

Bill 1 (2021) Testimony

MISC. COM. 173

From: CLK Council Info
Sent: Monday, March 1, 2021 5:46 PM
Subject: Housing and the Economy Testimony
Attachments: 20210301174558_030221_Bill_1_Affordable_Rentals.pdf

Written Testimony

Name Nathaniel Kinney
Phone 8082208892
Email execdir@hawaiiconstructionalliance.org
Meeting Date 03-02-2021
Council/PH Committee Housing and the Economy
Agenda Item Bill 1
Your position on the matter Comment
Representing Organization
Organization Hawaii Construction Alliance
Written Testimony
Testimony Attachment 20210301174558_030221_Bill_1_Affordable_Rentals.pdf
Accept Terms and Agreement 1

IP: 192.168.200.67

Hawai'i Construction Alliance

P.O. Box 179441
Honolulu, HI 96817
(808) 220-8892

March 2, 2021

The Honorable Esther Kia'aina, Chair
The Honorable Calvin Say, Vice Chair
and Members
Honolulu City Council Housing
530 South King Street, Room 202
Honolulu, Hawai'i 96813

RE: Comments Bill 1 (2021) Affordable Rental Housing

Dear Chair Kia'aina, Vice Chair Say, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; the Laborers' International Union of North America, Local 368; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

We have been closely monitoring the progress of Bill 7 affordable rentals and wanted to offer a few comments for Bill 1.

We are deeply concerned that these "affordable rental projects" will create a new market for the unscrupulous contractors that were previously focused on building "monster homes".

Given the density bonuses, building code exemptions, property tax exemptions, and fee waivers contained in Bill 7 (2019), we find it particularly concerning that ALL of the current Bill 7 projects have been awarded to contractors who do NOT pay area standard wages.

The issue of substandard wages was brought up in previous hearings, yet we were told by the proponents of the bill that construction of these affordable rentals was done using contractors who used area standard wages.

The 30-year affordability cap that was originally in Bill 7, has been removed and replaced with a 15-year affordability cap which offers a short-term solution for affordable housing, while giving the developers of these projects a potential windfall.

There is also currently no strategy as to how the owners of these projects will help the families that are displaced while the project is under construction.

Parking is quickly going to become an issue with these projects. For example, a small 5,000 square foot lot could hold as many as 33 units without providing any parking...it is inevitable that the residents of these apartments will be parking in the surrounding neighborhood.

We are ready, willing, and able to discuss some of these issues with the proponents of the bill, but we are currently pessimistic that these affordable rentals will have the ability to scale to the point where they actually alleviate the housing shortage.

Mahalo,

A handwritten signature in black ink, appearing to read "Nathaniel Kinney". The signature is stylized with a large, sweeping "N" and a long, horizontal stroke at the end.

Nathaniel Kinney
Executive Director
Hawai'i Construction Alliance
execdir@hawaiiconstructionalliance.org

From: CLK Council Info
Sent: Monday, March 1, 2021 7:13 PM
Subject: Housing and the Economy Testimony
Attachments: 20210301191300_Testimony_for_Bill_1_Ryan_Tanaka_wOverview.pdf

Written Testimony

Name	Ryan Tanaka
Phone	8082245418
Email	ryan@ibmhawaii.com
Meeting Date	03-02-2021
Council/PH Committee	Housing and the Economy
Agenda Item	Bill 1
Your position on the matter	Support
Representing	Organization
Organization	Island Business Management, LLC
Written Testimony	
Testimony Attachment	20210301191300_Testimony_for_Bill_1_Ryan_Tanaka_wOverview.pdf
Accept Terms and Agreement	1

IP: 192.168.200.67

Councilmember Esther Kia'aina, Chair
Councilmember Calvin Say, Vice-Chair
Councilmember Radiant Cordero
Councilmember Augie Tulba
Councilmember Andria Tupola
Committee on Housing and the Economy

Tuesday, March 2, 2021

Testimony by Ryan Tanaka in Strong Support of Bill 1, Relating to Incentivizing the Construction of Affordable Rental Housing

Dear Chair Kia'aina, Vice Chair Say, and members of the Committee on Housing and the Economy, thank you for the opportunity to submit testimony in support of Bill 1.

