordable—half at 120 percent of AMI and half at 100 percent of AMI).
2. **A minimum of 30 years of affordability for both sale and rental units** – Rail isn't going to happen twice. We cannot afford the possibility of losing the affordable units generated through investment in rail within five or ten years. Other jurisdictions require 60 or 99 years. Thirty years will work.
3. **No in lieu fees** – We need to ensure that the affordable units get built, and we need to prevent income segregation. In lieu fees create an unnecessary risk that the affordable unit will not be built in a timely manner or at all. They also create a risk that they won't be built in the places where lower-income people have access to resources similar of people who are more well-to-do.

Our reasoning and recommendations regarding each of the components is set out in detail below, along with other comments about important aspects of the bill.

119 Merchant St, Suite 605A  
Honolulu, HI, 96813  
(808) 587-7605  
hiappleseed.org

## Affordability Requirements

We recommend that the affordability requirements for Bill 58, be set close to what was originally proposed for the bill, which was as follows:

		On-Site Production	Off-Site Production
Within a rail transit station area	For Sale	20 percent (half at 120% of AMI; half at 100% of AMI)	25 percent (half at 120% of AMI; half at 100% of AMI)
	For Rental	15 Percent at 80% of AMI	
Areas outside of a transit station area	For Sale	10 percent (half at 120% of AMI; half at 100% of AMI)	15 percent (half at 120% of AMI; half at 100% of AMI)
	For Rental	5 Percent at 80% of AMI	

Based on feedback from other stakeholders and the economic analysis of the requirements conducted by the City, a modest downward adjustment of the percentage of affordable units required for *for sale* units may be appropriate (e.g., reducing the percentage of on-site affordable units required with the TOD zone from 20 percentage to 15 percent). However, the AMI levels should not be increased above 100 and 120 percent of AMI. The importance of these requirements is explained further below.

### We Need to Find Ways to Build Where the Demand Is

*“Perhaps the most significant challenge in housing Hawai'i's people is the high cost of housing across the state. While the multi-million dollar homes sought by wealthy international buyers will nearly always be supplied by the market, the number of homes that are affordable to lower income households is limited.”*

-2016 HHFDC Hawai'i Housing Planning Study<sup>1</sup>

Hawai'i has some of the highest housing costs in the nation and the highest rate of homelessness.<sup>2</sup> We have the lowest wages in the nation after accounting for cost of living.<sup>3</sup> With increases in home prices outpacing increases in wages, it has become increasingly difficult for Hawai'i residents to afford housing and make ends meet. Forty-eight percent of Hawai'i residents live paycheck to paycheck.<sup>4</sup>

<sup>1</sup> 2016 Hawai'i Housing Study, prepared by SMS Research for the Hawai'i Housing and Finance Development Corporation, p. 28 (available at [https://dcbcdt.hawaii.gov/hhfdc/files/2017/03/State\\_HHPS2016\\_Report\\_031317\\_Final.pdf](https://dcbcdt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_Final.pdf)).

<sup>2</sup> 2016 American Community Survey 1-Year Estimates Ranking Tables, R2511 and R2514, 2016. Available at [http://files.hawaii.gov/dcbcdt/census/acs/ACS2016/ACS2016\\_1-Year/state\\_rank/16\\_state\\_ranking\\_file.pdf](http://files.hawaii.gov/dcbcdt/census/acs/ACS2016/ACS2016_1-Year/state_rank/16_state_ranking_file.pdf);

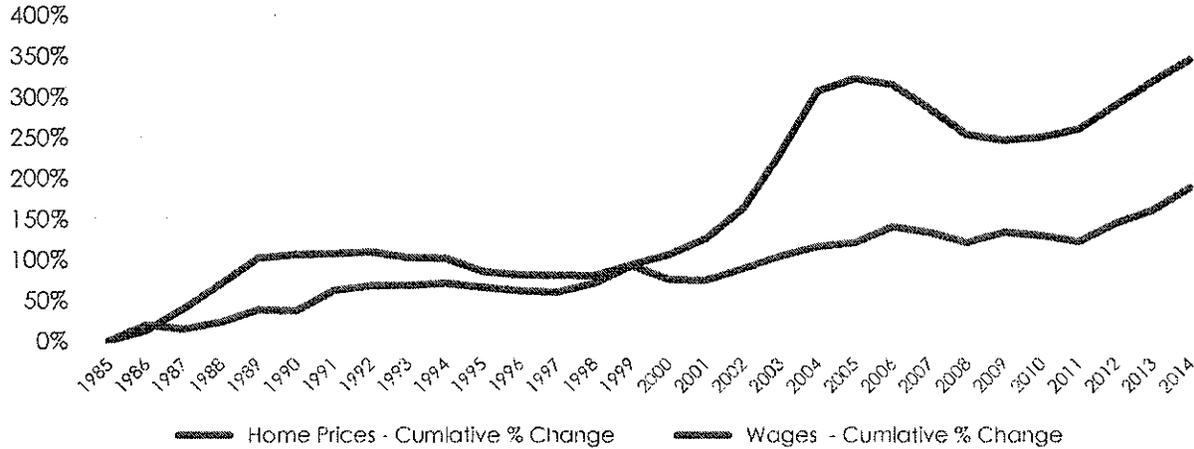
*The 2017 Annual Homeless Assessment Report (AHAR) to Congress*, The U.S. Department of Housing and Urban Development, Dec. 2017 (p. 65). Available at <https://www.hudexchange.info/resources/documents/2017-AHAR-Part-1.pdf>

<sup>3</sup> Kolko, Jed. *Cities Where Salaries Go Furthest in the U.S.*, Indeed Hiring Lab (Aug. 24, 2017). Available at <http://www.hiringlab.org/2017/08/24/salaries-go-furthest-in-us-cities/>

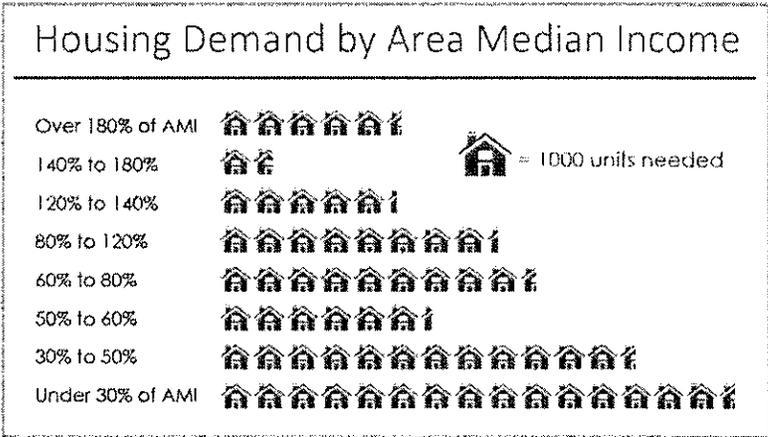
<sup>4</sup> *ALICE: A Study of Financial Hardship in Hawai'i*, Aloha United Way (2017) (available at [https://www.auw.org/sites/default/files/pictures/17UW%20ALICE%20Report\\_11\\_1.11.18\\_Final\\_Lowres.pdf](https://www.auw.org/sites/default/files/pictures/17UW%20ALICE%20Report_11_1.11.18_Final_Lowres.pdf)), *A Study of the Financial Struggles Facing Working Families in Hawai'i*, prepared by Qmark Research for Hawai'i Applesseed Center for Law & Economic Justice (2016) (available at <http://www.qmarkresearch.com/ETIC-APPLESEED-CUSTOM-MAR16%5b1%5d.pdf>).

## Home Price vs. Wage Increases

*Increases in home prices have dramatically outpaced increases in wages since 2000*



The greatest demand for housing is at the lower-income levels. Households earning 60% or less of AMI represent *half* of the demand for the nearly 26,000 new housing units needed on Oahu by 2025. Households at between 80% and 120% of AMI—the income levels targeted by Bill 58’s affordability requirements—represent 16% of the demand for housing. The section of the population for whom housing is typically being built by the private market—households at 140% of AMI and above—represent only 10% of the demand for housing on Oahu.<sup>5</sup>



The demand for higher-priced housing is likely greater for non-residents versus residents. Homes that Hawai'i residents purchase are typically much less expensive than homes purchased by non-residents. The average sales price for homes purchased by local buyers between 2008 and 2015 was \$477,460, whereas the figure for foreign buyers was \$786,186, and \$612,770 for mainland buyers.<sup>6</sup> **We need to figure out a way to build housing for the people that need to live, work, and survive in Hawai'i.**

<sup>5</sup> 2016 *Hawai'i Housing Study*, prepared by SMS Research for the Hawai'i Housing and Finance Development Corporation, p. 33 (available at [https://dbedt.hawaii.gov/hhfdc/files/2017/03/State\\_HHPS2016\\_Report\\_031317\\_final.pdf](https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf)).

<sup>6</sup> *Residential Home Sales in Hawai'i, Trends and Characteristics: 2008-2015*, Hawai'i Department of Business, Economic Development and Tourism, pp. 3-4 (available at [http://files.hawaii.gov/dbedt/economic/data\\_reports/homesale/Residential\\_Home\\_Sales\\_in\\_Hawaii\\_May2016.pdf](http://files.hawaii.gov/dbedt/economic/data_reports/homesale/Residential_Home_Sales_in_Hawaii_May2016.pdf)).

*Some of the Value Created by Rail Can Be Captured with Housing Affordability Requirements*

The investment in rail has created an opportunity to build housing affordable to moderate-income households, but without Bill 58, it's an opportunity that will be missed.

The community has invested billions in rail, which has increased the value of the properties around the rail stations. People are willing to pay a premium to live close to rail. Additionally, because rail offers an alternative to driving, it creates opportunities to increase density without increasing traffic congestion. It also allows for reduced parking requirements. The combination of these factors—creating a premium for land close to rail stations, increases in density, and reductions in parking requirements—hold tremendous value. For example, a single parking stall typically costs between \$30,000 and \$50,000; eliminating 250 stalls would be worth up to \$12.5 million. Being able to build higher and more densely is worth even more. A significant percentage of the value created by the public's investment should be returned to the public in the form of moderately-affordable housing.

Bill 58's affordability requirements are critical to ensuring that the public receives its fair share of the return on its investment in rail and to maximize this one-shot opportunity to leverage rail to help fill the dire need for housing at moderate levels of affordability.

*Bill 58's Affordability Requirements Hit the Sweet Spot*

Inclusionary zoning works, but not if it's done wrong. Affordability requirements that are too onerous will make development financially infeasible at all income levels. However, studies have repeatedly found that, in the right conditions, inclusionary housing programs produce affordable housing and do not lead to declines in overall housing supply or increases in market-rate prices.<sup>7</sup> Honolulu is the right environment for inclusionary zoning requirements, and Bill 58's requirements hit the mark.

Inclusionary zoning policies are likely to work in areas where there is a strong housing market,<sup>8</sup> where they are predictable,<sup>9</sup> and where they are coupled with cost-offsets such as parking waivers and height and density bonuses.<sup>10</sup> Each of these ingredients exist in Honolulu and with Bill 58. The affordability requirements set out above—the originally proposed requirements for Bill 58—have been the subject of careful study and evaluation. Once implemented, land values that have been inflated as a result of rail development will adjust, further increasing the feasibility of the requirements. To provide some additional cushion, a modest reduction in the percentage of affordable units required may be appropriate.

While there is a risk that affordability requirements that are too onerous will be counterproductive, in this case there is a greater risk that too-weak affordability requirements will result in a reverse-Robin Hood: The people at the lower ends of the income scale pay a disproportionately high share of their income toward the GET that is funding the rail, which is increasing the value of properties around the rail stations. We will be taking money

---

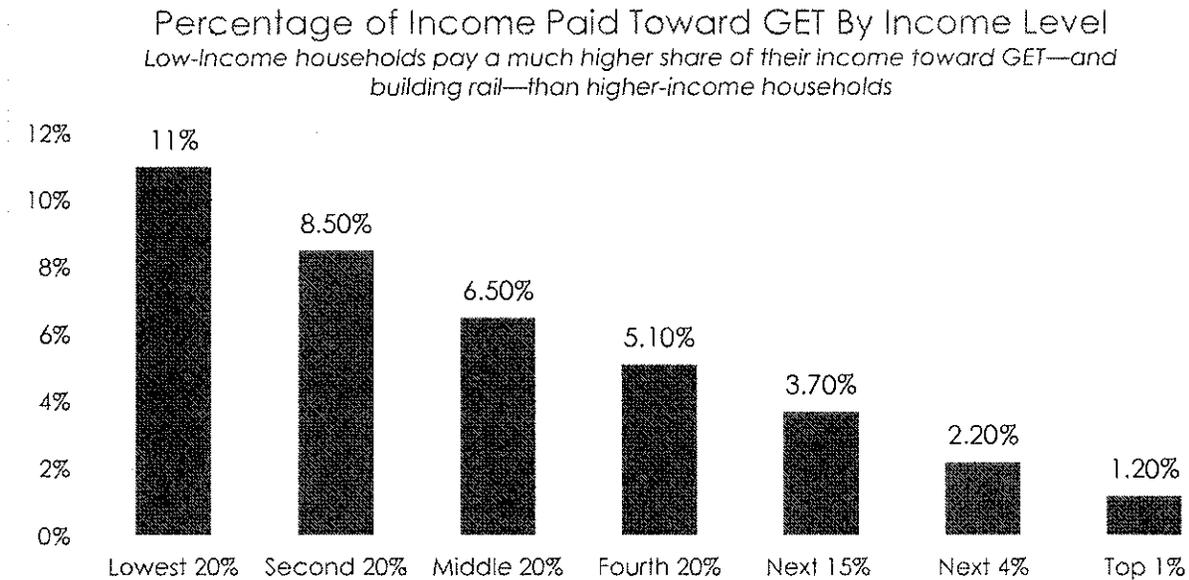
<sup>7</sup> Lisa A. Sturtevant, *Separating Fact from Fiction to Design Effective Inclusionary Housing Programs*, Center for Housing Policy (2016).

