RES23-062
Testimony

MISC. COMM. 377

COUNCIL

COUNCIL Meeting

Meeting Date: Jul 12, 2023 @ 10:00 AM

Support: 0

Oppose: 1

I wish to comment: 0

Name:	Email:	Zip:
Benjamin Sadoski	bsadoski@5.unitehere.org	96818
Representing:	Position:	Submitted:
UNITE HERE Local 5	Oppose	Jul 11, 2023 @ 10:00 AM

UNITE HERE!
Cade Watanabe, Financial Secretary-Treasurer Gemma G. Weinstein, President Eric W. Gill, Senior Vice-President

July 11, 2023

Honolulu City Council
Tommy Waters, Chair
Esther Kia'āina, Vice Chair

Re: Testimony in opposition to Resolution 23-62 - IPD-T permit for the 1538 Kapiolani development

Chair Waters, Vice Chair Kia'āina, and Councilmembers:

UNITE HERE Local 5 represents over 9,500 hotel, health care and food service workers throughout Hawaii. We oppose the IPD-T permit for the 1538 Kapiolani Development under the conditions posed in Resolution 23-62. Our state is in the midst of an affordable housing crisis; this crisis cannot be resolved unless we require more of developers.

The applicant is seeking significant entitlement bonuses for a luxury condo project: key among them are an FAR of 10.0x, which is 7.5x above the underlying zoning; a height of 400 feet, which is 150 feet over the underlying limit, and encroachments into the height setback. City Council has the ability to approve variances for IPD-T projects, but should only do so if the developer offers exceptional community benefits.

There are several issues with the developer's request, including:

- We feel the developer undervalues the entitlements it is seeking;
- The developer uses inconsistent and drastically different calculations for the benefits they receive vs. the community benefits.
- The proposed affordable housing is insufficient for several reasons:
  - The developer should offer more units;
  - The proposed units are too small;
  - The affordable units are off-site and too far from the potential future rail station (and further than the main project);
  - The affordable units do not have enough parking;
  - The period of affordability is too short;
  - It should be required that the affordable units be completed and open before or concurrent with the luxury units.
- Several of the other community benefits being offered are of direct benefit to the luxury project and of questionable benefit to the community.

These are discussed in further detail below.

The City should demand a better deal for the community for allowing this project to move forward.

The value of the requested bonuses

- In the IPD-T application for 1538 Kapiolani, the developer calculated the value of the 301,252.5 additional square feet it would get by virtue of the FAR bonus. The developer's estimate is based on the 2022 tax assessment of the existing property[1], which contains a one-story building that was built in 1940[2] and a parking lot. They calculate the value of the bonus FAR based on this as $20,119,350.

- In the IPD-T permit application, the developer's assumption for the average sales price for the 331 luxury condos is $1,289,100[3]. This would suggest a total revenue from the project's

luxury condo sales of over $426 million.

- The development will also generate rent on an ongoing basis through its leasable commercial space[4] and the off-site affordable rentals.[5]

- The developer's calculations treat the height and transitional setback variances as if they have no value beyond the value of the density bonus. However, the project would not be possible as presented without **all** of these variances; their value clearly is additional to the FAR bonus and should be considered additional to the value of the increased density.

The value of affordable housing - a totally different calculation

- In valuing the affordable rental units as a community benefit, the developer uses the difference between projected rental income from renting units at 80% of AMI or 100% of AMI versus renting them at 140% of AMI.[6] It is not clear why the developer would use 140% of AMI as a standard, or why the value should be based on this sort of calculation at all.

- Why is the developer calculating projected revenue for affordable units and not using projected revenue when it comes to the value of the luxury units?

- At 140% of AMI, the developer assumes studio units of between 286.43 and 357.78 square feet and a relative lack of parking could rent for over $3,200 a month on average.[7] Is this realistic?

- The units can still be rented or sold at market rates after the restriction ends. This should be taken into account. They will also be generating rent revenue in the meantime.

- The developer fails to account for the loss of existing community businesses at 765 Amana St. and 1538 Kapiolani Blvd. and the destruction of 6 existing rental units at 1564 Kalakaua Ave. that the project would bring about.