I see the lack of affordable housing firsthand: my financial consulting company specializes in real estate and corporate finance, with clients that include employee-owned companies with diversified land and business holdings. And, I am personally vested in the issue as a born-and-raised local person who cares about his community and wants to alleviate the suffering caused by the lack of affordable housing. After attending bank presentations and learning about Bill 7 in May 2019, we led two of our clients to acquire two separate parcels suitable for Bill 7. We have completed the design process and submitted permit applications for both Bill 7 projects. Combined, these projects represent 57 affordable housing units. In addition, we are consulting as concierge developers for one, possibly two more Bill 7 projects. Our teams have dedicated time and resources to these projects because of the need for affordable housing, especially the < 100% AMI "gap group." These individuals and families will directly benefit from Bill 7 Projects to be built. I believe we need to do our part to help further Hawaii's independence and sustainability as a destination island economy for future generations, and to help our "gap group" become financially independent.

By request of Chair Kia'aina, we prepared a one-page overview of Bill 1, which I have attached to the end of my testimony and am reproducing a portion here:

"A State study in 2018 found that 22,500 additional affordable rental units will be needed in the State of Hawaii by 2026 – 9,002 of which will be needed on Oahu. The State has declared that "although many reasons contribute to the lack of affordable rental housing units for low- and moderate-income households, the primary reason the poor rate of return for investments in affordable rental housing projects ... simply put, affordable rental housing is unprofitable, so the market won't address the need by itself."

There is no one "silver bullet" to solve our affordable rental housing shortage; it's a multi-faceted problem which requires a multi-faceted approach. The State and

the City have each devoted resources to providing more affordable rentals on Oahu because both acknowledge that building affordable rental units is not profitable for the private sector.”

Achieving the original Bill 7 objective of 500 new affordable housing units per year over the next five years will take a community-minded approach. Bill 7 is still in “proof of concept,” and owners/investors continue to evaluate its viability. For example, the intended effect of numerous Bill 7 concessions was to reduce the overall cost of Bill 7 projects. In reality, landowners of Bill 7 suitable properties have listed their properties for sale and baked in a 20-30% premium. The sellers and their realtors justify this premium because of the concessions (City and DPP) that Bill 7 claims to offer – regardless of whether a Bill 7 project is done or not after the purchase of the property and regardless of whether these concessions actually occur.

There are a number of other risks associated with Bill 7 projects. The Bill 7 Risk Chart in Table 1 below was prepared by Bill 7 stakeholders as an illustration for the Council to see the various challenges owners/investors face. Couple this with new uncertainty around a 15-year rental cap period.

Table 1: Bill 7 Risk Chart

Bill 7 Case Study: 5,000 SF parcel valued at \$1 million = Five story, 10,000 SF, 25-unit building.

Stage	S Actual		Spirit of Bill 7	Market Conditions
Land	+\$100,000	+\$300,000	City/DPP offered numerous concessions	Sellers baking concessions into sale price and charging a 10-30% Premium
Feasibility Risk	\$200,000	\$600,000	Hire qualified developers, architects, engineers	High upfront cost with no guaranty of permit
Permitting	3 months	6+ months	90-day maximum	Uniqueness of each project presents many unforeseeable permitting issues
Construction	+\$50 psf	+100 psf	\$225 psf target due to City/DPP concessions	Already paid premium at land purchase. Places pressure on negotiations between owner and general contractor
Rentability	+\$5,000/unit	+\$10,000/unit	Building w/limited amenities, parking	Renters will likely expect A/C, W/D, full kitchen/bath, thoughtfully selected finishes and fixtures.
Maintenance	+\$500/unit	+\$1,000/unit	80% of renters at 100% AMI or less	Higher turnover expenses for reduced pool of renters.
Rental Cap	15 yrs.	30 yrs.	0 yrs.	Large uncertainty and “forever” risk

Significant downside risk for Bill 7 Projects (\$500,000 - \$1,000,000) without rental cap already deter new projects.

Bill 7 already requires owners to rent to households with incomes below 100% AMI. This provision is a built-in rental cap because income-constrained renters can only afford to pay a limited amount of rent. This is a “forever” restriction that lasts as long as the building(s) are standing. The business rationale is/was that these will be utilitarian, working class buildings and

units limited in size, parking, and amenities so will not command much in rent – i.e., they will be affordable. Add the dense neighborhoods that they will likely be located in, the market will not allow rents in Bill 7 buildings to be higher than HUD guidelines.