<sup>8</sup> *Inclusionary Zoning Primer*, National Association of Home Builders (2015) (available at <https://www.nahb.org/en/research/~/media/D9AE7FC0F47C4FD1B94F0C80F49C0C000>).

<sup>9</sup> Lisa A. Sturtevant, *Separating Fact from Fiction to Design Effective Inclusionary Housing Programs*, Center for Housing Policy (2016).

<sup>10</sup> Rick Jacobus, *Inclusionary Housing: Creating and Maintaining Equitable Communities*, MA: Lincoln Institute of Land Policy (2015) (available at [https://www.lincolnst.edu/sites/default/files/pubfiles/inclusionary-housing-full\\_0.pdf](https://www.lincolnst.edu/sites/default/files/pubfiles/inclusionary-housing-full_0.pdf)).

from the poor through the GET and using it to benefit the already well-to-do. Once the value increases created by rail are transferred through the issuance of building permits and height and density bonuses, they are gone for good.<sup>11</sup>



*The Importance of Bill 58's Affordability Requirements Goes Beyond More Affordable Housing*

Bill 58 is about more than just creating additional units that are affordable to more of Honolulu's residents. It also helps to avoid gentrification—pushing out lower income families from areas of opportunity—and encourages mixed-income neighborhoods. Studies on the effects of income-mixing policies suggest that the moderate-income families that will live in the housing created by Bill 58 will experience improved housing quality, increased safety, improved property management, and improved mental health from a reduction in stress.<sup>12</sup> They will also benefit from proximity to amenities and resources such as transit, shops, and schools that should not be reserved exclusively for the well-to-do.

The affordability of housing doesn't just impact the pocket books of Honolulu's residents; it affects their very lives and their health. Families at the lower end of the income scale are more likely to experience unsafe and unhealthy housing conditions and are least able to remedy them. Poor quality and inadequate housing contributes to health problems such as infectious and chronic diseases, injuries, and poor childhood

---

<sup>11</sup> The requirement in the recently proposed CD2 of Bill 58 that rehabilitation of units count as half a unit for the purposes of meeting the affordability requirements is also important to ensure that the purposes of the bill are fulfilled.

<sup>12</sup> *Effects from Living in Mixed-Income Communities for Low-Income Families*, Urban Institute (2010) (available at <https://www.urban.org/sites/default/files/publication/27116/412292-Effects-from-Living-in-Mixed-Income-Communities-for-Low-Income-Families.PDF>).

development.<sup>13</sup> By implementing strong affordable housing policies that encourage income-mixing, we can move more low-income families, keiki, and kupuna into healthy housing environments.

### Maintaining 30 Years of Affordability is Absolutely Critical

Rather than providing three different options for the duration of affordability (i.e. five, ten, and 30 years) that are based on the percentage of affordable units developed, the duration should be 30 years, period. If a trade-off is required, we would much prefer to see the percentage of affordable units required be modestly reduced across the board, but maintain the 30 years duration of affordability.

Requiring 30 years of affordability is critical to preserve affordable housing stock created by the billions invested in rail. It should be more. Many jurisdictions require 60, or even 99 years.<sup>14</sup> To give the benefits of this investment to a few lucky lottery winners—to have the affordability created by community investment evaporate in just a matter of years—is unacceptable.

Long-term affordable homeownership programs (LTAH) have proven to be successful across several metrics. LTAH homeowners build wealth, sustain homeownership successfully, rarely became delinquent or foreclosed, and frequently move into market rate homes after selling their restricted homes. At the same time, LTAH programs successfully preserved the ongoing affordability of homes.<sup>15</sup> LTAHs can assist two to three and a half times as many households during a thirty-year period compared to conventional or subsidy approaches.<sup>16</sup>

Critics of the requirement that affordable units stay affordable for 30 years argue that home buyers will not want to purchase a home with a 30-year affordability restriction. Instead of buying an affordable unit, they will pay more for a market unit that carries the prospect of making more money when they sell the home. While this might be an issue where the price difference between a market-rate unit and an “affordable” unit is minimal, it is not an issue where the affordable units are priced well below market as required by Bill 58. **A two-bedroom unit sold at 100% of AMI will be 71% percent of the price of a market unit (estimated at 140% of AMI)—a difference that will amount to between \$100,000 and \$200,000.** The choice for most households will be obvious. Indeed, most households at this income level won't have a true choice—it would be impossible for them to afford a market unit.

Critics also argue that banks will not lend to potential homeowners purchasing an affordability-restricted unit. This simply isn't true. While affordable housing restrictions create special lending needs, private lenders across hundreds of programs have been able to finance homebuyers within affordable housing requirements. Critics

---

<sup>13</sup> *Inclusionary Zoning and Mixed Income Communities*, Evidence Matters, U.S. Department of Housing and Urban Development (2013) (available at <https://www.huduser.gov/portal/periodicals/cm/spring13/highlight3.html>); *Inclusionary Housing in the United States—Prevalence, Impact, and Practices*, Lincoln Institute of Land Policy, (2017) (available at [http://www.lincolnst.edu/sites/default/files/pubfiles/rhaden\\_wp17cf1\\_0.pdf](http://www.lincolnst.edu/sites/default/files/pubfiles/rhaden_wp17cf1_0.pdf)).

<sup>14</sup> Heather L. Schwartz et al., *Is Inclusionary Zoning Inclusionary?* RAND Corporation (2012) (available at [http://www.rand.org/pubs/technical\\_reports/TR1231.html](http://www.rand.org/pubs/technical_reports/TR1231.html)).

<sup>15</sup> *Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-term Affordability Controls*, Urban Institute (2010) <https://www.urban.org/research/publication/balancing-affordability-and-opportunity-evaluation-affordable-homeownership-programs-long-term-affordability-controls>.

<sup>16</sup> *The Federal Housing Administration and Long-Term Affordable Homeownership Programs*, U.S. Department of Housing and Urban Development (2013) (available at <https://www.huduser.gov/portal/periodicals/cityscape/vol15num2/ch21.pdf>).

and Urban Development (HUD), “both in-lieu fees and offsite production tend to reduce the inclusionary aspect of the programs by allowing production of market-rate developments with less or no incorporation of lower income households.”<sup>19</sup> Another HUD study suggests that the in-lieu fee alternative undermines the economic integration goals of inclusionary zoning. Accepting in-lieu fees can perpetuate the concentration of affordable housing in traditionally low-income areas.<sup>20</sup>

In the most comprehensive investigation on inclusionary housing to date, the Lincoln Institute of Land Policy suggests that in-lieu fees are a suboptimal strategy because they undervalue affordable housing. According the study, “in-lieu fees are often set lower than the cost of producing an affordable unit in an area where the new development is located; hence, minimizing in-lieu fee options (or ensuring fees are priced correctly) may be an effective shift to promote affordable housing in asset-rich neighborhoods.” The study also finds that affordable housing programs are shifting away from this option; recently established programs are less likely to offer in-lieu fees as an option for developers.<sup>21</sup>

Ultimately, in-lieu fees and unconstrained offsite production directly undermine income-mixing and eliminate the possibility of these benefits being realized. The best way to ensure income-integrated neighborhoods is to require that the affordable units be built along with or near the market units, versus building in traditionally low-income areas or placing money into an account that may or may not be used to build housing somewhere at some time in the future.

### **Additional Recommendations**

In addition to the critical Bill 58 components discussed above, we suggest two additional important changes.

#### *No Double-Dipping: The Use of Publicly-Funded Subsidies to Build the Affordable Units Already Supported by Public Investment in Rail Should Be Restricted*

Bill 58 should be amended to eliminate a loophole that would allow the affordable housing requirements—made possible by public investment in rail—to be fulfilled using public dollars. As explained above, the affordability requirements proposed by Bill 58 are necessary to capture at least a portion of the value created by the investment of billions of public dollars in rail. If the requirements are satisfied simply by using more public dollars to build the affordable units, the value of the public’s investment will be lost.

The prohibition of using public funding to satisfy the affordability requirements should have exceptions. In some circumstances, the use of public funding may add value for the community—for example, building more units with greater affordability than what would be built with the subsidy or the affordability requirements alone. To allow flexibility, while providing some measure of protection against this potential double-dipping problem, we recommend that Bill 58 be amended to allow use of public subsidies to satisfy the affordability requirements where a developer has partnered with a non-profit developer with a track record of producing

---

<sup>19</sup> *Evaluation of In-Lieu Fees and Offsite Construction as Incentives for Affordable Housing Production*, U.S. Department of Housing and Urban Development (2009) (available at <http://www.jstor.org/stable/20868702>).

<sup>20</sup> *Inclusionary Zoning and Mixed Income Communities*, Evidence Matters, U.S. Department of Housing and Urban Development (2013) (available at <https://www.huduser.gov/portal/periodicals/em/spring13/highlight3.html>).

<sup>21</sup> *Inclusionary Housing in the United States—Prevalence, Impact, and Practices*, Lincoln Institute of Land Policy, (2017) (available at [http://www.lincolnst.edu/sites/default/files/pubfiles/thaden\\_wp17etl\\_0.pdf](http://www.lincolnst.edu/sites/default/files/pubfiles/thaden_wp17etl_0.pdf)).

low income rental housing in Hawai'i. The involvement of the non-profit will help ensure that any public funds used to satisfy the affordability requirements will result in sufficient additional benefit to the community.

#### *Bill 58's Affordability Requirements Should Extend to Hotels*

The development of hotels cause housing impacts similar to those of residential use buildings. Zoning changes that would typically be required to allow hotel use in TOD zones would trigger a Unilateral Agreement that requires affordable housing development. We are concerned that the ambiguous "condotel" model, which has been used on several IPD-T projects, may soon become the new norm, because it allows for exempting from affordable housing, park dedication, and other requirements. The Applicability section of Bill 58 should be amended to explicitly apply its affordability requirements to hotels to address this issue.

### **Conclusion**

Bill 58 represents a smart, balanced approach to inclusionary zoning. Its requirements have been carefully and thoughtfully designed to ensure that they result in the creation of moderate income housing. The requirements are necessary to capture some of the value created by public investment in the rail, and to fulfill the promise that rail would foster the development of affordable housing. The requirements are balanced by the cost offsets that will be provided in the form of density bonuses and parking waivers, and the incentives provided by the recently passed Bill 59.

Adoption of Bill 58 should not be deterred by unfounded fears about the changes that the bill will bring. It is already abundantly clear that what we are doing now does not work—we need to change our approach. Bill 58 will not solve the affordable housing crisis on its own. But it is an important piece of the puzzle, and should be combined with additional efforts to increase investment in infrastructure and building subsidies, and finding a properly balanced way of expediting the permitting process.

Thank you for the opportunity to testify on this important issue.

have suggested that it will be difficult to sell mortgages encumbered by long-term requirements on secondary markets such as Fannie Mae, Freddie Mac, VA, and FHA. But this fear is unfounded—these secondary markets support affordable housing and will allow restrictions that last any length of time.<sup>17</sup>

Honolulu has one opportunity to ensure that the moderate-income units created by Bill 58 and leveraging of the public investment in rail remain affordable for as long as possible. That opportunity shouldn't be squandered on unfounded fears that are unsupported by the evidence.

