

BILL031(24)
Testimony

MISC. COMM. 238

ZONING (ZON)

ZONING (ZON) Meeting

Meeting Date: May 22, 2024 @ 09:00 AM

Support: 4

Oppose: 0

I wish to comment: 0

Name: Martin Nguyen	Email: martin@centre-urban.com	Zip: 96701
Representing: Centre Urban Real Estate	Position: Support	Submitted: May 21, 2024 @ 10:12 AM
Name: Geena Thielen	Email: geena@ccs-hawaii.com	Zip: 96734-5802
Representing: Self	Position: Support	Submitted: May 21, 2024 @ 01:46 PM
Name: Ned Rodrigues	Email: ned.rodrigues@boh.com	Zip: 96813
Representing: Bank of Hawaii	Position: Support	Submitted: May 21, 2024 @ 04:22 PM
Name: Roseann Freitas	Email: ssakamoto@imanaka-asato.com	Zip: 96789
Representing: BIA Hawaii	Position: Support	Submitted: May 21, 2024 @ 06:55 PM



Martin M. Q. Nguyen, MRED
Managing Principal
CA DRE #02074177
HI RB-24080

May 21, 2024

The Honorable Calvin K. Y. Say
Committee on Zoning
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

RE: TESTIMONY IN SUPPORT (WITH COMMENTS) OF BILL 31 (2024) RELATING TO INCENTIVES FOR THE CONSTRUCTION OF AFFORDABLE HOUSING

Aloha Chair Say, Vice Chair Dos Santos-Tam, and Committee Members,

I am submitting testimony in my capacity as principal of Centre Urban Real Estate in **SUPPORT (WITH COMMENTS)** of Bill 31 (2024) relating to incentives for the construction of Affordable Housing. Centre Urban is a commercial real estate investment, development, and advisory firm active in Honolulu and Southern California, with a specific focus on impactful multifamily and mixed-use projects.

We are currently working on creating housing under City & County of Honolulu Ordinance 19-8, otherwise known as “Bill 7”, which is a preeminent example of common-sense collaboration between the public and private sectors to solve one of the most pressing issues of our generation: creating more housing. However, as we are all aware, the turbulence in the economy, historically high interest rates, and elevated construction costs are leading to many housing projects that were formerly feasibly to be shelved and the positive impacts to the community deferred. Every day that these housing units are shelved is another day where more and more of our neighbors are moving away, some who will never return to Hawai‘i. These necessary projects need assistance to get across the finish line. Bill 31 effectuates that needed assistance.

The pre-construction grant creates an option for larger projects to consider, while utilizing skilled and trained labor, to create a greater community impact all in one go. Having pre-construction and post-construction - as proposed in Bill 3 (2024) - options available for different scales of projects is incredibly important to facilitate the creation of more housing now, rather than later. However, as currently proposed, Bill 31 would be limited to projects at or below 60% AMI. While projects at all income ranges are important, if the goal of Bill 31 is to assist private developers in developing more housing under Ordinance 19-8 while utilizing skilled and trained labor, it will be imperative that this limit is increased to at least 80% AMI. Frankly speaking, as currently drafted, Bill 31 simply would not be a feasible option for private developers.

Thank you for the opportunity to contribute to this important dialogue. If there are any questions or concerns, please reach me at martin@centre-urban.com to discuss.

Sincerely,

A handwritten signature in black ink, appearing to read "Martin M. Q. Nguyen".

Martin M. Q. Nguyen, MRED
Managing Principal
Centre Urban Real Estate Hawaii, LLC

Centre Urban Real Estate Hawaii, LLC

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Honolulu City Council
Committee on Zoning
City Council Chamber
Wednesday May 22, 2024
9:00 AM

RE: Bill 31 Relating to Incentives for the Construction of Affordable Rental Housing

Chair Say, Vice Chair Dos Santos-Tam, and members of the Committee,

I am writing in **SUPPORT WITH COMMENTS** of Bill 31. The original Bill 7 (Ordinance 19-8) was created in a time where construction costs were projected to be \$250/SF and interest rates were below 4%. Neither of these assumptions are anywhere near accurate anymore. Our current Bill 7 project costs are around \$475/SF and interest rates are double what they were a year and a half ago. Increasing grant funding to these projects is critical to the success of this program. That being said there are two important conditions to this support –