As you can see from Table 2 below, Bill 7 projected rental rates are ~40% under 2019 HUD rental caps. Because the HUD mandated rental caps are much higher than what is being advertised in the market, the rental cap provision is unlikely to affect actual rents that are charged.

Table 2: Bill 7 Projected Rents vs. 2019 HUD Rental Caps

	<u>BILL 7 RENT*</u>	<u>2019 HUD **</u>	<u>Difference</u>
Studio	\$1,200/mo.	\$2,110/mo.	(-43%)
1BR	\$1,400/mo.	\$2,260/mo.	(-38%)
<i>* Projected rents do not include utilities</i>			
<i>** 2019 HUD maximum rents (rental cap)</i>			

This is a pilot program that lasts only 5 years – with nearly two years already gone and only two building permits issued. Part of the reason is the longer than 90-day permitting process and overall mounting costs and uncertainty associated with Bill 7 Projects, which is why I believe an additional financial incentive to complete these buildings will help add to the supply of affordable housing in Honolulu County.

We are facing a housing crisis, and the City has a growing need to create new affordable housing. Bill 7 is an important and necessary step (one of many that are needed) to create new affordable housing solutions in an effort to retain our workforce. Bill 1 is equally important and necessary because of the completion bonus incentivizing the construction of affordable rental housing.

Thank you for the opportunity to submit testimony and for all of your efforts to serve the people of Honolulu County as our elected leaders.

Sincerely,

Ryan Tanaka
President
Island Business Management, LLC
ryan@ibmhawaii.com

**OVERVIEW OF BILL 1 – CITY & COUNTY OF HONOLULU
FEBRUARY 9, 2021**

Summary

A State study in 2018¹ found that 22,500 additional affordable rental units will be needed in the State of Hawaii by 2026 – 9,002 of which will be needed on Oahu. The State has declared that “although many reasons contribute to the lack of affordable rental housing units for low- and moderate-income households, the primary reason the poor rate of return for investments in affordable rental housing projects ... simply put, affordable rental housing is unprofitable, so the market won’t address the need by itself.”

There is no one “silver bullet” to solve our affordable rental housing shortage; it’s a multi-faceted problem which requires a multi-faceted approach. The State and the City have each devoted resources to providing more affordable rentals on Oahu because both acknowledge that building affordable rental units is not profitable for the private sector. One of the approaches to get more affordable rentals built is contained in Ordinance 19-8 (Bill 7). Bill 7 affordable rental units will be (1) built in areas already zoned for multi-family dwelling and will not exacerbate the “monster homes” problem in single family residential areas, (2) will not contribute to urban sprawl but will be built on infill sites in primarily urban areas such as Moili’ili, McCully, Makiki, Waikiki, and Kalihi, and (3) will piggy-back on existing infrastructure and transportation and will not require expensive new infrastructure and transportation networks.

The Problem

- Our unemployment has become the highest in the nation and our residents are at increased risk of finding and holding onto affordable housing because of the loss of jobs.
- Returns on Bill 7 projects were projected to be “skinny” when passed but represented a way out for generational owners needing to redevelop old, dilapidated buildings who could afford to hold onto these properties for a longer period of time.
- COVID-19 and its effect on construction has caused a pause in new developments such as Bill 7 projects that are dependent on small landowners and developers who are hesitant to move forward in times of additional risk. The skinny returns have been put at risk with the new uncertainties caused by COVID-19.

¹ Ten Year Affordable Rental Housing Report and Ten-Year Plan, DBEDT 2018

- Honolulu is on a Homeless Scenario unless it gets a new supply of low wage rental housing on a constant annual basis.

The Opportunity

- These new uncertainties could be alleviated with an incentive to build using \$9,000 per unit of public monies, with an overall cap of \$10 million. The incentive is needed to convince landowners and small developers who are reluctant to move forward with their Bill 7 projects because of the added risk caused by the COVID-19 pandemic, to go ahead with their projects.
- Bill 7 projects give the City “more bang for the City’s buck” since they are private sector driven projects that do not require government subsidies such as tax-exempt bond financing, tax credits, government land grants, and other government subsidies to be built.
- Government subsidized projects have a per unit cost of about \$450,000 while Bill 7 projects are estimated to have a per unit cost of about \$225,000 or one-half the cost.