With regard to the three options in the proposed CD2 of Bill 58, it does not make sense to link the percentage of units required together with the duration of the requirement. The percentage of affordable units required impacts whether the project pencils out—too high a percentage, and the development can't be built; too low a percentage, and our community's investment in rail creates a private windfall and wasted opportunity to create affordable housing. On the other hand, the duration of the affordability requirement does not impact whether or not the project pencils out—it only affects the purchaser of the units, not the developer or original seller (other than the unfounded fears discussed above). For example, reducing the affordability period to just five years will not enable a development with 30 percent of the units at affordable levels to pencil out. While a project with 10 percent of the units at affordable levels is much more likely to pencil out, whether the duration of the affordability requirements is 30 years or five will have little to no impact on the financial feasibility of the project.

### **There Should Not Be an In-Lieu Fee Option**

While the increased flexibility provided by an in-lieu fee may be helpful in some circumstances, the fee is problematic for three reasons:

- (1) uncertainty regarding the appropriateness of the amount of the fee;
- (2) the risk that the fee will not translate to actual housing (reinforced by a history of failures in that regard); and
- (3) the likely result that in-lieu fees will contribute to gentrification and income segregation.

This third concern, regarding income mixing, is the most troubling because there does not appear to be a viable resolution to the problem. Including a requirement that the in-lieu fee be used to build within the same TOD area as the building associated with the fee is likely to result in just another barrier for the fees getting used to build—restricting usage of the fee to a particular area means waiting to accumulate a critical mass of capital to build in that area before the fee can be used.

As mentioned above, income-mixing is beneficial for lower-income households.<sup>18</sup> In-lieu fees and offsite development work directly against income mixing by keeping low- and moderate-income people out of new housing developments in attractive areas. According to a report published by the U.S. Department of Housing

---

<sup>17</sup> Letter from Rick Jacobus, May 5, 2017, (available at [https://www.honolulu.gov/rep/site/apps/odp/officehousing\\_docs/ahr\\_docs/Jacobus\\_Letter\\_5-5-17.pdf](https://www.honolulu.gov/rep/site/apps/odp/officehousing_docs/ahr_docs/Jacobus_Letter_5-5-17.pdf)).

<sup>18</sup> *Effects from Living in Mixed-Income Communities for Low-Income Families*, Urban Institute (2010) (available at <https://www.urban.org/sites/default/files/publication/27116/412292-Effects-from-Living-in-Mixed-Income-Communities-for-Low-Income-Families.PDF>).



CATHOLIC CHARITIES HAWAII

**TESTIMONY IN SUPPORT OF BILL 58 (2017), Proposed CD2: Establishing an Affordable Housing Requirement**

**TO:** Committee on Zoning and Planning  
**FROM:** Terrence L. Walsh, Jr., President and Chief Executive Officer  
**Hearing:** Tuesday, 3/27/18; 9:00 a.m.

Thank you for the opportunity to provide written testimony in strong support of **Bill 58, proposed CD2. We also support the amendments suggested by Hawaii Appleseed Center for Law and Economic Justice.** I am Terry Walsh, with Catholic Charities Hawai'i. We are also a member of Partners in Care. This bill provides critical regulations that will impact the development of affordable rental housing unit for years to come.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. To end homelessness we must create significantly more affordable housing on an ongoing basis. This is a top priority for 2018 and the years to come.

The 2016 Hawaii Housing Planning study found that more than half the need for all housing is for households under 60% of AMI and 71% of all demand for rentals on Oahu is for those under 60% of AMI. We must address the housing needs of the vast majority of Oahu's population. The billions of dollars that we have invested in rail creates an opportunity to provide housing solutions to keep our kids in Hawaii, our kapuna in safe decent housing, and hard working families a place to live. However, we must put into place affordability requirements like those proposed in Bill 58 to ensure that our residents receive its fair share of the return for investment in rail. We have ONE chance to utilize rail to also create affordable housing on Oahu.

We support three critical components to Bill 58 to promote creating affordable housing for our local residents:

1. **A reasonable percentage of truly affordable units.** We support **amending** Bill 58 to require that 15 to 20 percent of for sale units build on site in TOD zones be affordable—half at 120% of AMI and half at 100% of AMI.
2. **A minimum of 30 years of affordability for both sale and rental units.** Rail is a one time opportunity. Once land is taken for higher priced housing, it will become even more difficult for our county to promote the additional affordable housing desperately needed.
3. **No in Lieu Fees.** We need housing to be built, not in lieu fees that may sit in a fund for years, losing in value. In the past, affordable housing has not been built, or has been so delayed that the fees produces less units than initially promised.

We need to act now. This bill and the amendments suggested are critical to the future of Oahu. Please contact our Legislative Liaison, Betty Lou Larson, at 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org), if you have any questions.





**2018 OFFICERS**

**PRESIDENT**  
DEAN UCHIDA  
SSFM INTERNATIONAL, INC.

**PRESIDENT-ELECT**  
MARSHALL HICKOX  
HOMEWORKS CONSTRUCTION, INC.

**VICE PRESIDENT**  
DWIGHT MITSUNAGA  
DM PACIFIC, INC.

**SECRETARY**  
CHRIS CHEUNG  
CC ENGINEERING & CONSTRUCTION, INC.

**TREASURER**  
BRIAN MDORE  
CENTRAL PACIFIC BANK

**SPECIAL APPOINTEE-BUILDER**  
GREG THIELEN  
COMPLETE CONSTRUCTION SERVICES CORP.

**SPECIAL APPOINTEE-BUILDER**  
MARK KENNEDY  
HASEKO CONSTRUCTION MANAGEMENT  
GROUP, INC.

**SPECIAL APPOINTEE-ASSOCIATE**  
CRAIG WASHOFSKY  
SERVCO HOME & APPLIANCE DISTRIBUTION

**IMMEDIATE PAST PRESIDENT**  
EVAN FUJIMOTO  
GRAHAM BUILDERS, INC.

**CHIEF EXECUTIVE OFFICER**  
GLADYS MARRONE  
BIA-HAWAII

**2018 DIRECTORS**

KAREN BERRY  
TRADE PUBLISHING COMPANY

DARCY ENDO-OMOTO  
HAWAIIAN ELECTRIC COMPANIES

MARK HERTEL  
INTER-ISLAND SOLAR SUPPLY,  
OAHU-MAUI-HAWAII-KAUAI

BRENTON LIU  
DESIGN TRENDS CONSTRUCTION, INC.

SARAH LOVE  
BAYS LUNG ROSE & HOLMA

BEAU NOBMANN  
HPM BUILDING

GARY OKIMOTO  
HONOLULU WOOD TREATING

JORDAN OKIMURA  
BROOKFIELD HOMES HAWAII, LTD

JACKSON PARKER  
D.R. HORTON, SCHULER DIVISION

ALAN TWU  
HK CONSTRUCTION CORP.

DARYL TAKAMIYA  
CASTLE & COOKE HOMES

PAUL D. SILEN  
HAWAIIAN DREDGING  
CONSTRUCTION CO. INC.

ADDRESS:  
94-487 AKOKI STREET SUITE 213  
WAIPAHU, HAWAII 96797  
P 808.847.4666  
F 808.440.1198

March 27, 2018

Honorable Kymberly Marcos Pine, Chair  
Committee on Zoning and Housing  
Honolulu City Council  
City Hall  
Honolulu, Hawaii 96813

Dear Chair Pine and members of the Committee,

**Subject: Testimony on Bill No. 58, Establishing an Affordable Housing Requirement**

I am Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii is **opposed to Bill 58** and requests that it be **held** in Committee.

Many of our members have spent countless hours meeting with Mayor Caldwell's Administration to provide input on the Mayor's affordable housing strategy. Our industry is keenly aware of the need to produce more housing units. The lack of housing impacts our ability to function as a community and grow our economy. The Building Industry Association of Hawaii and the Chamber of Commerce of Hawaii convened the first "Houseless in Honolulu" in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. We focused on the challenges employers face due to the lack of housing. Then again in November of 2016, we convened our second event, "Still Houseless in Honolulu."

Our Housing Summits illustrated how the lack of housing impacts us as a community. When potential professionals/employees cannot find homes they can afford, they will choose not to come to Hawaii. Furthermore, current residents affected by stratospheric home prices leave to more affordable housing markets. Employers across all spectrum of enterprises are already feeling the pinch. Mid-level employees are especially hard hit, as are educators, medical professionals, and small businesses.

The bottom line is we need to build our way out of this crisis by increasing the supply of housing at all price points. With the median home price on Oahu projected to hit \$800,000 in 2018, the repercussions are having a major impact on Honolulu's economy. 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 (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

**The Proposed Bill—A Repeat of History--"Those who cannot remember the past are condemned to repeat it." George Santayana**

Buy Backs and Shared appreciation were tried in the past to ". . . have government exert more control over affordable housing." Considering that we have continued to exacerbate the housing crisis, one would conclude that those approaches didn't work. If they didn't work then, what assurances do we have that it will work now?!?!

Government imposed restrictions on units to keep them affordable generally result in the owners not being able to recognize any equity, or enough equity (shared appreciation), to step up to a larger unit as their income improves.

It is ironic that the only reason to consider government intervention in "keeping units affordable" is primarily due to government restrictions on overall development. If the overall supply of housing units were allowed to be increased at all price points, buyers/consumers would have a choice based on product type and location.

Government intervention in the market place usually does not have positive results. We believe that in order to address the current "Housing Crisis," there needs to be a seismic shift in the focus of how government views housing development and move from our current "Reactionary or Regulatory" stance to a more "Proactive or Production Oriented" stance. 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. Over the last couple of years, the number of building permits issued for single-family homes fell between 800 and 900 units per year, and it's not clear how many of these are new addresses.

The approach would require the City to create opportunities for new housing production by investing in "infrastructure capacity building" in areas identified for future growth or density. As capacity becomes available, up-zone properties to allow for higher density in accordance with areas planned for growth. The City should focus on being proactive and create opportunities for new growth as opposed to their present position of waiting for developers to propose projects and impose "affordable housing" requirements on each project thru inclusionary zoning.

BIA-Hawaii expressed its concerns that the overall approach proposed in the Mayor's strategy will not result in increasing the supply of housing. Focusing on the affordable housing segment of the market by tinkering with the existing exclusionary zoning requirements at the City will do little to increase the inventory of workforce housing on Oahu. The existing inclusionary zoning requirements which have been imposed on new residential developments for decades, we firmly believe, has caused the overall lack of supply of housing and the median prices of a single-family home upwards of \$700,000 we are experiencing today. This belief is validated by the University of Hawaii Economic Research Organization (UHERO) in their report on inclusionary zoning which states, "Inclusionary zoning policies have failed in other jurisdictions, and are failing on Oahu. Inclusionary Zoning reduces the number of "affordable" housing units and raises the prices and reduces the quantity of "market priced" housing units."

**The Bill Should Focus on How to Build More Housing**

Rather than allow for more government over-regulation of the production of housing, perhaps it is time to provide a more incentive-based approach to getting more housing built. The following are suggestions for both the for sale and rental market on what the Council might consider to stimulate the construction of more housing.



### For Sale:

Land, material, and labor costs are outside of most developers' control. That being the case, what can government do to "incentivize" the construction of more housing units? In most instances, developers are able to build new housing in the 80% to 140% AMI income range (i.e. Workforce Housing) under current regulations and market conditions. Construction of units below 80% AMI (i.e. Low Income Housing), will require some type of government assistance, thru providing entitled government land, providing direct government funding, or a little bit of both. To incentivize the construction of more units in the 80% to 140% AMI, government could do one or more of the following:

1. Provide free access to existing infrastructure (sewer) capacity;
2. Waive or reduce all government connection fees;
3. Waive or reduce park dedication fees;
4. Waive or reduce any other infrastructure or public facilities assessment or impact fees (i.e. DOE School Impact Fees).
5. Provide for greater density to spread development cost around more units;

For construction of unit priced above 140% AMI, the city should consider assessing fees to access existing infrastructure capacity, with fees increasing as the price of the units increase. These fees could then be reinvested in building more infrastructure capacity or providing subsidies for the below 80% AMI.

### Rentals:

Rental units must be analyzed differently. Similar to for sale units, land, material, and labor costs are outside of most developers' control. The cost to construct rental units, therefore, is similar to the cost of constructing for sale units. From a developer's perspective, rental units have a longer payback and require active property management. Which is probably why there haven't been too many market rental projects built, without some type of government assistance, for several years. From the renter/buyer perspective, it is really a question of renting a unit and not building any equity or buying a similar priced unit with a mortgage about the same as monthly rent, but building equity over time.

In the foreseeable future, any significant increase in the number of new rental housing units will require use of government land.

### How to Partner to Build More Housing

BIA-Hawaii believes that in order for a partnership to work, both parties must agree on a common outcome. We have been a strong advocate for this Mayor, and government in general, to set PRODUCTION GOALS to help build us out of our current housing crisis. We have members who focus on specific price points in the housing market. The question is not if developers are willing to build, but whether government is willing to create opportunities for development of housing at all price points.

