

Bill 1 (2021), CD1 Testimony

MISC. COM. 226

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From: CLK Council Info
Sent: Thursday, March 25, 2021 11:16 AM
Subject: Housing and the Economy Testimony

Written Testimony

Name	MARSHALL HUNG
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Email	omhawaii808@gmail.com
Meeting Date	03-29-2021
Council/PH Committee	Housing and the Economy
Agenda Item	Bill 1 (2021), CD1
Your position on the matter	Support
Representing	Self
Organization	
Written Testimony	Please see my attached testimony. Mahalo.
Testimony Attachment	
Accept Terms and Agreement 1	

IP: 192.168.200.67



Marshall W. Hung – Former Developer for Honolulu
215 N. King Street, Suite 1000, Honolulu, HI 96817
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March 24, 2021

To: Councilmember Esther Kiaaina
Chair, Housing and the Economy Committee
Honolulu City Council

Re: Support for Bill 1 CD1

The small apartment building product is in great need for Honolulu's neighborhoods. They offer a low cost of living for a mixed age group and a mixed household type group to live together. All who want housing in a new building with new plumbing, new electrical, no roof leaks and fire sprinkler safety. These lower income households do not want to live in the larger buildings with the wealthy. Maybe one day, some will climb the ladder and want to live in the luxury building.

Fate has it that Honolulu has 7,000 small land parcels governed by Bill 7. DPP's study shows that 3,200 parcels are ghetto status with improvements assessed at 30% of their assessed land values by the property tax division. DPP did a sewer availability for these 25 to 50 unit projects and concluded they are shovel ready. With these apartment and business zoned properties being on bus lines, low cost living becomes possible. The demographics show the middle income group shrinking by 20 to 30 percent, and the lower income group increasing by this amount. Providing this apartment rental product in many Honolulu neighborhoods has become more important than ever.

Chapter 42 (Bill 7) rules allow landowners a chance to redevelop their ghetto properties if they are willing to commit to the financial and construction risks. This new building code for these small apartment buildings can allow a \$225,000 to \$250,000 per unit cost. Be it known that this general target for feasibility is subject to material cost increases, mistakes, market timing, etc. Be it known, that the building code prevents the lowering of standards for safety and general living. The exception being the constructing of homeless shelters.

Bill 7 requires rentals to 100% of median income households and below, with a 20% unit exception for the landowner's family. There is no need for the higher dollar incentive for the lower income group, because the housing ladder will make the 50 year old rentals lower their rental amounts with enough new rental supply. In the real world, it is the housing product type and the neighborhood that attracts the type of households that occupy a rental building. Just knock on any existing walk-up apartment building in Honolulu and this market knowledge can be confirmed with many renter interviews.

The hope is that the Mayor's completion incentive of \$9,000 per unit motivates 30 landowners, so Honolulu can see 1,000 rental units before this pilot program ends.

Sincerely submitted,

Marshall Hung

From: CLK Council Info
Sent: Thursday, March 25, 2021 1:39 PM
Subject: Housing and the Economy Testimony
Attachments: 20210325133845_Bill_1_CD1_Testimony_Derek_Lock_3-25-21.pdf

Written Testimony

Name Derek Lock
Phone 8085262027
Email omhawaii808@gmail.com
Meeting Date 03-29-2021
Council/PH Committee Housing and the Economy
Agenda Item Bill 1 (2021), CD1
Your position on the matter Support
Representing Self
Organization

Aloha. Please see my attached testimony.

Written Testimony

Mahalo,
Derek Lock

Testimony Attachment 20210325133845_Bill_1_CD1_Testimony_Derek_Lock_3-25-21.pdf
Accept Terms and Agreement 1

IP: 192.168.200.67

March 25, 2021

Councilmember Esther Kia'aina

City Council
City and County of Honolulu
530 South King Street
Honolulu, HI 96813

Re: Bill 1, CD1 (2021), Relating to Incentivizing the Construction of Affordable Rental Housing

Dear Chair Kia'aina and Members of the Housing and the Economy Committee,

My name is Derek Lock, a partner with HNL Development LLC, a local real estate development company. Thank you for this opportunity to provide written testimony in support of Bill 1, CD1.

HNL Development LLC was the first group to receive a building permit under Ordinance 19-8 and our 25-Unit affordable rental housing project in Liliha is currently under construction with an estimated completion date of August 2021.

Regarding the realities of Ordinance 19-8, my company has had the opportunity over the last two years to speak with over twenty groups who want to build affordable rental housing projects on their family land. All twenty plus groups are family landowners and not professional developers. After several conversations with the families, they discovered that for projects to be feasible, only parcels that are uninhabitable, have fallen into severe disrepair or have no structures presently on them can be used to build affordable rental housing. Ordinance 19-8 offers a great opportunity for these kamaaina families to gentrify and redevelop virtually unusable land into brand new affordable rentals.

Despite the incentives Ordinance 19-8 provides, profit margins on these affordable projects are very thin and the risk to redevelop is great. These landowners will have to assume construction loans valued at a minimum of three to four million dollars. Moreover, if something were to go wrong in the development process, the thin profit margins become even tighter. So, in terms of the realities of Ordinance 19-8, Bill 1, CD1 is especially important in bringing more landowners to the table to create more desperately needed affordable rental housing projects in the form of walkup apartment buildings.

Thank you for the opportunity to submit testimony and for all your efforts to serve the people of Hawaii as our elected leaders. I strongly believe the benefits of getting more affordable rental housing units greatly outweighs the cost to incentivize this program.

Mahalo,

A handwritten signature in black ink, appearing to read 'Derek Lock', written in a cursive style.

Derek Lock