Estimated Impact

- \$10 million in incentives over next 3-4 years will result in +1,100 new affordable rentals, having a construction cost of +\$200 million for ~30 Bill 7 projects.
- Construction will take 12-14 months per building and job sites have ~30 workers per day.
- Provide new jobs and specialized job training.

From: CLK Council Info
Sent: Monday, March 1, 2021 8:31 PM
Subject: Housing and the Economy Testimony
Attachments: 20210301203104_Bill_1_Testimony_3.1.2021.pdf

Written Testimony

Name Cheyenne E Martinez Boyette
Phone 808-457-0325
Email cheyenne.martinez-boyette@boh.com
Meeting Date 03-02-2020
Council/PH Committee Housing and the Economy
Agenda Item Bill 1
Your position on the matter Support
Representing Self
Organization
Written Testimony
Testimony Attachment 20210301203104_Bill_1_Testimony_3.1.2021.pdf
Accept Terms and Agreement 1

IP: 192.168.200.67

March 1, 2021

To:

Councilmember Esther Kia'aina, Chair
Councilmember Calvin Say, Vice-Chair
Councilmember Radiant Cordero
Councilmember Augie Tulba
Councilmember Andria Tupola
Committee on Housing and the Economy

Re:

Testimony in Support of Bill 1, Relating to Incentivizing the Construction of Affordable Rental Housing

Dear Chair Kia'aina, Vice Chair Say, and members of the Committee on Housing and the Economy, thank you for the opportunity to submit testimony in support of Bill 1.

As attested to in my previous testimony for Bill 60 in 2020, I, in my current role at a local bank, I have met with dozens of Oahu families to discuss the opportunity to develop under ordinance 19-8 (Bill 7 – 2019) to both improve the value of the real estate and provide much needed housing.

Property owners, and would-be developers have expressed time and time again that they are taking on inordinate risk with little return on investment.

While the increased density, waiver on wastewater hookup fees, and park dedication fees decrease the upfront costs, building an apartment building is still an incredibly expensive venture. Many of the property owners are still grappling with putting in hundreds of thousands of dollars of their own money into making a project feasible. Since most of these folks are every day working men and women, this means tapping into equity in their own home or liquidating their life savings/retirement. These are options that are normally not viable for small-land owners, and many are self-eliminating.

The possibility of grant monies proposed in Bill 1 would change the course of the conversations I have with families and developers and, I believe, spur the necessary development of housing that our community desperately needs. Thank you for the opportunity to submit testimony and for your service to the people of Hawaii.

Sincerely,



Cheyenne Martinez-Boyette
Vice President & Program Manager, Bill 7 Development Projects
Bank of Hawaii
Cheyenne.martinez-boyette@boh.com
808.457.0325

LINDA Y. WONG
2667 B Tantalus Drive
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Email: worldofaloha@hawaii.rr.com
Cell: (808) 722-0940

Councilmember Esther Kia'aina, Chair
Councilmember Calvin Say, Vice-Chair
Councilmember Radiant Cordero
Councilmember Augie Tulba
Councilmember Andria Tupola
Committee on Housing and the Economy

Tuesday, March 2, 2021

Testimony by LINDA WONG in Strong Support of Bill 1, Relating to Incentivizing the Construction of Affordable Rental Housing

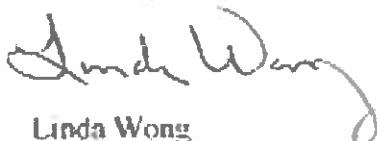
Dear Chair Kia'aina, Vice Chair Say, and members of the Committee on Housing and the Economy, thank you for the opportunity to submit testimony in support of Bill 1.

Everyone realizes that more affordable rentals are needed. State and City governments have tried to offer incentives to developers at a high cost. Bill 7 was passed before Covid to help get more units built. Bill 1 would work together with Bill 7 and would give small developers an incentive to go ahead with projects during this failing economic time. It has been estimated, that with the passage of Bill 1 approximately 1,100 new affordable rentals could be built over the next 3 to 4 years on small lots in urban areas.