We believe the Council should **hold** this bill and take the time to develop a rational approach that will allow for the construction of more housing units on Oahu. We appreciate the opportunity to provide our comments on this bill.

---

**From:** CLK Council Info  
**Sent:** Tuesday, March 27, 2018 8:50 AM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Steven Kothenbeutel  
Phone 8085877770  
Email sk@avalonhi.com  
Meeting Date 03-27-2018  
Council/PH Committee Zoning  
Agenda Item Bill 58 (2017) CD1  
Your position on the matter Oppose  
Representing Organization  
Organization Avalon Development Company LLC  
Do you wish to speak at the hearing? Yes

Written Testimony With rising interest rates projects approved to date and currently planned will be more difficult to build. Mandating the affordable housing provisions will make housing more difficult to build and will result in barbell effect with fewer mid level priced available for the working families.

Testimony Attachment

Accept Terms and Agreement 1



The Honorable Kymberly Marcos Pine, Chair  
The Honorable Trevor Ozawa, Vice Chair  
Committee on Zoning and Housing  
**Testimony in Opposition of Proposed Bill 58 (2017) CD2**  
**Page 2**

- No proposal of reduced or deferred property taxes during the development or for the restricted time frame
- No proposal of elimination or reduction of water and sewer hookup fees
- No proposal of providing adequate infrastructure
- No specific offers of City lands for the development of for sale affordable housing
- No proposed increased density

To amplify the added risk please consider that at today's 30 year fixed interest rate the maximum purchase price for a family of two (2) at the proposed median income of 110% is \$445,200. Considering that it takes a minimum of three (3) years to plan, permit, finance, build, and deliver a home it is very likely that interest rates will increase from today's 4.5% to at least 6.5%. This will result in a reduction of the saleable price to \$356,900. That is a 20% reduction in the sales price of each affordable unit further burdening the project.

The risk of increasing interest rates is very real as witnessed by the recent .25% increase and the announced future increases anticipated by the Federal Reserve. This is not the time to be adding risk and cost without incentives if you really want to increase the production of affordable housing.

Of course my comments are just those of a known developer and builder of housing for Hawaii's working families. We have delivered some 24,000 homes in Hawaii with the majority of those homes here on Oahu. Of those 24,000 homes over 7,000 were identified as "affordable" however the majority were sold to Hawaii's working families without restrictions limiting the equity earned by those families.

**Please hold Bill 58 (2017) CD2 to further work on a Bill that will actually increase the supply of homes and allow time to see how effective incentives provided in Bill 59 work.**

Mahalo for your consideration of our testimony. If you have questions, please feel free to contact me.

Sincerely,  
Castle & Cooke Hawai'i



Harry A. Saunders



BERKSHIRE HATHAWAY | Hawai'i Realty  
HomeServices

Aloha Council Members,

February 8, 2018

Thank you for all you do to help ensure our city finds ways to make owning a home a viable option for each and every one of our residents. I am a local real estate agent and lifelong Oahu resident. I work with a mix of clients across all income brackets, some of whom are first-time home buyers, and a few who have bought in new workforce housing developments. I also spent years working with developers as a public relations and marketing consultant and understand that adding much needed new homes to our market can be challenging and complicated. I am happy to see that HB 59 passed, offering incentives to building affordable projects.

I am writing to express my concerns with Bill 58. I believe whole-heartedly that we need more housing and that the Bill was drafted with good intention. However, I am concerned that the Bill as written will result in fewer new development projects coming to fruition once enacted. We desperately need more housing and development to continue to move forward, thus we need to ensure the Bill does not have any unintended impacts that slow development.

Specifically, I am concerned about the impact requirements of the Bill will have in TOD areas beyond Ala Moana, as well as areas outside of TOD zones. As you know, in areas like Kakaako and Ala Moana, luxury prices help offset the cost of building affordable units for developers. However, not all neighborhoods are the same. In areas like Aiea, Kalihi, Chinatown and Downtown, new units are unlikely to sell at a high enough price to offset the cost of required affordable housing under Bill 58, thus, developers will choose not to build in these neighborhoods.

A bill that isn't "one size fits all" would potentially increase the number of affordable units brought to market in Honolulu without slowing the overall addition of new units to our market. I understand that there are no easy answers and we all share the same goal of solving our housing crisis, and hope that you will take these thoughts into consideration.

Thank you,

A handwritten signature in black ink, appearing to read 'Rachel Ross Bradley'.

Rachel Ross Bradley  
Berkshire Hathaway HomeServices Hawaii Realty  
[rachelb@bhhs-hawaii.com](mailto:rachelb@bhhs-hawaii.com)  
808-358-7056

To: Honolulu City Council Zoning and Planning Committee

RE: Bill 58

March 26, 2018

From: Catherine Graham  
FACE Housing Now Coalition

Dear Chair Pine and Zoning Committee Members,

I am testifying on behalf of the 50,000 members of FACE, Faith Action for Community Equity. As you know, we are mostly a faith-based group and we believe in doing the right thing for the right reasons, we do not believe in doing something primarily for monetary profit and we vote. We are residents of all of the City Council Districts.

According to us at FACE, Bill 58 should read

1. Provide for affordable housing for at least 30 years. Anything shorter defeats the purpose of getting and KEEPING our local folks housed.
2. Provide housing from those making no more than 100% of AMI and preferably lower. Higher than 100% is essentially market rate.
3. No in lieu fee would be acceptable. Our history has shown that NO housing gets built as a result of developers contributing to a fund. Our goal is to get housing built that our hard working residents can actually live in without hardship.
4. Developers should not be able to access government subsidies unless they are actually providing enough affordable housing at the 100% AMI for at least 30 years.

Hawaii Appleseed has provided a graphic that clearly shows where our state housing needs lie – below 100% AMI. As representatives of the residents of Honolulu, your responsibility is to the residents – not just to the developers. If the developers balk at these provisions, let us create incentives for smaller developers to develop smaller projects.

We at FACE truly believe that “where there is a will, there is a way” and we must stay focused on the goal – housing that our local residents can afford without having to work 2 and 3 jobs.

Please remember that this is an election year, and we will remember how you vote.

Respectfully submitted,

Catherine Graham



# LiUNA!

TESTIMONY OF RYAN K. KOBAYASHI  
GOVERNMENT AFFAIRS DIRECTOR  
HAWAII LABORERS' UNION, LOCAL 368

COMMITTEE ON ZONING AND HOUSING

## HEARING NOTICE

DATE: MARCH 27, 2018

TIME: 9:00 am

LOCATION: COMMITTEE MEETING ROOM

PETER A. GANABAN  
*Business Manager  
Secretary-Treasurer*

ALFONSO OLIVER  
*President*

JOBY NORTH II  
*Vice President*

TONI FIGUEROA  
*Recording Secretary*

JAMES DRUMGOLD JR.  
*Executive Board*

ORLANDO PAESTLE  
*Executive Board*

JOSEPH YAW  
*Executive Board*

MARTIN ARANAYDO  
*Member*

RUSSELL NAPIHA'A  
*Member*

MARK TRAYALINO  
*Member*

ALFRED HUFANA JR.  
*Member-At-Large*

ALOHA COMMITTEE CHAIR PINE; VICE-CHAIR OZAWA AND COMMITTEE MEMBERS,

My name is Ryan Kobayashi Government Affairs Director of the Hawaii Laborers' Union, Local 368. The Hawaii Laborers' Union represents over 5000 hard working active and retired members across the State of Hawaii, and we support the intent of Bill 58 (2017) CD2, and respectfully request that more time be granted to further "fine tune" the language in the proposed CD2 version of the bill.

While we applaud the efforts of this Council and Mayor on its efforts to provide a way to provide for more affordable housing, we feel that the language in the proposed CD2 needs to be further "fine tuned" to ensure that the policies set forth in Bill 52 CD2 will encourage developers to build more affordable housing in our County.

Therefore, we respectfully ask that more time be taken so that all parties involved (City Council, Mayor's Office, and Developers) may continue to work on the language in Bill 52 CD2 before deciding on a final version of Bill 52 to ensure that it meets the goals of the Administration, City Council, and the Developers to ensure that the affordable housing needs in the City and County of Honolulu are met.

Thank you for the opportunity to testify.

LiUNA Local 368  
1617 Palama Street  
Honolulu, HI 96817  
Phone: (808) 841-5877  
Fax: (808) 847-7829  
[www.local368.org](http://www.local368.org)

*Feel the Power*



earning above 140% AMI.<sup>1</sup> Accordingly, OHA appreciates efforts to ensure that Bill 58's affordability requirements ensure the development of units reserved and priced for a range of household income levels at and below 140% AMI. OHA further appreciates Bill 58's approach in connecting the number of required affordable units with the minimum affordability period for such units, as a means to incentivize longer-term affordability while responding to developers' requests for flexibility.

**OHA supports Bill 58's amendments limiting "in-lieu" fees to project-by-project approval by the Council.** In-lieu fees for affordable housing have been historically ineffective in providing meaningful affordable housing relief;<sup>2</sup> accordingly, OHA appreciates Bill 58's efforts to ensure the actual development of affordable units, by only allowing in-lieu fees in special, carefully considered circumstances.

OHA urges amendments to provisions allowing the "rehabilitation" of an affordable housing unit to be treated the same as the development of an additional new housing unit, for the purposes of satisfying Bill 58's requirements. While OHA understands the need for re-development and rehabilitation, given the current housing crisis and the growing demand for more housing units, OHA believes that developers should be given more credit for constructing new units, than for preserving and replacing current ageing structures. **OHA therefore suggests that the rehabilitation of a unit should count no more than one-half to three-quarters of a unit, for the purposes of meeting the affordable housing requirements of Bill 58.**

OHA recommends removing the exemption of micro-unit projects from triggering affordable housing requirements. Even when micro-units are priced at HUD rental income limits, they may have a higher price-per-square foot than market rate rental units. Accordingly, the proliferation of such units may similarly contribute to an increase in the cost of rental units across Hawai'i and an increase in housing demand. OHA therefore respectfully requests that the micro-units exemption be deleted.

Finally, OHA supports Bill 58's status report provisions, which will help to assess the effectiveness of its proposed new chapter in five years. Such an assessment will be valuable in informing potential amendments and adjustments to the affordable housing policies established by the City. **Given the historical failure of in-lieu fees to provide effective affordable housing relief, OHA respectfully suggests that a comprehensive study on any in-lieu fees collected, and the disposition of such fees, also be examined in the contemplated status report.**

**In summary, OHA is supportive of Bill 58's affordable housing requirements as a positive step forward to meeting the City's current and future housing needs.** OHA is very

---

<sup>1</sup> See SMS, HAWAII HOUSING PLANNING STUDY, at 34 (2016), available at

[https://dbedt.hawaii.gov/hhfdc/files/2017/03/State\\_HHPS2016\\_Report\\_031317\\_final.pdf](https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf).

<sup>2</sup> OFFICE OF THE CITY AUDITOR, AUDIT OF THE CITY'S MANAGEMENT OF UNILATERAL AGREEMENTS IN AFFORDABLE HOUSING, (2007).

appreciative of the work of the Committee and the Council in crafting a measure that takes into account Honolulu's affordable housing needs in nearly all new major development projects on O'ahu. **OHA urges the Committee and Council to continue keeping the housing needs of Honolulu's residents in mind as it further considers this bill.**

Mahalo for the opportunity to testify on this measure.



Imanaka Asato  
A LIMITED LIABILITY LAW COMPANY

January 19, 2018

Council Chair Menor and Members  
of the City Council  
Honolulu Hale  
530 S. King St., Room 202  
Honolulu, Hawaii 96813

Re: Bill 58 (2017), CD1

Aloha Council Chair Menor and Members of the City Council:

I am a real estate lawyer who has been fortunate to be able to practice real estate law in Hawaii for 39 years, representing developers, lenders, and others in and outside of our community that deal with land. Among other things, I have served as Vice Chair of the Real Estate Commission, and as Chair of the Blue Ribbon Committee that revised Hawaii's condominium law in 2006.

I applaud the Council and Administration for tackling what is undoubtedly the issue of the day for our community; that being the provision of affordable housing for our citizenry. Affordable housing is a necessary component part of the fabric of our community, and should be considered a necessity. It is infrastructure, akin to roads, water systems and sewers. Without affordable housing, our people suffer, become disillusioned, and ultimately leave.

In my view, there is no one path or solution to this compelling issue. There is, however, one simple approach, and that is to build more housing than is needed. Only then can market forces drive affordability. To do that we need a massive inflow of capital to close the gap between what the cost of construction and development is and the price that people can afford to pay. Only government can make that happen. To exact a few units from developers on projects that may be built if market conditions permit will not get us to where we need to be. We need to flood the market with all kinds of units; and let supply outstrip demand. Only then will we be able to achieve stability in pricing.

