

Legislature 2023

Lawmakers Agree On The Need To Address Hawaii's Housing Crisis — But Not On How

The Legislature is considering a rash of vastly different strategies, while Gov. Josh Green's bills are struggling for traction.

 41

By Stewart Yerton    / About 14 hours ago

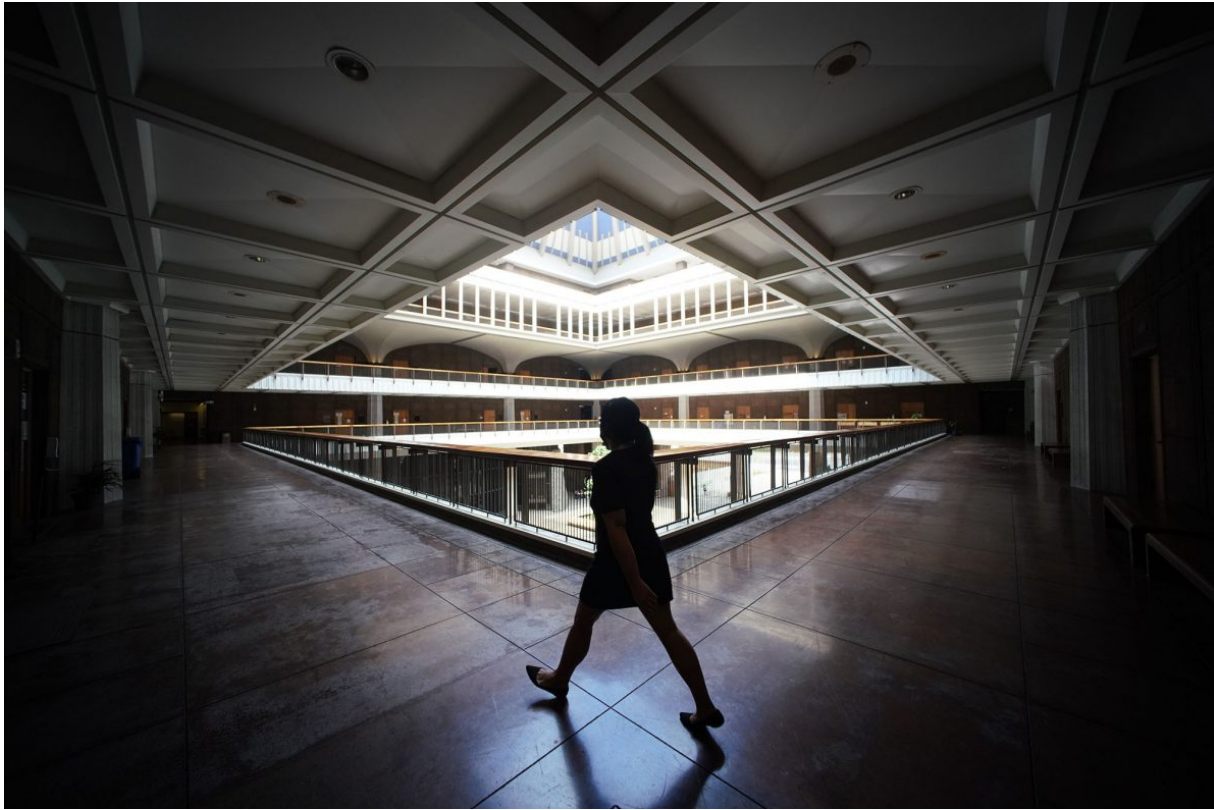
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As the Legislature approaches a key deadline on Friday during a session that promised to address Hawaii's critical housing shortage, one thing has become clear: there is no miracle cure.

More than a dozen bills addressing housing remain alive, but they largely amount to an incoherent patchwork of solutions. Some focus on money for specific housing programs, others on infrastructure.

"You definitely need both right now," Rep. Troy Hashimoto, chairman of the House Committee on Housing, referring to the need for investment in the two general approaches.