My mother passed away 2 years ago, and our family is looking at tearing down her old house in Makiki and developing affordable rentals if the numbers work out. Because of the thin margins involved, Bill 1 would help to make the project more feasible. Her home would be the perfect site for affordable rentals as it is close to Safeway Beretania, Walgreens, Petco, First Hawaiian Bank, McDonalds, Kaahumanu, Lincoln, Stevenson and Roosevelt, etc.

I hope you will sincerely look at the benefits that Bill 1 would bring to provide needed affordable rentals. Thank you for the opportunity to submit testimony and for all of your efforts to serve the people of Hawaii as our elected leaders.

Sincerely,



Linda Wong

From: CLK Council Info
Sent: Tuesday, March 2, 2021 5:43 AM
Subject: Housing and the Economy Testimony

Written Testimony

Name Scott LaRue
Phone 8083309000
Email sjlarue@gmail.com
Meeting Date 03-02-2021
Council/PH Committee Housing and the Economy
Agenda Item Bill 1, Relating to Incentivizing the Construction of Affordable Rental Housing
Your position on the matter Support
Representing Self
Organization

Testimony by Scott LaRue in Strong Support of Bill 1, Relating to Incentivizing the Construction of Affordable Rental Housing

Dear Chair Kia'aina, Vice Chair Say, and members of the Committee on Housing and the Economy, thank you for the opportunity to submit testimony in support of Bill 1.

Written
Testimony

I developed and manage 41 units in Kailua. I am currently working to develop 33 affordable housing units in Moiliili and my business partner has about 80 additional units planned for development. Passage of Bill 1 is critical to allowing us to continue to move forward with this 33 affordable unit project. The cost to build is skyrocketing making these project undoable without some assistance. Hawaii needs affordable housing and without the support of the government and assistance from legislation such as Bill 1 our citizens will continue to suffer.

Thank you for the opportunity to submit testimony and for all of your efforts to serve the people of Hawaii as our elected leaders.

Sincerely,

Scott LaRue
Coolidge Capital LLC

Testimony
Attachment
Accept Terms
and Agreement

1

From: CLK Council Info
Sent: Tuesday, March 2, 2021 9:25 AM
Subject: Housing and the Economy Testimony
Attachments: 20210302092456_Bill_1_Letter_3-2-21.pdf

Written Testimony

Name John W Meyers
Phone 808-368-1818
Email John@CSGHI.com
Meeting Date 03-02-2021
Council/PH Committee Housing and the Economy
Agenda Item Bill 1
Your position on the matter Support
Representing Self
Organization
Written Testimony
Testimony Attachment 20210302092456_Bill_1_Letter_3-2-21.pdf
Accept Terms and Agreement 1

IP: 192.168.200.67



Testimony by John W Meyers in Strong Support of Bill 1, Relating to
Incentivizing the Construction of Affordable Rental Housing

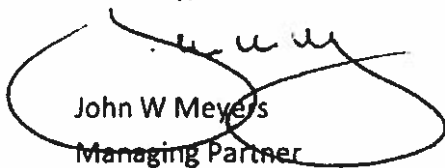
Dear Chair Kia'aina, Vice Chair Say, and members of the Committee on Housing
and the Economy, thank you for the opportunity to submit testimony in
support of Bill 1.

I have been involved in the Construction industry in Hawaii for more than
Twenty Years. In this time, I have constructed more than 400 single family
homes and as many multi-family units. Recently I have been assisting in the
development of six "Bill-7" projects totaling more than 150 units. My clients
range from the sophisticated developer to "Auntie & Uncle". Passage of Bill 1
is critical to allowing us to continue to move forward in these and other
projects currently being considered.

Developing an affordable rental project takes time and considerable resources
add to that astronomical construction cost increases and the incentive to build
these projects is less desirable than a "For Sale" project. Current and
additional incentives such as "Bill 1" are needed to incentivize "Auntie & Uncle"
to continue on in building an Affordable Rental Project. Hawaii needs
affordable housing and without the support of the government and assistance
from legislation such as Bill 1 our families will continue to suffer.

Thank you for the opportunity to submit testimony and for all of your efforts to
serve the people of Hawaii as our elected leaders.