All this having been said, permit me to offer a few thoughts on the bill before you. This measure, while well-intentioned, can be improved to enhance its opportunity to successfully deliver units. The period during which a developer must offer units for sale or rent before moving on to a lesser period of affordability or to a greater category of AMI should be 30 days, not 120 days. The reason for this is that in order for a project to be started, there needs to be a high degree of certainty as to whether there are buyers or renters who will actually commit to buy or rent a unit with the restrictions that are proposed to be imposed. The faster this can be

determined, the faster the project will be built. If a developer needs to wait three 120-day periods (this equates to one year) to determine project viability, the project may never be built. This is because things change. Interest rates go up, construction costs go up, and it makes it less likely that a developer will take the risk to build given lower margins.

If, of the other hand, the market can be determined and set quickly, it will result in more certainty, as rates and costs become more predictable, which gives a developer and lender the ability to move forward faster (which results in the quicker delivery of affordable units). That is why I suggest you consider a 30-day rather than a 120-day offering period before adjustments to the period of affordability and/or AMI are made.

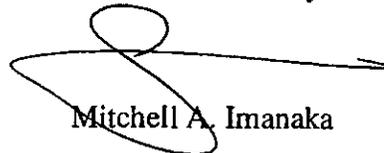
In 1980, real estate markets were on fire. Developers were building everywhere as a result of high demand. In response to public outcry that developers should offer units to owner-occupants, our condominium law was amended to provide that 50% of units in a project be first offered to owner occupant buyers, to give those buyers an opportunity to purchase a unit. The period of the required offering was, and still is today, 30 days. That law and this time period has stood the test of time, and has worked exceedingly well. It gives the public an opportunity to purchase, and also gives a developer and its lender certainty within a reasonable period of time. It does not take 120 days for a determination that a market for units does or does not exist. This can be determined almost immediately when a public announcement is made about the availability of such units.

Accordingly, please consider adjusting the so-called "Affordability Period" and "Marketing Period" referenced in the proposed measure to 30 days.

Thank you very much for the opportunity to testify.

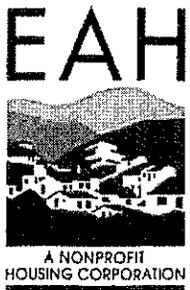
Very truly yours,

IMANAKA ASATO,  
A Limited Liability Law Company



Mitchell A. Imanaka

MAI:tmoh  
c: Mayor Kirk Caldwell



March 27, 2018

Honolulu City Council  
Committee on Zoning and Housing  
Councilmember Kymberly Marcos Pine, Chair  
Councilmember Trevor Ozawa, Vice Chair  
Honolulu, Hawaii 96813

RE: Proposed CD2 to Bill 58 CD1, March 27, 2018, 9:00am, Committee Meeting Room

Chair Pine, Vice Chair Ozawa and members of the Committee:

Thank you for this opportunity to comment on the proposed CD2 to Bill 58 which establishes affordable housing requirements for both for-sale and rental housing. I am Kevin Carney, Vice President of EAH Housing. EAH is a 50 year old non-profit public benefit corporation whose mission is to develop, manage, preserve and promote affordable rental housing.

It has been a long journey in trying to establish affordable housing requirements or inclusionary zoning (IZ) that will provide the residents of Honolulu with a greater opportunity to buy or rent a home. I personally have attended many, many meetings and spent many hours with the Mayor's staff, Chair Pine and her staff, the land owners and housing development community, affordable housing advocates and other non-profits in an attempt to reach an affordable housing policy that was acceptable to all. I want to thank everyone involved for their efforts. The proposed CD2 to Bill 58 is the result of these many meetings and I believe, an attempted compromise that neither the proponents nor those opposed to IZ requirements are completely satisfied with.

The purpose of IZ is to mandate or encourage developers of housing to include specific percentages of for-sale or rental housing that is affordable to lower and/or moderate income households. Bill 59, the companion to Bill 58 provided incentives for the development of affordable housing, was supported by both proponents and opponents to IZ and was recently passed by the full Council. Bill 58 is the mandate and by its very nature it is not a compromise. Now that we have provided the incentives it is time to insure or mandate that the public benefits from its investment in these incentives not to mention the billions invested in rail and the resulting increase in property values to those owning property along the rail line.

EAH therefore continues to advocate for:

1. Maintaining a larger percentage of affordable for-sale housing in our inventory for a longer period of time. Five to ten years is not long enough.
2. Producing the affordable Housing Now! We are opposed to in-lieu fees whether it be land or money.

Like Hawaii Appleseed, EAH supports the requirements originally proposed by Bill 58. Thank you for allowing us to share our thoughts on this critical housing issue.

Sincerely,

Kevin R. Carney, (PB), NAHP-E, RB-16444  
Vice President, Hawaii  
EAH Housing, RB-16985

**SUMMARY OF LURF'S PROPOSED COMMITTEE DRAFT:**

**Bill 58 (2017) CD1  
ESTABLISHING AN AFFORDABLE HOUSING REQUIREMENT**

PROPOSED CD2 makes the following amendments to Bill 58 (2017), CD1:

**SECTION 1. PURPOSE, FINDINGS AND INTENT**

1. **This Section of the bill should provide an accurate factual background and context for Bill 58.** This will benefit future Council and City administrations, because they will understand all of the information the City is relying on to support the CD2. (p. 1)
  - a. **ADD the fact that the affordable housing requirements (AHF) proposed by the City Administration in the original draft of Bill 58 were based on studies of Mainland cities, which are very different from Honolulu, and have very different construction costs, land availability and land values.”** (p. 1)
  - b. **ADD information from the 2010 Study by the University of Hawaii Economic Research Organization (UHERO) and 2013 UHERO testimony, concluded that Inclusionary Zoning requirements and restrictions (IZ) have failed on the Mainland and have failed in Hawaii, and while IZ may result in a small increase the amount of affordable units, it decreases the total number of housing units built and increases the sales prices of housing units.** (p. 1)
  - c. **ADD findings and recommendations from the *City's draft Affordable Housing Requirement Financial Analysis*, dated April 7, 2016 and *DPP Directors' Report*, dated May 19, 2017.** (p.1)

The original (Mayor's) version of Bill 58 and its affordable housing requirements (AHR) are infeasible for all housing projects on Oahu, except for 40-story high-rise condos in Ala Moana, with Community Benefit (height and density bonuses) and other incentives. (Financial Analysis, pp. 12, 14; DPP Report, p. 10)

The development of condos, apartments and other housing prototypes are currently infeasible in most all areas on Oahu (including Pearl Ridge, Kapalama and Kapolei), even without the proposed AHR; and the City did not do specific tests of market conditions and feasibility in Downtown, Chinatown and Kakaako areas. (Financial Analysis, pp. 12-14; DPP Report, pp. 10-11)

The City's Financial Analysis and DPP Report, specifically recommend against the "one-size-fits-all" approach in Bill 58, CD2. Instead, both City documents recommend that *"In order to meet the goal of providing new workforce housing without stalling new development, the implementation of the AHR should acknowledge the range of development contexts and market conditions on the island."* (Financial Analysis, p. 20; DPP Report, p. 12)

The City's Financial Analysis and DPP Report, recommend that the Bill 58 AHR restrictions and requirements should not be imposed on all of Oahu's Neighborhoods right now, but that the AHR should be "waived," or "phased-in" over several years by geographical locations, depending on where housing development becomes feasible. (Financial Analysis, p. 20; DPP Report p. 12, 14-15, 20, 21)

- d. **ADD the fact that the City's Financial Analysis, Director's Report, and testimony by the City's affordable housing consultant recommended a "phased-in" approach.** Due to the infeasibility of the proposed AHR, Bill 58 should not be applicable to the entire island of Oahu at one time, but "phased-in," starting with the Ala Moana, Downtown and Chinatown areas, first. (p. 1)
- e. **ADD facts about the failure of IZ requirements and restrictions imposed by Maui County (25-year restricted resale period) and about the success of the revisions to Maui's Workforce Housing Rules (10-year, 8-year and 5-year restricted resale periods).** (p. 1)
- f. **ADD facts about the failure of Kauai County's IZ requirement (20-year restricted resale period).** (p. 1)
- g. **ADD facts about the failure of C&C's 10-year restricted resale periods** (p. 1)
  - 1999 – 2005 C&C was forced to rescind the IZ restrictions due to lack of sales of affordable units (UHERO Study)
  - 2005-2010 C&C restored IZ requirements, but no developers submitted applications to build affordable housing (UHERO Study)
- h. **ADD that all experienced Hawaii developers of for-sale affordable or market-priced homes testified in opposition to the Bill 58 and CD1, stating that the original AHR proposed by the City Administration would be infeasible for housing in Honolulu, and would reduce the production of homes;** (p. 1)
- i. **ADD facts relating to Governor Ige's refusal to approve the Hawaii Community Development Authority's proposed Reserved Housing Rules, which included a proposed 30-year restricted resale period.** (p. 1)
- j. **ADD statements from Rick Jacobus, the City's affordable housing consultant, confirming "in-lieu fees" as a valuable strategy to increase the total number of affordable units, by using the in-lieu payments to provide capital for government gap financing loan programs.** (p. 1)
- k. **ADD statement that the final version of Bill 58 is based on the history of affordable housing requirements in Honolulu and the State of Hawaii, and input from the City Administration, experienced housing developers and housing advocates.** (p. 1)

- I. **DELETE** misleading and inflammatory statements which are not based on reliable data or facts and which appear to blame the lack of affordable housing inventory on Oahu on low-income families who resell their affordable homes “*in as little as four years*”: ~~“In as little as four years, the affordable for sale homes may be resold by the buyer at market prices, which would eliminate them from the affordable housing inventory.”~~ (p. 1)
  
- m. **ADD**: reference to payment of an in-lieu fee or the provision of improved land as options to satisfy the affordable housing requirement; and (2) clarifies that **for-rental affordable units must remain affordable for at least 15 years, if privately financed, and at least 30 years, if subsidized by government funding** and for-sale affordable units must remain affordable for varying periods based on the percentage of the total number of dwelling units in the principal project being provided **and the years that the resale of the unit is restricted.**

## SECTION 2: AFFORDABLE HOUSING REQUIREMENTS

2. Section \_\_ 1.2 DEFINITIONS: **DELETE** the definition of “common entrance.” (p. 2)
3. Section \_\_ 1.2 DEFINITIONS: **ADD** “Final marketing period,” which means the **last 30-days** during which the affordable dwelling is marketed, and may be rented or sold, as applicable. **During the Final marketing period, the affordable dwelling unit shall be marketed, and rented or sold to the general public, free of all the AHR conditions relating to the income level of the household of the purchaser, but not free from any of the other AHR restrictions, or applicable rules.** The Final marketing period depends on the original AMI income level for the affordable unit for sale or rent. It could be after the Third Marketing period (for affordable units which were initially offered for sale to buyers with incomes of 100% AMI or less), or after the Second marketing period (for affordable units which were initially offered for sale to buyers with incomes of 120% AMI or less), or after the First marketing period (for affordable units which were initially offered for sale to buyers with incomes of 140% AMI or less). This Final marketing period is consistent with existing AHR requirements in Honolulu and other government policies and procedures relating to marketing periods. (p. 3)
4. Section \_\_ 1.2 DEFINITIONS: **AMEND** definitions of “First marketing period” to **mean the first 30-days** during which an affordable dwelling is marketed, and may be rented or sold, as applicable, **instead of an [120-day period]**. The proposed 120-day marketing periods are unreasonably too long. If there is demand, there will be qualified purchasers or renters who can sign an agreement within 30 days. (p. 3)
5. Section \_\_ 1.2 DEFINITIONS: **AMEND** the definition of “Micro-unit” from **[300-square feet]**, to **500 square feet or less**. The square footage in the definition of “Micro-unit” should be increased, because there are already government approvals in Honolulu for micro-units with 309, 370 and 375 square feet; also materials published by the Urban Land Institute describe micro-units across the United States as ranging between 250 to 500 square feet. (p. 3)
6. Section \_\_ 1.2 DEFINITIONS: **AMEND** definition of “Second marketing period” to **mean the 30-day period immediately following the first marketing period, instead of an [120-day period]**. (p. 4)
7. Section \_\_ 1.2 DEFINITIONS: **AMEND** definition of “Third marketing period” to **mean the 30-day period immediately following the first marketing period, instead of an [120-day period]**. (p. 4)

**Section \_\_ 1.3 (a) APPLICABILITY: ADD** **limitation that Bill 58 should apply only to the Ala Moana Area**. The City’s 2016 Draft Financial Analysis and Director’s Report confirms that the AHR in Bill 58 are infeasible for all housing projects on Oahu, except for