1. Bill 31 Section 32-5.2(c)(2) contains a provision limiting this to projects renting at the 60% AMI or below. While Bill 7 (Ordinance 19-8) allows for a range of possible AMI compliance paths, the path favored by all existing Bill 7 Developers uses 80% AMI and below. If Bill 31 changes this to 60% it will not be used and the bill serves no purpose.
2. This same section also includes a requirement of a minimum unit size of 300 square feet. This requirement should be eliminated. The reason for eliminating this requirement are: 1) This requirement is detrimental to smaller lots with smaller unit counts and the three story walk-ups we have successfully constructed. 2) Smaller units are serving the most housing disadvantaged in our community. We need a variety of unit types, not a one size fits all solution. Please see my testimony on Bill 3 for more detail.

I would like to thank the City Council and it's Committee on Zoning for considering these important issues in helping Bill 7 be an important part of our affordable housing solution.

Sincerely,

Geena Thielen
President/RME



May 21, 2024

City & County of Honolulu
530 South King Street Honolulu, Hawaii 96813

REG: BILL 31: INCENTIVES FOR THE CONSTRUCTION OF AFFORDABLE RENTAL HOUSING

Dear Chair Waters, Vice Chair Kia'aina, and Council Members,

As a leading bank committed to enhancing the well-being of our communities, we express our continued support for Bill 31, which seeks to provide financial incentives for the development of affordable rental housing in Hawaii through construction grants. Ensuring adequate incentives and funding options strengthens the partnership between developers and the State to meet the urgency of our affordable housing needs. Given the high land cost in Hawaii and the persistence of high interest rates and construction costs, developers now have less incentive and more risk in building affordable housing rental projects. We believe Bill 31 provides a proactive solution that meets the needs of multiple stakeholders including developers, the State, and the public by partially mitigating project costs and improving the financial feasibility of the affordable rental projects. In particular, we believe the grants provide incentives that mitigate project risk by providing a larger margin of protection on the project's bank loans through lower loan amounts. The pre-construction and post-construction incentives make building affordable rental projects more achievable.

As a financial partner involved in affordable housing projects, we support Bill 31 which aligns with our commitment to community reinvestment. We support this important initiative and recommend the approval of Bill 31.

Sincerely,

A handwritten signature in blue ink that reads 'Ned Rodrigues'.

Ned Rodrigues
Vice President



**HONOLULU CITY COUNCIL
Committee on Zoning
Honolulu Hale
9:00 AM**

May 22, 2024

RE: Bill 31 - Relating to Pre-Construction Financing for Affordable Rental Housing

Chair Say, Vice Chair Dos Santos Tam, and members of the Council:

My name is Max Lindsey, Government Relations Committee Chair 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. Our members build the communities we all call home.

BIA Hawaii is in support of the intent of Bill 31, Relating to Pre-Construction Financing for Affordable Rental Housing. This bill would address financing issues for affordable rental housing projects which are currently facing uncertain financial status due to the economy and high construction costs.

While we are in full support of the intent of this bill, we have comments. The bill, as currently written, would require projects to rent to 60% AMI or below. Current Bill 7 (2019) projects allow for a range of compliance paths with respect to the AMI. If the requirement is changed to 60% AMI only, it will likely no longer be used.

Additionally, we would propose that the bill be amended to remove the minimum square foot requirement. As the Council may recall, Bill 7 (2019) was intended to address the need to create more affordable housing units within the urban core. It was envisioned to create more of the "Makiki walk-ups" that were built in the 1970's. Incentives were created and certain construction requirements were modified to lower construction costs to increase the supply of affordable rental housing units on Oahu. There was no minimum/maximum unit size, as the unit size and mix were left to the developer and the market to determine.

As the Council is aware, we are in a dire housing crisis. The cost of housing in Hawaii is extremely high, with Oahu's median price of homes being currently over \$1 million. Approximately 140,436 U.S. households are priced out of buying a home for every \$1000 increase in price, according to the National Association of Home Builders (NAHB). We are in support of legislation such as Bill 3, that would help facilitate the building of much-needed housing.

Thank you for the opportunity to testify.