Sincerely,



John W Meyers
Managing Partner

From: CLK Council Info
Sent: Tuesday, March 2, 2021 10:10 AM
Subject: Housing and the Economy Testimony
Attachments: 20210302101008_HI_Budget_and_Policy_Center_Testimony_COMMENTS_Bill_1_March_2nd.docx

Written Testimony

Name Kenna Stormogipson

Phone (808) 892-5998

Email kenna@hibudget.org

Meeting Date 03-02-2021

Council/PH Committee Housing and the Economy

Agenda Item Bill 001

Your position on the matter Comment

Representing Organization

Organization Hawaii Budget and Policy Center

Written Testimony

Testimony Attachment 20210302101008_HI_Budget_and_Policy_Center_Testimony_COMMENTS_Bill_1_March_2nd.docx

Accept Terms and Agreement 1

IP: 192.168.200.67



Testimony of the Hawai'i Budget and Policy Center
Comments on Bill 1 – Affordable Rental Housing
City and County of Honolulu, City Council Chamber
Tuesday, March 2nd, 2021 at 10:30 AM

Dear Chair Kia'aina and the Committee on Housing and the Economy,

Thank you for the opportunity to provide testimony supporting Bill 1 with amendments.

Bill 1 would provide up to \$10M in incentives for completion of rental housing targeted at households earning up to 100 percent of the area median income for Honolulu, which in 2020 was \$101,600 for a four person household.¹

The current fair market rent amounts according to HUD range from \$1,290-\$2,390 for a one bedroom to \$2,530 to \$5,380 for a four bedroom, depending on zipcode.² These prices may or may not be below market prices for a particular neighborhood depending on current market dynamics.

If the goal of Bill 1 is to increase the supply of affordable housing, there are two important questions to address:

1) For the housing that is built, how much more affordable is the rent than current market rents?

As an example, if the subsidized rental housing has a price of \$1,200 for a one bedroom and market price in the neighborhood is \$1,300 a month, then this policy would be saving a renter approximately \$1,200 a year in rent costs and over a 20-year period, savings could be \$24,000 or more depending on limitations on rent increases as compared to market rents.

From a policy perspective, it would make sense to pay a subsidy of \$9,000 today for rent savings of \$24,000 or more over the next 20 years.

However, if the homes being built are essentially the same price as market rate rentals than the policy benefit is much less clear: yes it is adding new homes to the market, but the individual renters are not seeing any savings as compared to their current options.

A best practice in subsidizing rental housing is ensuring that the constructed housing is offering *below-market* rents.

¹ HUD website: [FY 2020 Income Limits Documentation System -- Summary for Honolulu County, Hawaii \(huduser.gov\)](https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2021_code/2021summary.odn)

² HUD website: https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2021_code/2021summary.odn



Testimony of the Hawai'i Budget and Policy Center
Comments on Bill 1 – Affordable Rental Housing
City and County of Honolulu, City Council Chamber
Tuesday, March 2nd, 2021 at 10:30 AM

For example, the Federal Low-Income Housing Tax Credit (LIHTC) program includes some requirements that subsidized rental projects have rents that are 10% below-market rate for a particular location.³

Currently, Bill 1 does not have a requirement that the rents being offered are below market prices.

- 2) **Another important concern is that the subsidized homes remain affordable long-term, and that yearly rent increases are limited.**

The most common way to address long-term affordability is to limit rent increases to either inflation or other measures of local wage increases. Otherwise, a rental unit which started as affordable could become unaffordable in a few years due to unrestricted rent increases.

Limiting rent increases is a best practice in subsidized rentals. For example, the LIHTC program limits rent increases for 30 years after a project is funded.⁴

Many high-cost cities across the country including New York, Los Angeles, Washington DC, and San Francisco Bay Area cities limit rent increases based on inflation.⁵

A suggested amendment to Bill 1 is that future rent increases be limited to either inflation for Honolulu or 2%, whichever is lower. The average increase in consumer price index for Honolulu for the past 10 years is 1.75%.⁶ Example language could be:

“Annual rent increases shall not be more than 2% a year or inflation for the Honolulu area as measured by the Consumer Price Index (CPI) for Honolulu, for the life of the building, unless the building undergoes substantial repairs and rehabilitation.”