40-story high-rise condos in the Ala Moana area, with Community Benefits (height and density bonuses) and other incentives. (Financial Analysis, pp. 12, 14; DPP Report, p. 10) The development of condos, apartments and other housing prototypes are currently infeasible in most all areas on Oahu (including Pearl Ridge, Kapalama and Kapolei), even without the proposed AHR; and the City did not do specific tests of market conditions and feasibility in Downtown, Chinatown and Kakaako areas. (Financial Analysis, pp. 12-14; DPP Report, pp. 10-11) In its February 1, 2018 letter, even the City recognizes the infeasibility of imposing Bill 58 island-wide, and recommends a “phased-in approach,” (at first, only to Ala Moana, Downtown, Chinatown. (pp. 5-6)

8. **Section \_\_ 1.3 (a) APPLICABILITY: ADD limitation that Bill 58 should apply only to zone change requests.** Developers who plan to develop according to the existing zoning should be exempted (“takings” issue). (pp. 5-6) See Section \_\_ 1.3 (b), below, which adds a new exemption, for lots to be developed in compliance with existing zoning. (pp. 6-7)
9. **Section \_\_ 1.3 (a) APPLICABILITY: ADD limitation that Bill 58 should apply only to project areas which have sufficient infrastructure, including, without limitation, water, sewer, drainage, access, etc.** The restrictions and requirements of Bill 58 should not apply to lands where the City has not provided adequate infrastructure for the development of housing units. (pp. 5-6)
10. **Section \_\_ 1.3 (a) APPLICABILITY: ADD requirement that all City-owned parcels designated for development of housing.** The list of City parcels should be included in Bill 58, CD2. (pp. 5-6)
11. **Section \_\_ 1.3 (a) (1) APPLICABILITY: DELETE applicability to “~~New construction of ten or more for-sale dwelling units developed under a single or unified project concept, on one or more zoning lots.~~”** The reasoning for deleting the “ten-unit trigger” is to encourage builders to develop smaller projects on smaller lots without being concerned about manipulating the size of the residential units to avoid the penalty of having to build “affordable units”. These smaller developments have the best chance at building the low cost, more affordable units using by-right zoning on lands either purchased or long-held by their families. (p. 5)
12. **Section \_\_ 1.3 (a) (2) APPLICABILITY: DELETE applicability to “~~Any subdivision of land creating ten or more zoning lots for residential use in residential, apartment, apartment mixed use, business mixed use, county of agricultural zoning districts;~~”** See above. (p. 6)
13. **Section \_\_ 1.3 (a)(\_) APPLICABILITY: ADD new trigger, for “New construction of over 20,000 saleable square feet of for-sale dwelling units developed under a single project.”**

14. Section \_\_ 1.3 (a)(3) APPLICABILITY: **DELETE** the application of Bill 58 to **“conversions”** ~~“Conversion of hotels, offices, or other uses into multifamily dwellings containing ten or more total for-sale dwelling units; or conversion of rental dwelling units into for-sale dwelling units containing ten or more total for-sale dwelling units;”~~ The City should not subject these conversions to the new AGR-IZ requirements, Instead, the City should be encouraging these conversions with “carrots,” and not punishing conversions by hitting it with *sticks*! (KS sale of the Pagoda hotel units to Savio) (p. 6)
15. In Section \_\_ 1.3 (b) (1) APPLICABILITY (**“Voluntary Opt-In” for exempted projects**): **AMEND** to allow **“voluntary opt-in”** by “grandfathered” developments, which are exempted (subject to a unilateral agreement, or development agreement approved by the City and recorded prior to the effective date of the ordinance). (p. 6)
16. **Section \_\_ 1.3 (b) (new) APPLICABILITY (Exempt zoned lots): ADD a new exemption, for lots to be developed in compliance with existing zoning.** (pp. 6-7)  
See new Section \_\_ 1.3(a), which provides that Bill 58 only applies to zone change requests. (pp. 5-6)
17. **In Section \_\_ 1.3 (b) (11) (A) APPLICABILITY (new exemption for rentals): AMEND** the exemption for any development for which at least 75 percent of the total number of dwelling units are sold, **or rented** to households earning 120 percent of the AMI and below. **Credits for affordable rentals should be similar to affordable for-sale units.** (p. 7)
18. In Section \_\_ 1.3 (b) (11) (B) APPLICABILITY (include exemption for rentals): **AMEND** the exemption for any development for which all of the dwelling units are sold **or rented** to households earning no more than the HUD AMI income limit, and at least 20 percent of those units are sold to households earning 100 percent and below of the AMI. Credits for affordable rentals should be similar to affordable for-sale units. (p. 7)
19. In Section \_\_ 1.3 (b) APPLICABILITY (Exemption for conversions): **ADD a new exemption for conversions, to encourage conversions of hotels, offices or other uses into multifamily dwellings:** *“This chapter does not apply to...Conversion of hotels, offices, or other uses into multifamily dwellings containing ten or more total for-sale dwelling units; or conversion of rental dwelling units into for-sale dwelling units containing ten or more total for-sale dwelling units;”* The City should be encouraging these conversions with “carrots.” (pp. 6-7)
20. **TABLE \_\_ 1.4, fn (1) AFFORDABLE HOUSING REQUIREMENTS (Use HUD limit 140% AMI).** **AMEND:** Footnote (1) For-sale affordable dwelling units must be sold to households earning ~~[120]~~ **140** percent and below of AMI. Revise the proposed 120% AMI figure to 140% AMI, which is consistent with the current affordable housing regulations for the state, all counties and the federal government.

21. **TABLE \_\_ 1.4 AFFORDABLE HOUSING REQUIREMENTS – On-Site and Off-Site. DELETE: increased percentages (punishment, penalties and sticks) for building affordable housing off-site.** Affordable housing is needed everywhere, and should be allowed without punishment or penalties, if approved by the DPP Director. (p. 8-9)
22. **TABLE \_\_ 1.4 AHR (Restricted Resale Periods): AMEND to clarify the options/incentives available.** (p. 8-9, fn 6,7,8)
- **All IPD-T, PD-T, TOD Special District projects** seeking height and/or density bonuses (LURF: Ala Moana area only) (p. 8-9, fn 6, 7, 8)
    - If build **30% AH** – must remain affordable not less than **5-years (RRP)**
    - If build **20% AH** – **10-year RRP (Incentive option)**
    - If build **10% AH** – **30-year RRP (Incentive option)**
  - **All other areas of Oahu (non-IPD-T, PD-T, TOD Special District projects)** (LURF: Ala Moana area only) (p. 8-9, fn 6,7,8):
    - If build **15% AH** – **5-year RRP**
    - If build **10% AH** – **10-year RRP (Incentive option)**
    - If build **5% AH** – **30-year RRP (Incentive option)**
23. **Section \_\_ 1.4 (b) ON-SITE PRODUCTION – COMMON ENTRANCE. DELETE: Requirement that affordable units and market rate units in the same multi-family dwelling must share common entrance.** Separate buildings/entrances have been allowed for many years (Kukui projects downtown). May increase common area maintenance fees for on-site affordable owners. (p. 10)
24. **Section \_\_ 1.4 (c) (3) OFF-SITE PRODUCTION OF FOR-SALE UNITS IN SAME RAIL STATION AREA. AMEND: To allow Director’s discretion upon a showing of good cause.** Allows flexibility for good cause, and would be consistent with the prior sections relating to allowing off-site rental housing units in the same rail station area. (p. 10)
25. **Section \_\_ 1.4 (c) (4) OFF-SITE PRODUCTION OF FOR-SALE UNITS IN SAME DEVELOPMENT PLAN AREA. AMEND: To allow Director’s discretion upon a showing of good cause.** This amendment allows flexibility based on good cause, and would be consistent with the prior sections allowing off-site rental housing units in the same development plan area. (p. 10)
26. **Section \_\_ 1.4 (d) IN-LIEU FEE.** (pp. 10-11)
- **ADD an in-lieu fee formula of .5% of gross sales price on every unit in a market project seeing zoning or exemptions, etc.** (pp. 10-11)

- **AMEND** to allow the director to, upon a showing of “good cause”, allow the developer of **any project to pay the city an in-lieu fee; DELETE** the restriction of 25 dwelling units or less. (p. 10-11).
- **DELETE** the all the requirements relating to Council approval the payment of in-lieu fees for projects with more than 25 dwelling units. The in-lieu formula is already established, and the planning director determines “good cause.” (p. 10-11)
- **DELETE** the paragraph relating to the preferred options of on-site or off-site units and **DELETE** the limitation to allow in-lieu fees only **“if no suitable on-site of off-site location is available, or if the developer’s financing arrangements preclude the developer’s participation in the off-site projects.”** This restriction conflicts with the “good cause” standard to be applied by the director; and is contrary to the best practice of leveraging in-lieu fees deposited to government loan programs to create increased affordable housing. (p. 11)
- **DELETE** the paragraph referring to the adjustment of in-lieu fees based by a factor the most recently published Consumer Price Index for All Urban Consumers. (p. 11) See above, the in-lieu fees are already established as .5% of gross sales price on every unit in a market project seeing zoning or exemptions, etc. (pp. 10-11)

27. **Section \_\_ 1.5 AFFORDABILITY PERIOD (Privately funded rentals with NO govt subsidy): DELETE** the 30-year restricted resale period (RRP) for privately funded rental projects developed with no government subsidy; and **AMEND** the RRP to **15-Years**. If no government subsidy is used to build rental units, the developer should not be required to keep the rental units affordable for 30 years. (pp. 11-12)
28. **Section \_\_ 1.5 AFFORDABILITY PERIOD (Rentals, WITH govt subsidy): 30-year RRP is OK**. This restricted period is consistent with requirements of the Low Income Housing Tax Credit program and other government subsidy programs. City should be allowed to buy-back affordable rental projects. (pp. 11-12)
29. **Section \_\_ 1.5 (c) AFFORDABILITY PERIOD (Regulation of resales): DELETE** authority of the department to establish administrative rules to regulate the resale of affordable dwelling units. Instead, **ADD** a requirement that the City use the administrative rules of the Hawaii Housing Finance and Development Corporation (HHFDC) to determine the resale of affordable dwelling units to ensure the units remain within the same AMI range. There is no need for the City to “recreate the wheel” with new administrative “resale” rules. Instead, the City should follow HHFDC’s “resale” rules, which have worked well over the years. (p. 12)
30. **Section \_\_ 1.6 (d) MARKETING PERIOD – “Third (or final) Marketing Period”**

- **AMEND:** After “third marketing period” (or “final” marketing period, depending on the original AMI requirement), the affordable dwelling unit should be able to be marketed, and rented or sold to the general public, free of all the AHR conditions relating to the income level of the household of the purchaser, but not free from any of the other AHR restrictions, or applicable rules. This is consistent with existing AHR requirements in Hawaii. (p. 12-13)
- **ADD:** Developer should receive full credits for constructing and marketing affordable units: “Developer shall receive full credit for all affordable dwelling units constructed, sold, or rented pursuant to this chapter and marketing periods, and applicable rules.” This is consistent with existing AHR in Hawaii. (p. 13)

**31. Section \_\_1.7 AFFORDABLE HOUSING DEVELOPMENT ACCOUNT (direct deposits to HHFDC accounts):**

- **AMEND** to allow the City in-lieu fees to be deposited directly to HHFDC, not the City special account or subaccount within the general fund.
- **DELETE** all restrictions on the use of the funds in section (a) and (b).
- **AMEND** this section to require that HHFDC expend the in-lieu fees for housing projects on Oahu. **ADD** a requirement that HHFDC provide an annual report regarding the use of the City in-lieu fees. (p. 13)

**32. Section \_\_1.9 PROCEDURES:**

- **DELETE** the reference to “~~contains ten or more for sale dwelling units or lots, including without limitation subdivision applications, cluster housing permits, planned development housing permits or building permits.~~”
- **AMEND** to provide that “As a condition of and prior to the final approval of any permit or approval for a project that is subject to this chapter, the permit applicants shall execute an affordable housing agreement...”

**33. Section \_\_1.11 (a)(b)(c)(d) and (e) ADMINISTRATION AND FEES: DELETE** this entire section, which proposes to assess fees for administration, implementation and monitoring on the low-income owners of the for-sale affordable housing units, or low-income renters of affordable rental dwelling units. Fees for administration, implementation and monitoring should be paid by the City. (pp 14-15)

**34. Section \_\_1.12 (b)(1) RULES (Use HHFDC Rules relating to resale): DELETE** the paragraph relating to the director adopting rules to regulate the resale of affordable dwelling units. Pursuant to the proposed revision to Section \_\_1.5 (c), the City will use the HHFDC rules relating to the resale of affordable dwelling units. There is no need for the City to “recreate the wheel” with new administrative “resale” rules.