The affordable housing is insufficient in several ways

We urge City Council to demand significantly more affordable housing with this development, and to demand improvements to the quality of the units to be provided. Some of the issues with the affordable units are as followed:

- Size
    - Twenty of the units would be under 302 square feet. Four would be 286.43 square feet in size.[8] This is much too small.
    - The developer is currently constructing the Sky Ala Moana. 60 of the 84 affordable housing units in that development are studios under 300 square feet.[9] We do not want to continue this trend, and should seek to reverse it.
        - At Sky Ala Moana, the units under 300 square feet are listed on the developer's website for sale at $270,000 - $309,000,[10] which is over $900 per square foot.

- The affordable housing is all off-site, and is further from the proposed Ala Moana rail station than the 1538 Kapiolani development itself.
    - 37 units at 1564 Kalakaua will be roughly 0.8 miles walking distance from the rail stop,[11] assuming the project has a bridge or other direct access to Kalakaua Ave., which it currently does not. Busy streets with few crosswalks make walking to rail more difficult.
    - The 65 units at 765 Amana would be 0.4 miles from rail walking distance.[12]
    - Both projects are further from rail than the luxury project with its 471 parking stalls.

- Insufficient parking at the affordable housing locations
    - Based on drawings the developer submitted, there appear to be 45 parking stalls total for the 101 affordable units.[13] The 65-unit Amana St. project would have 33 stalls, and the 1564 Kalakaua project with its 37 units would have 12 parking stalls.
    - The 1538 Kapiolani project would have 471 total spaces, for 331 units plus retail and car share.[14]
    - This lack of parking is exacerbated by the distance of the affordable housing from the rail station, assuming the rail makes it to Ala Moana in the future.

- The time restriction on affordability for some units (especially as proposed in IPD-T application) is not long enough
    - Per the IPD-T application, 14 of the affordable units (those for households making up to 100% of AMI) would only be guaranteed affordable for 15 years. However, Resolution 23-62 appears to require all of these units to be at 80% AMI and have a 30 year restriction, which is better.
    - Even for the 30-year-restricted units, within many of our lifetimes we will likely see these properties turn into market rate real estate investment assets.

- The developer should commit to lower rental prices than the maximum allowed
    - There is a general problem with the formula used to define what rental and sales prices are considered affordable. Developers are not required to charge the maximum rent allowed under existing guidelines, and they shouldn't, because the high cost of living in Hawaii makes even these rents difficult to afford.

- Resolution 23-62 does not appear to require a development timeline for the affordable housing. Condition G.1 of the proposed CD1 would require that the developer record an affordable housing agreement with the Bureau of Conveyances as a condition of obtaining a Certificate of Occupancy for the 1538 Kapiolani tower. This is a positive change, but the content of that affordable housing agreement is not specified; it is particularly important to set the timeline for completion & delivery of the affordable housing units, and to disallow extensions to such timeline. Because of the immediate need for affordable housing development in Hawaii, the developer should obtain Certificates of Occupancy for both affordable housing projects as a condition of getting the Certificate of Occupancy for the 1538 Kapiolani tower.

Other community benefits

- The other community benefits appear to include driveways and walkways that are needed for the project. These should not be counted as community benefits, yet the developer counts them as benefits worth over $5.7 million.

- Unless the car sharing service is going to be free/subsidized by the developer, it should not be counted as a community benefit.

Project Compounds Issues With Sky Ala Moana Project

The Sky Ala Moana project, by this same developer, did not do enough regarding affordable housing.

- 60 of the 84 affordable units[15] were studios of 290-299 square feet.[16]
    - Half of those were affordable for only 10 years

- Parking stalls cost extra: $38,000[17]

- Owners of affordable units will not be allowed on the amenity deck[18]

Planning for an uncertain future

More than ever, emerging data makes it clear that climate change will impact all of our lives. While we cannot predict exactly what those impacts will be, it is reasonable to project that water resources on Oahu could be threatened. Further, climate change impacts in other parts of the world will almost certainly mean scarcity of food, consumer goods, and energy in those places, and this will have global impacts, including in Hawaii.

We cannot afford to continue the status quo when it comes to approving private real estate developments. The situation has changed since those approvals were granted, and it continues to change; our response needs to change as well. Relative lack of affordable housing requirements for previous developments have exacerbated the housing problem and have themselves changed the conditions in which we live. Lack of study of the aggregate impact of luxury condo projects on our communities and our infrastructure has led to unknown, unmet, and expensive-to-meet needs for the public sector.

