

EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

April 24, 2009

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fifth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: House Bill No. 1186 HD1

On April 23, 2009, House Bill No. 1186, entitled "A Bill for an Act Relating to Housing Development" became law without my signature, pursuant to Section 16 of Article III of the State Constitution.

The purpose of this bill is to eliminate the Hawaii Community Development Authority's ability to accept cash in lieu of a developer's reserved housing construction requirement, except in cases of a fractional unit resulting from the percentage requirement calculation.

The Lingle-Aiona Administration shares the Legislature's goal to increase affordable housing in Hawaii. However, this legislation will likely be counterproductive to that goal by eliminating the ability to leverage cash from private sources with public dollars to develop affordable housing for working families, singles, and seniors.

The cash in lieu option has been a successful tool in the Hawaii Community Development Authority's (HCDA) reserved housing program. It has allowed HCDA to work with other State agencies to develop hundreds of rental units throughout the Kakaako region for those who cannot afford market-rate housing.

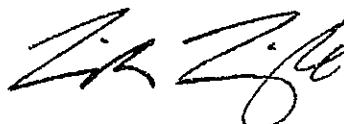
The cash in lieu option has given HCDA the flexibility and control to develop the type and supply of affordable housing units responsive to the needs of the community. For example, the monies collected through this option have been used to time construction to periods when bids are more competitive and prices are lower. Cash in lieu payments are also leveraged with other public and private resources, such as rental housing trust funds or Hula-Mae bonds, to build a larger number or different types of affordable housing units than the developer might be required or able to provide with only private funds.

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In summary, policy makers should not view HCDA's cash in lieu option in a vacuum. Rather, this program should be viewed collectively with a variety of other statutory tools, administrative rules, and home financing programs that encourage the development of affordable housing. I would encourage the Legislature to reinstate this option in future years.

For the foregoing reasons, I allowed House Bill No. 1186 to become law as Act 18, effective April 23, 2009, without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle", written in a cursive style.

LINDA LINGLE