Instead, the City should follow HHFDC's "resale" rules, which have worked well over the years. (p. 12)

### Section 3: STATUS REPORTS

35. **Annual Status Reports:** The current five year deadline is too long. **AMEND** this section to provide: *“No later than ~~[five]~~ one year[s] after the effective date of this ordinance, and each year thereafter, the Director of Planning and Permitting shall submit to the council a status report assessing the effectiveness of the new chapter...”* Maui County could tell that its revised 2014 Workforce Housing Ordinance was successful within one year; and definitely a success after two years. Z&H’s draft CD2 requires only one status report to be submitted no later than five years after the effective date of Bill 58. However, under normal circumstances, it is not prudent to wait five years to review the status of something that is failing. Z&H did a good job, however, identifying the critical areas to be evaluated in the status report: Applicability provisions; Requirements in Table \_\_-1.4; Affordability Periods; Marketing Periods; and Administrative Fees. (pg. 16)

### SECTION 4. INCENTIVES This is a new section.

36. **Incentives from Ordinance 18-1 (Bill 59 (2017)) should be available all projects that are subject to Bill 58.** Under the current circumstances, Incentives are needed for the increased production of affordable housing. The City’s 2016 draft Financial Analysis concluded that the original Bill 58 AHR would render all housing projects on Oahu infeasible, except for 40-story condos in the Ala Moana area, with Community Benefits. Since the market dwelling units are “subsidizing” the affordable units, the incentives should apply to all housing projects and mixed-use projects which include affordable housing. The incentives for housing projects which are subject to Bill 58, should include, without limitation, the following:
- **Real property tax (RPT) exemptions for affordable rental units.** Provide RPT exemptions that apply exclusively to affordable rental dwelling units during the period in which the rental unit is subject to an affordable housing agreement under Bill 59. See ordinance 18-1, amending Revised Ordinances of Honolulu (ROH), Section 8-10.
  - **RPT exemptions during construction and marketing periods.** Provide RPT exemption during construction work for, and marketing of any housing project or mixed-use project which includes affordable housing. See Ordinance 18-1, amending ROH Section 8-10.
  - **Waiver of wastewater system facility charges.** Provide waivers of wastewater system facility charges for any housing project or mixed use project which includes affordable housing. See Ordinance 18-1, amending ROH Section 14-10.

- **Expedited processing and exemption from City plan review and building permit fees.** Provide expedited processing and exemption from City plan review and permit fees for any housing project or mixed-use project which includes affordable housing. See Ordinance 18-1, amending ROH Section 18-6.5.
- **Waiver of park dedication requirements and in-lieu fees.** Provide waiver of park dedication requirements and in-lieu fees for any housing project or mixed-use project which includes affordable housing. See Ordinance 18-1, amending ROH Section 22-7.3, etc.

**SECTION 5. CITY LANDS FOR AFFORDABLE HOUSING This is a new section.**

- **Bill 58 should include a list of all City-owned properties which could be considered for housing and mixed-use projects.** Bill 58 should apply to all City lands which can be used for housing and mixed use projects, and a list of those properties, location, acreages, zoning and other information should be included with the list.
- **99-year City leases.** The Council should adopt an ordinance allowing for 99-year leases of City lands for purposes of housing projects and mixed-use projects.

**SECTION 6. TAX INCREMENT FINANCING This is a new section.**

- Tax Increment Financing (TIF) can be a major source of funding for the infrastructure necessary for housing projects and mixed-use projects.
- **TIF Task Force, Study and Implementation Plan.** The City should appropriate funding to create a Task Force and prepare a report regarding the benefits and disadvantages of TIF, and the implementation of a TIF ordinance.



Imanaka Asato  
A LIMITED LIABILITY LAW COMPANY

March 26, 2018

Councilmember Kymberley Pine  
Members of the Zoning & Housing Committee  
Honolulu Hale  
530 S. King Street, Room 202  
Honolulu, Hawaii 96813

**RE: Bill 58 (2017), CD2**

Aloha Chair Pine and Members of the Committee,

Mahalo for allowing me to submit comments to Bill 58 (2017), CD2 on behalf of the American Resort Development Association-Hawaii ("ARDA Hawaii"). Bill 58 establishes a regulatory scheme for the development and use of real property and provides that "certain projects intended for residential use" are required to provide a specified number of affordable dwelling units.

Sec. \_\_\_-1.3 sets forth the applicability of this new chapter to:

- (1) New construction of ten or more for-sale dwelling units developed under a single or unified project concept, on one or more zoning lots;
- (2) Any subdivision of land creating ten or more zoning lots for residential use in residential, apartment, apartment mixed use, business mixed use, country, or agricultural zoning districts;
- (3) Conversion of hotels, offices, or other uses into multifamily dwellings containing ten or more total for-sale dwelling units; or conversion of rental dwelling units into for-sale dwelling units containing ten or more total for sale dwelling units; or
- (4) Any of the following that include ten or more for-sale dwelling units: (A) Cluster housing permits; (B) Planned development housing permits; or (C) Multi-family dwelling units.

Based on the proposed amendments, the affordable housing requirements are not intended to be applied to timeshare units, nor should they be. However, the current definitions in this new section and the Land Use Ordinance, Chapter 21, Revised Ordinances of Honolulu ("LUO") may lead to some confusion. Accordingly, ARDA Hawaii supports the amendments included in CD1 which provides for express exemption of time share units.

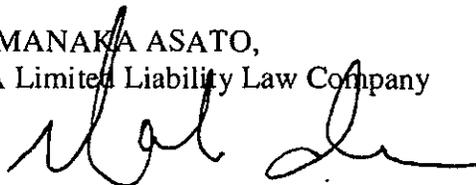
Councilmember Kymberley Pine, Chair  
Members of the Zoning & Housing Committee  
March 26, 2018  
Page Two

ImanakaAsato.com

Mahalo for your consideration.

Sincerely,

IMANAKA ASATO,  
A Limited Liability Law Company

A handwritten signature in black ink, appearing to read "Michael L. Iosua". The signature is fluid and cursive, with a large initial "M" and "L".

Michael L. Iosua

MLI:tmoh

THE GENTRY COMPANIES



March 27, 2018

The Honorable Kymberly Marcos Pine, Chair,  
and Councilmembers  
Committee on Zoning and Housing  
Honolulu City Council  
530 South King Street  
Honolulu, Hawaii 96813

Dear Chair Pine and Members of the Committee:

Subject: Proposed CD2 to Bill 58 (2017), CD 1 (Submitted by Councilmember Pine)  
Special Meeting, Tuesday, March 27, 2018 9:00 AM, Committee Meeting Room

Thank you for the opportunity to provide comments on the proposed CD2 of Bill 58 (2017). My name is Debbie Luning and I'm the Director of Governmental Affairs for Gentry Homes.

First of all, thank you for listening to the concerns that have been expressed by the private sector developers as this bill has made its way through the approval process. Thank you, too, for your desire to provide more homes that are affordable for our island residents. We join you in that desire, and that is why although we support the intent of Bill 58, we cannot support the proposed draft of this measure. We believe that over-regulating development is *not* the way to produce more affordable homes.

There are grave concerns regarding certain provisions of his measure, including the 360 days involved in the "step-up" marketing period, the automatic denial of the in-lieu payment if the council fails to take action within 60 days after receipt of the director's report, and the charging of annual monitoring fees to low- and moderate-income families who purchase or rent units under this program. There are other concerns, as well, which I believe David Arakawa has expounded upon in LURF's testimony. What also concerns me is bill's omission of certain details which are important components of the affordable housing program. These details, which supposedly are to be addressed during the rule-making process, include provisions relating to the buyback and resale of units, as well as establishment of in-lieu fees.

While well-intentioned, this bill still requires much work and should not be passed out of Committee in its current form. I would like to respectfully request that you defer this measure. Thank you for your consideration.

Sincerely,

GENTRY HOMES, LTD.

A handwritten signature in black ink, appearing to read 'Debra M. A. Luning'. The signature is fluid and cursive, with a large initial 'D' and 'L'.

Debra M. A. Luning  
Director of Governmental Affairs and  
Community Relations



**HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST**  
650 Iwilei Road, Suite 285 · Honolulu, HI 96817 · Phone: 808-845-3238 · Fax: 808-845-8300 · URL: [hilecet.org](http://hilecet.org)

**REVISED**

March 27, 2018

**Kymerly Marcos Pine, Chair**  
**COMMITTEE ON ZONING AND HOUSING**  
**CITY COUNCIL CITY AND COUNTY OF HONOLULU**  
**HONOLULU, HAWAII 96813-3077**

**RE: BILL 58 CD2 - ESTABLISHING AN AFFORDABLE HOUSING REQUIREMENT.**

Aloha Committee Chair Kymerly Pine, Vice Chair Trevor Ozawa, and members of the Committee on Zoning and Housing,

The Hawaii Laborers-Employers Cooperation and Education Trust (LECET) is a labor-management partnership between the 5000+ members of the Hawaii Laborers Union and its 250+ unionized contractors.

**Hawaii LECET supports the intent of Bill 58 CD2** which proposes to increase the production of affordable housing, to encourage dispersal of affordable housing throughout the City and County of Honolulu, and to maintain the units as affordable for a long period of time.

Hawaii LECET has been a longtime supporter of developments that provide housing on all price points...including affordable, workforce, and rental housing. We commend this council and the Mayor for taking monumental steps in affordable housing with the passage and signing of Bill 59, but time is needed to see the actual effects of Bill 59.

Private developers require certainty and predictability on their projects, unfortunately the proposals in Bill 58 CD2 do not provide that. We feel that Bill 58 needs more work because it may actually discourage development, hurt our union members, and the construction industry.

For this reason, we ask for your kind consideration to **defer Bill 58 CD2** so that stakeholders can continue to fine tune its language.

With Respect,

**Peter H. M. Lee**

Hawaii Laborers-Employers Cooperation  
and Education Trust

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 8:52 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Rodger white  
Phone 8084363740  
Email Blacklavazulu@gmail.com  
Meeting Date 03-27-2018  
Council/PH  
Committee Zoning  
Agenda Item Bill 58  
Your position on  
the matter Support  
Representing  
Organization Self  
Do you wish to  
speak at the  
hearing? No

Written Testimony Aloha! I support bill 58 requiring a set and mandatory percentage of affordable units in every development project. This bill must go further to benefit all women, developments along the rail line and existing and new developments. Mahalo for your time

Testimony  
Attachment

Accept Terms and Agreement 1

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 8:51 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Lovena Mahelona  
Phone 8082589928  
Email Mahelonall@yahoo.com  
Meeting Date 03-27-2018  
Council/PH  
Committee Zoning  
Agenda Item Bill 58  
Your position on  
the matter Support  
Representing  
Organization Self  
Do you wish to  
speak at the  
hearing? No

Written Testimony Aloha! I support bill 58 requiring a set and mandatory percentage of affordable units in every development project. This bill must go further to benefit all women, developments along the rail line and existing and new developments. Mahalo for your time

Testimony  
Attachment  
Accept Terms and  
Agreement 1

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 8:51 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Kiana Mahuka  
Phone 8083548852  
Email Kmahuka17@gmail.com  
Meeting Date 03-27-2018  
Council/PH Committee Zoning  
Agenda Item Bill 58  
Your position on the matter Support  
Representing Self  
Organization  
Do you wish to speak at the hearing? No

Written Testimony Aloha! I support bill 58 requiring a set and mandatory percentage of affordable units in every development project. This bill must go further to benefit all women, developments along the rail line and existing and new developments. Mahalo for your time

Testimony  
Attachment  
Accept Terms and Agreement 1

Aloha Chair Pine, Vice Chair Ozawa, and members of the committee:

We all know that our city and county are facing an affordable housing and homelessness crisis. To address this crisis, I write in support of Bill 58 Proposed CD2 but believe it needs to be strengthened in order to help our struggling local families. As the rail is being built, we're facing a fast-closing window-- one that will not open again -- to make real progress in building truly affordable housing and bringing down our homelessness rate.

Housing created for people making more than 100% of median income is by definition unaffordable to most of our local residents. Studies of our housing market shows that the real need is for housing that is affordable for families earning less than 100% of median, so Bill 58 should set its income eligibility limits at or below 100% of median.

It is also important that this bill ensure that developers in the Transit-Oriented Development zone build all of their affordable units near the rail, rather than being allowed to pay a fee that would support housing in other areas. Living near the rail enables residents to reduce the number of cars that they need. The thousands of dollars per year that they would save on car costs could go a long way towards a down payment on a future home.