Council is more than justified in demanding more – much more - from developers, and there is an urgency to do so.

Conclusion

Regarding FAR, the Ala Moana Transit Oriented Development Plan states:

> "Additional floor area may be granted within the TOD Precinct, provided development adheres to the community benefits bonus rules described in Section 5.6. The FAR of 10.0 should only be used on select projects with exceptional community benefits and/or catalytic potential."[19]

And with regard to building height:

> "Additional building height may be granted, provided development provides commensurate community benefits. Commensurate community benefits mean that the value of the community benefits provided is proportional to the value of the additional height and/or density sought for a project."[20]

We urge the DPP and City & County to have higher expectations of what are "commensurate community benefits" and to deny LUO exemptions and bonuses unless the community benefits are overwhelming.

Thank you for your consideration.

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[1] 1538 Kapiolani IPD-T permit application, pg. 109 (PDF pg. 125), Sec. 9.2
[2] Honolulu Department of Planning and Permitting site:
https://dppweb.honolulu.gov/DPPWeb/Default.aspx?PossePresentation=TaxMapKey&PosseObjectId=38854
[3] 1538 Kapiolani IPD-T permit application, PDF pg. 478 – Economic and Fiscal Impact Assessment, Ex. 2

[4] 1538 Kapiolani IPD-T permit application, PDF pg. 478 – Economic and Fiscal Impact Assessment, Ex. 2
[5] 1538 Kapiolani IPD-T permit application, PDF pg. 478 – Economic and Fiscal Impact Assessment, Ex. 2
[6] 1538 Kapiolani IPD-T permit application, pg. 110 (PDF pg. 126), Sec. 9.2
[7] 1538 Kapiolani IPD-T permit application, pg. 110 (PDF pg. 126), Sec. 9.2.2
[8] 1538 Kapiolani IPD-T permit application, PDF pgs. 184-190, Appendices 4 and 5.
[9] Per https://theflatshonolulu.com/the-flats/unit-pricing-availability/ as of 6/19/23
See also Developer's Public Report for a Condominium, Sky Ala Moana East, filed 12/29/2021 by JL Avalon Capbridge LLC, Exhibit A.
[10] Per https://theflatshonolulu.com/the-flats/unit-pricing-availability/ as of 6/19/23
[11] Per Google Maps: https://goo.gl/maps/YrFH3LVubt17YtBN6
[12] Per Google Maps: https://goo.gl/maps/AAxfTnQ9v59HUxwDA
[13] 1538 Kapiolani IPD-T permit application, PDF pgs. 184-190, Appendices 4 and 5.
[14] 1538 Kapiolani IPD-T permit application, pg. 3 (PDF pg.15)
[15] 84 affordable units – Developer's Public Report for a Condominium, Sky Ala Moana East, filed 12/29/2021 by JL Avalon Capbridge LLC
[16] Pricing, number of studios, square footage of studios, affordability time restrictions – see https://theflatshonolulu.com/the-flats/unit-pricing-availability/
See also Developer's Public Report for a Condominium, Sky Ala Moana East, filed 12/29/2021 by JL Avalon Capbridge LLC, Exhibit A.
[17] "Parking is not included in the below pricing. One Parking may be purchased per Affordable Housing Unit (AHU) for $38,000.00." – see https://theflatshonolulu.com/the-flats/unit-pricing-availability/
[18] "The [Sky Ala Moana East] Project and the Sky West Project wil share a common parking podium, and accordingly, certain portions of the Project and the Sky West Project will be integrated. Although Owners in the Sky West Project will have access to the recreational amenities in the Project, and the Project and the Sky West Project wil share the parking podium, Owners ni the Project will not have access to the recreational amenities located in the Sky West Project." - Developer's Public Report for a Condominium, Sky Ala Moana East, filed 12/29/2021 by JL Avalon Capbridge LLC, pg. 1c.
[19] Ala Moana TOD Plan, Sec. 5.3.2, pg. 130.
[20] Ala Moana TOD Plan, Sec. 5.3.3, pg. 132.