Most rental buildings will require substantial repairs or rehabilitation after 15 to 20 years of use and so at that point the rents might need to be adjusted above CPI levels. Almost all

³ HUD website www.hud.gov/site/documents/TC_PILOT_TRAINING_SESSSION3.PDF

⁴ Illinois Housing Development Authority LIHTC manual 2019. <https://www.ihda.org/wp-content/uploads/2015/07/LIHTC-Manual-Final-8.1.19.pdf>

⁵ See Oakland, CA rent adjustment ordinance.

<http://www2.oaklandnet.com/oakca1/groups/ceda/documents/agenda/oak050309.pdf>

⁶ CPI data from DBEDT and Bureau of Labor Statistics. <https://files.hawaii.gov/dbedt/economic/databook/2019-individual/14/140419.pdf>



Testimony of the Hawai'i Budget and Policy Center
Comments on Bill 1 – Affordable Rental Housing
City and County of Honolulu, City Council Chamber
Tuesday, March 2nd, 2021 at 10:30 AM

jurisdictions which have rent stabilization guidelines have a process where owners can petition for higher rent increases after substantial improvements are made.

In summary, if the policy goal is to create and maintain more affordable housing, it is important that projects which receive taxpayer subsidies:

- 1) have prices which are below-market for a particular location
- 2) that the affordability is preserved over time

Mahalo for the opportunity to testify,

Hawai'i Budget and Policy Center

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March 2, 2021

Councilmember Esther Kia'aina
Chair, Housing and Economy Committee
City Council
City and County of Honolulu
530 South King Street, Room 200
Honolulu, HI 96813

Re: Bill 1 (2021)

Aloha Chair Kia'aina and Members of the Housing and the Economy Committee:

My name is Mel Kaneshige, and I am submitting my testimony in general support of Bill 1 (2021).

There is no one "silver bullet" to solve our affordable rental housing shortage; it's a multi-faceted problem which requires a multi-faceted approach. The State and the City have each devoted resources to providing more affordable rentals on Oahu because both acknowledge that building affordable rental units is not profitable for the private sector. One of the approaches to get more affordable rentals built is contained in Ordinance 19-8 (Bill 7). Bill 7 affordable rental units will be (1) built in areas already zoned for multi-family dwelling and will not exacerbate the "monster homes" problem in single family residential areas, (2) will not contribute to urban sprawl but will be built on infill sites in primarily urban areas such as Moili'ili, McCully, Makiki, Waikiki, and Kalihi, and (3) will piggy-back on existing infrastructure and transportation and will not require expensive new infrastructure and transportation networks.

We currently have enormous challenges facing the City:

- Our unemployment has become the highest in the nation and our residents are at increased risk of finding and holding onto affordable housing because of the loss of jobs.
- Returns on Bill 7 projects were projected to be "skinny" when passed but represented a way out for generational owners needing to redevelop old, dilapidated buildings who could afford to hold onto these properties for a longer period of time.
- COVID-19 and its effect on construction has caused a pause in new developments such as Bill 7 projects that are dependent on small landowners and developers who are hesitant to move forward in times of additional risk. The skinny returns have been put at risk with the new uncertainties caused by COVID-19.

We also have an opportunity to meet those challenges:

- These new uncertainties could be alleviated with an incentive to build using \$9,000 per unit of public monies, with an overall cap of \$10 million. The incentive is needed to convince landowners and small developers who are reluctant to move forward with their Bill 7 projects because of the added risk caused by the COVID-19 pandemic, to go ahead with their projects.

Councilmember Esther Kia`aina
March 2, 2021
Page 2

- Bill 7 projects give the City “more bang for the City’s buck” since they are private sector driven projects that do not require government subsidies such as tax-exempt bond financing, tax credits, government land grants, and other government subsidies to be built.
- Government subsidized projects have a per unit cost of about \$450,000 while Bill 7 projects are estimated to have a per unit cost of about \$225,000 or one-half the cost.

If Bill 1 is passed, it will have an enormous impact:

- \$10 million in incentives over next 3-4 years will result in +1,100 new affordable rentals, having a construction cost of +\$200 million for ~30 Bill 7 projects.
- Construction will take 12-14 months per building and job sites have ~30 workers per day.
- Provide new jobs and specialized job training.

This Bill creates an incentive for the private sector to get involved in a more meaningful way to develop badly needed affordable rentals in Honolulu at an average cost of \$225,000 rather than the publicly funded projects costing on average \$450,000 per unit.

Aloha,



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