Honolulu developers have been required to ensure that 30% of the units that they build are affordable, in exchange for a zone change that brings them development benefits and higher land values. Other counties in our state already have such requirements for all new developments. Since the rail will provide similar benefits to developers, this bill should require them -- including hotel and commercial developers -- to provide at least 30% of their units at affordable levels.

This bill also should not allow developers to receive full credit for refurbishing units. While preservation of existing housing is needed, it does not add crucially-needed new units of housing.

Finally, Bill 58 should require affordable units to remain affordable for at least 30 years. Over 300 jurisdictions on the Mainland have inclusionary zoning requirements. Over 80 percent of them mandate that units stay affordable at least 30 years, and about a third require 99 years or more.

The rail project presents us with a tremendous opportunity to make significant progress in relieving Honolulu's affordable housing crisis. But we have only one chance to get it right. I urge you to pass Bill 58 Proposed CD2 and include requirements that will help create truly affordable housing as soon as possible. Our local families can't wait any longer.

Mahalo for this chance to provide testimony.

Nicole Woo

Downtown Honolulu

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 7:58 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Yvonne  
Phone 8084363424  
Email Mahelonay@icloud.com  
Meeting Date 03-27-2018  
Council/PH  
Committee Zoning  
Agenda Item Bill 58  
Your position on  
the matter Support  
Representing Self  
Organization  
Do you wish to  
speak at the  
hearing? No

Written Testimony Aloha. I support bill 58 requiring a set and mandatory percentage of affordable housing units for development projects. This must go further to benefit all women, projects along the rail line and existing and new developments. Mahalo for your time.

Testimony  
Attachment  
Accept Terms and Agreement 1

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 10:26 PM  
**Subject:** Council/Public Hearing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Catherine Ritti  
Phone 805-704-0501  
Email Catherine.ritti@gmail.com  
Meeting Date 03-27-2018  
Council/PH Committee Council  
Agenda Item Bill 58  
Your position on the matter Support  
Representing Self  
Organization  
Do you wish to speak at the hearing? No

Written Testimony I support Bill 58. Housing costs are rising at unsustainable levels. Our government officials need to listen to the concerns of their constituents and not just developers. Support this bill in order to support local families.

Testimony Attachment  
Accept Terms and Agreement 1

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 10:06 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Linda L. Rich  
Phone 808-387-7424  
Email richl001@hawaii.rr.com  
Meeting Date 03-27-2018  
Council/PH Committee Zoning  
Agenda Item Bill 58  
Your position on the matter Support  
Representing Self  
Organization  
Do you wish to speak at the hearing? No

Testimony of Linda L. Rich, DCSW, LSW  
City and County of Honolulu Committee on Zoning and Housing  
BILL 58 A BILL FOR AN ORDINANCE ESTABLISHING AN AFFORDABLE HOUSING REQUIREMENT

March 27, 2018 9:00 a.m. Committee Meeting Room

Written  
Testimony

I Support Bill 58. I have been a professional social worker in Hawaii since 1976 and I am a member of the FACE Housing Now Coalition, and I am member of a church that participates in FamilyPromise. I have previously been the director of an agency that provided transitional housing to women in recovery from drug addiction, and their children. I have worked for over forty years with low income families in Hawaii and have seen repeatedly the desperate and frustrating efforts of families to find an affordable place to live. I support Bill 58 which would establish affordable housing requirements for certain development projects located in both Transit-Oriented Development Zones (TOD) as well as throughout the island, as proposed in Bill 58 CD1, Proposed CD2 (2017) (Bill 58). Bill 58 would help to remedy the critical shortage of affordable housing crisis in our city and county. The requirements outlined in the bill help to ensure that our residents' affordable housing needs are addressed in future development. The existing and future need for housing is an undeniable reality and I am glad to see our City Council considering Bill 58, which includes concrete affordable housing requirements, and a five-year program performance status report to inform potential future adjustments to the City's affordable housing policies. The greatest need for affordable housing is for residents who are at 80% or below the Area Medium Income (AMI), with half of that need being for the earning less than 60% of AMI. If we are serious about preventing growing homelessness and providing affordable housing for families who are already facing homelessness, provisions such as those in Bill 58 are

needed. Maintaining the affordability of housing units over time is necessary for if we are to stem the tide of homelessness in our community. I have had concern about the in-lieu fees, which have not been effective historically, and am glad to see restrictions in Bill 58 that would limit the allowing in-lieu fees to fewer, carefully considered circumstances. I urge you to pass this bill and thank you for your efforts to expand affordable housing in Honolulu.

Thank you for the opportunity to submit this testimony.

Testimony

Attachment

Accept Terms and  
Agreement 1

**From:** CLK Council Info  
**Sent:** Tuesday, March 27, 2018 7:59 AM  
**Subject:** Council/Public Hearing Speaker Registration/Testimony  
**Attachments:** 20180327075906\_Testimony\_for\_Bill\_58.docx

18MAR27 AM 8:06 CITY CLERK

# Speaker Registration/Testimony

Name Daniela Minerbi  
Phone 8083880282  
Email daniela.minerbi@gmail.com  
Meeting Date 03-27-2018  
Council/PH Committee Council  
Agenda Item Bill 58 affordable housing  
Your position on the matter Support  
Representing Self  
Organization  
Do you wish to speak at the hearing? Yes

Written  
Testimony

Thank you for the opportunity to testify in support of Bill 58, proposed CD2, and to recommend very important amendments. We all in the community have invested billions of dollars in the rail. This has increased tremendously the value of the land and properties around the rail stations. THIS also has given the possibility of height and density bonuss as well as parking waivers. The community is in desperate need of affordable housing, according to all studies done, Therefore affordable units requirement as proposed by Bill 58 is ethical and critical in order for the community to receive its fair share of return on its investment. Besides, this is critical to prevent a lot of families and people to slide down into homelessness. I deem the following items are the necessary components of Bill 58:

- 1) Kepp the requirements as originally proposed by Bill 58 this way: 15% to 20% of affordable units for sale on site in TOD zones, half of those units at 120% of AMI and Half at 100% of AMI;
- 2) A minimum of 30 years affordability for both sale and rent units (on the Mainland many communities have htem in perpetuity to avoid shifting the problem to the next generation) .
- 3) No in lieu fee. The in lieu fee suggested by the Bill has no relation to the reality of the construction cost in Hawaii.

Thank you for this opportunity to speak as many who are in dire need of housing are not able to do,  
Dr. Arch. Daniela MInerbi

Thank you for the opportunity to testify in support of Bill 58, proposed CD2, and to recommend very important amendments.

We all in the community have invested billions of dollars in the rail. This has increased tremendously the value of the land and properties around the rail stations. This also has given the possibility of height and density bonuses as well as parking waivers.

The community is in desperate need of affordable housing, according to all studies done,

Therefore affordable units requirement as proposed by Bill 58 is ethical and critical in order for the community to receive its fair share of return on its investment. Besides, this is critical to prevent a lot of families and people to slide down into homelessness.

I deem the following items are the necessary components of Bill 58:

- 1) Keep the requirements as originally proposed by Bill 58 this way: 15% to 20% of affordable units for sale on site in TOD zones, half of those units at 120% of AMI and Half at 100% of AMI;
- 2) A minimum of 30 years affordability for both sale and rent units (on the Mainland many communities have them in perpetuity to avoid shifting the problem to the next generation) .
- 3) No in lieu fee. The in lieu fee suggested by the Bill has no relation to the reality of the construction cost in Hawaii.

Thank you for this opportunity to speak as many who are in dire need of housing are not able to do,

Dr. Arch. Daniela Minerbi

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 6:24 AM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name	Dory Kong
Phone	8082205405
Email	dorykong@gmail.com
Meeting Date	03-27-2018
Council/PH Committee	Zoning
Agenda Item	Bill 58 Proposed CD2
Your position on the matter	Support
Representing	Self
Organization	
Do you wish to speak at the hearing?	No
Written Testimony	
Testimony Attachment	
Accept Terms and Agreement	1

---

**From:** CLK Council Info  
**Sent:** Saturday, March 24, 2018 8:19 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Dean O.  
Phone 808-748-9177  
Email ostrowsk@hotmail.com  
Meeting Date 03-27-2018  
Council/PH Committee Zoning  
Agenda Item Bill 58 Proposed CD2  
Your position on the matter Support  
Representing Self  
Organization  
Do you wish to speak at the hearing? No  
Written Testimony  
Testimony Attachment  
Accept Terms and Agreement 1

---

**From:** CLK Council Info  
**Sent:** Saturday, March 24, 2018 8:13 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Susan O.  
Phone 808-343-8076  
Email deanandsue@gmail.com  
Meeting Date 03-27-2018  
Council/PH Committee Zoning  
Agenda Item Bill 58 Proposed CD2  
Your position on the matter Support  
Representing Self  
Organization  
Do you wish to speak at the hearing? No  
Written Testimony  
Testimony Attachment  
Accept Terms and Agreement 1

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 5:55 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name LEA DELCASTILLO  
Phone 8087808757  
Email Luvm8s@gmail.com  
Meeting Date 03-27-2018  
Council/PH Committee Zoning  
Agenda Item Bill 58; Proposed CD2  
Your position on the matter Support  
Representing Organization  
Organization Faith Action for Community Equity [FACE]  
Do you wish to speak at the hearing? No

Written  
Testimony

Dear Committee Members - I have lived here in Honolulu for over thirty years, and I find myself in agreement with OHA when they claim that "Bill 58 is a step towards generating much-needed relief to the City and County of Honolulu's (City's) affordable housing crisis, through requirements that ensure that our limited land base is developed with our residents' affordable housing needs in mind." I have served on the Board of Angel Network Charities, Inc. [the only Food Bank in East Honolulu] for several years, and have personally witnessed the growing number of houseless members of our community who are in dire need. We need a firm policy in place to assist these deserving and needy members of our community.

Mahalo for your consider of my testimony.

Aloha, Lea del Castillo  
289 Kawaihae St. #222  
Honolulu, HI 96825

Testimony  
Attachment

Accept Terms and Agreement 1

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 2:36 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony

## Speaker Registration/Testimony

Name Diane Martinson  
Phone 808-533-1943  
Email pastordianem@gmail.com  
Meeting Date 03-27-2018  
Council/PH Committee Zoning  
Agenda Item Bill 58 Proposed CD2  
Your position on the matter Support  
Representing Organization  
Organization Faith Action for Community Equity (FACE)  
Do you wish to speak at the hearing? No

Written Testimony For our communities to be healthy, we must have available housing for all income levels. Government has to be involved in order to ensure that affordable housing will be available on finite pieces of desirable land in the middle of the ocean.

Testimony Attachment  
Accept Terms and Agreement 1

---

**From:** CLK Council Info  
**Sent:** Monday, March 26, 2018 10:56 PM  
**Subject:** Zoning and Housing Speaker Registration/Testimony  
**Attachments:** 20180326225551\_Bill\_58\_Testimony.docx

## Speaker Registration/Testimony

Name Michael L  
Phone 8082258582  
Email banzaimike@gmail.com  
Meeting Date 03-27-2018  
Council/PH Committee Zoning  
Agenda Item Bill 58 Proposed CD2  
Your position on the matter Support  
Representing Self  
Organization  
Do you wish to speak at the hearing? No  
Written Testimony  
Testimony Attachment 20180326225551\_Bill\_58\_Testimony.docx  
Accept Terms and Agreement 1

## Bill 58 Testimony

I support this bill although I don't think it goes nearly far enough to create more affordable housing for the residents of Oahu. The demand for actual market rate housing (units over 140% AMI) hovers around 11%. The other striking figures in the attached data is that nearly 70% of the housing demand comes from people making less than \$60k per year, with 53% of the demand coming from people making less than \$44,000/year (60% AMI and below!).

That's why I don't see a problem with the bill even if it were going to completely disincentivize the construction of new market rate housing: nearly 90% of the actual people who live here can't even afford housing at market rate. That essentially means that every development that produces housing at market rate or above will be owned and occupied by approximately 89-90% non-residents, wealthy transplants, and/or super-rich Oahu residents who already own multiple homes. While these new rich residents may contribute more tax revenue their presence will also increase the burden on our roads, electric, water, and sewer infrastructure. There's also the fact that every parcel of land used to build housing at market rate is another parcel on a small island with limited space that can no longer be used to house the other 90% of locals looking for long-term affordable housing under 140% AMI.

We also have to question what kind of effect all these wealthy transplants are going to have on the economy and culture of Hawaii, especially since they are essentially displacing locals and Native Hawaiian families (who are having to move away from Hawaii at record rates because they simply can't afford to live here any longer). If the development of market rate housing continues to outpace the development of truly affordable housing, wealth inequality and displacement of indigenous and local people in Hawaii will continue to increase.