Bill 32 (2021)
Testimony

MISC. COM. 427

ZP

MACNAUGHTON

July 21, 2021

Chair Brandon J.C. Elefante
Committee on Zoning and Planning
Honolulu City Council
Honolulu Hale
530 S. King Street, Room 202
Honolulu, HI 96813

Re: Testimony in Support of Amendment of Honolulu Land Use Ordinance Pursuant to City and County of Honolulu Bill 32 (2021) CD1

Dear Committee Chair Elefante and Committee Members:

I write on behalf of MacNaughton, formerly known as The MacNaughton Group, **in support** of amending the Honolulu Land Use Ordinance ("**LUO**") pursuant to City Council Bill 32 (2021) CD1, which was submitted by Chair Waters.

MacNaughton is a family-owned, full-service real estate firm specializing in multi-family, hotel and commercial development in Hawai'i. Over the past 40 years, MacNaughton and its partners have completed more than 40 projects in Hawai'i– representing more than $2B in residential development and more than 2.5M square feet of retail space.

MacNaughton owns the Lotus Honolulu at Diamond Head. Through our ownership of the Lotus and other projects, we have experienced the importance of being able to repair and maintain structures that are dedicated to nonconforming uses.

Bill 32 (2021) CD1 proposes to amend LUO section 21-4.110(c)(3) to exempt nonconforming hotels located in the Diamond Head Special District from the limitation that ordinary repairs of portions of structures that are dedicated to nonconforming uses may not exceed 10 percent of the current replacement cost of the structure within a 12-month period. The measure received support from the Planning Commission at its May 12, 2021 hearing.

1288 Ala Moana Blvd., Suite 208 Honolulu, HI 96814
808-545-7722
info@macnaughton.com
MacNaughton.com

As recognized by the Commission, the amendment furthers several important principles.

1. The amendment brings the provisions related to nonconforming uses into better alignment with the provisions related to nonconforming structures, which allow "[a]ny nonconforming structure" to be "repaired, expanded or altered in any manner which does not increase its nonconformity."

2. The amendment furthers the City General Plan's primary goal of supporting the visitor industry by encouraging owners to make improvements to existing hotels. Investment in uses, such as hotels, that are essential to our economy is critical. This investment will lead to more options for visitors, including those who tend to generate more revenue while here. This is especially true in Waikiki and its neighboring areas.

3. The amendment helps with our TVU problem. Having more attractive hotels reduces the appeal of TVUs. This helps keep short-term visitors in areas suited for visitors and preserves our residential neighborhoods.

4. Improving hotels leads to jobs. The improvement of hotels creates high-paying construction jobs, which is why the construction industry has strongly supported the amendment.

5. The amendment brings provisions related to nonconforming uses into better alignment with the existing provisions for nonconforming uses in the neighboring Waikiki Special District. In Waikiki, "[n]onconforming uses shall not be limited to 'ordinary repairs' or subject to value limits on repairs or renovation work performed. Exterior repairs and renovations which will not modify the arrangement of buildings on a zoning lot may be permitted, provided all special district standards are met." In comparison, the amendment is limited, as only ordinary repairs would be allowed. But the amendment would reduce the disparity between the treatment of nonconforming uses in the Waikiki Special District and the treatment of nonconforming uses in the neighboring Diamond Head Special District and would recognize the importance of the Diamond Head Special District to visitors.

Conversely, failing to adopt the amendment will not advance any planning goal. For example, preventing necessary repairs to existing hotels will not result in the hotels ending service. Some operators will simply not be able to maintain their hotels in the condition that is more attractive to visitors or that is more likely to diminish the appeal of TVUs. Other operators will simply spread improvements out over many years, which needlessly prolongs the inconvenience to guests and surrounding properties, adds to the cost of repairs and leads to lower revenues and, thus, lower tax receipts.

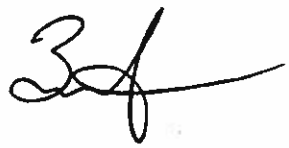
If hotel use does end, the best backup plan for any hotel operator that is forced to cease operations is to convert the structure to high-end condos. Those condos will likely go to wealthy foreign investors. When those investors are not using them, they will likely be used as TVUs. The building will still host visitors. There will simply be fewer jobs and less oversight.

In limiting the reach of the amendment to the Diamond Head Special District, the Commission recognized that the district was formerly zoned for hotel and is host to hotels, private clubs, restaurants, public facilities, recreation activities and other uses that are consistent with the visitor industry. Allowing without a cap the ordinary repairs of hotels in such a district does not alter the character of the neighborhood or negatively affect residents.

While we understand the desire to phase out nonconformities, the generalized concerns expressed by the Department of Planning and Permitting do not override every other interest. This amendment only narrowly exempts work on the portion of a structure devoted to a nonconforming hotel use in the Diamond Head Special District. There is no evidence that well-maintained nonconforming hotels have material adverse impacts on adjoining properties because of where the hotels are located.

We need to come together to adopt common sense measures that will stimulate our economy and rebuild our visitor industry. Amending the LUO pursuant to Bill 32 (2021) CD1 is part of this effort. Thank you for your time and consideration.

Sincerely,



Brett MacNaughton
Director, Development and Design
MacNaughton Inc.

Testimony of
Pacific Resource Partnership

City Council
Committee On Zoning And Planning
City & County of Honolulu
Councilmember Brandon J.C Elefante, Chair
Councilmember Esther Kia'āina, Vice Chair

Bill 32 (2021)—Relating to Nonconforming Uses

Thursday, July 22, 2021
9:00 A.M.
City Council Chamber

Aloha Chair Elefante, Vice Chair Kia'āina, and Members of the Committee.

Pacific Resource Partnership (PRP) writes is strong support of Bill 32 (2021) CD1. This bill amends the LUO to exempt nonconforming hotels located in the Diamond Head Special District from the limitation that ordinary repairs of portions of structures that are dedicated to nonconforming uses may not exceed 10 percent of the current replacement cost of the structure within a 12-month period. This measure received support from the Planning Commission at its May 12, 2021 hearing.

In limiting the amendment to the Diamond Head Special District, the Planning Commission realized that the district was formerly zoned for hotel and is host to hotels, private clubs, restaurants, public facilities, recreation activities and other uses that are consistent with the visitor industry. Allowing for the ordinary repairs of hotels in this area will not alter the character of the neighborhood or negatively affect residents.

Instead, allowing owners to improve and properly maintain hotels provides for a better experience for our visitors, who spend money at our local businesses. Additionally, allowing nonconforming hotels to undertake major renovations will create more construction work for local residents who depend on these jobs to survive and raise a family on Oahu.

Given the above, PRP respectfully requests your favorable decision on this measure. Thank you for this opportunity to submit written testimony.