With Hawaii facing a housing crisis, lawmakers can't get on the same page. (Cory Lum/Civil Beat 2023)

Two of Gov. Josh Green's priority housing bills also are moving forward, although with significant amendments. One of the bills, in fact, looks so different from its original version that the Hawaii attorney general has raised questions about its legal fitness.

Report: Hawaii Needs 50,000 New Housing Units

Still, members of Green's team said they were generally pleased.

"The Governor is pleased to see that both priority housing bills are moving. And while in different forms and addressing different issues, there appears to be a lot of energy and effort to finding solutions and funding," Blake Oshiro, Green's senior policy adviser, said in an email.

"However, these are complicated issues, and we are still in discussions with the Legislature and stakeholders," he added. "We remain hopeful that in the

end, we will have workable and effective legislation as more tools and resources for the Governor to address our affordable housing crisis.”

All bills with multiple referrals must move to their final referral committee by Friday.

While no cohesive plan has emerged, there seems to be a consensus on one point: that Hawaii faces a housing shortage. An oft-quoted study, cited in [one of Green’s bills](#), estimates Hawaii will need to build more than 50,000 units by 2025 to meet demand. The study also says more than 90% of those units will need to be priced as affordable for individuals earning \$111,000 or less annually or for families of four earning \$158,000 or less.

The consequence of the housing shortage is significant: high housing prices combined with high costs for food and fuel have caused many people to leave the state. The high cost of housing also makes it hard for employers to recruit and retain workers, especially for essential industries like health care and education.

Rental Assistance

In [his inaugural State of the State speech](#), Green promised to make housing a main focus. But so far, the new governor’s proposals have gotten little traction. Green’s key bill, for instance, started with two main provisions: financial help for low-income renters and a tax exemption for developers. But the House Housing Committee quickly cut the tax exemption.

The exemption would have eliminated general excise taxes for “gross income received by any qualified person or firm for the planning, design, financing, construction, sale, or lease of affordable housing units” required to be built as a governmental condition of a development.

Hashimoto said a paucity of details in the bill’s language left ambiguity about how the tax exemption would work.

“I don’t think you can give a GE exemption in one paragraph,” he said. “We need to put a little more thought into it.”

The rental assistance provision, meanwhile, has passed through the House and one Senate committee largely intact. Its last hurdle is the Senate Ways and Means Committee.

House Bill 1054 proposes to create a [rental deposit loan program](#) providing no-interest loans up to \$2,500 for people who need help paying security deposits. The loans would have to be paid back within four years and would be available for individuals earning approximately \$73,000 to \$95,000 annually and families of four earning \$104,000 to \$135,000.

The bill has received support from a variety of organizations and individuals, including the AARP, Hawaii Realtors, Maui Chamber of Commerce and Will Caron, a [progressive activist who often works on housing equity issues](#).

But not all are convinced that a security deposit loan fund program is the answer. For example, Deja Ostrowski, a lecturer in affordable housing law at the University of Hawaii’s William S. Richardson School of Law, questioned the practicality of setting up a new program when existing organizations already have the capacity to use the money to help people.

“I love it in concept; in theory, I love the idea,” she said. “But I have concerns about the administrative burden and cost.”

Unrecognizable Bill

Meanwhile, a [Senate companion bill](#) has been changed to a point that it is unrecognizable compared with Green’s original bill. The latest draft of Senate Bill 1352 includes nothing about a deposit loan fund and instead requires contractors of government housing projects to pay their employees prevailing wages. According to testimony by Attorney General Anne Lopez, this is “unrelated to any of the purposes stated in the original version of the bill.”

“This change could be challenged as fundamentally altering the bill’s original purpose and presenting a germaneness issue,” she wrote.

Oshiro and Nani Medeiros, [Green’s chief housing officer](#), declined interview requests.



Sen. Stanley Chang, chairman of the Hawaii Senate Committee on Housing, is pushing plans based on successful housing models used in Singapore and Vienna. (Cory Lum/Civil Beat/2022)

Other proposals in the works include measures by Sen. Stanley Chang, chairman of the Senate Housing Committee. One of the Legislature’s most prominent housing advocates, Chang has long beat the drum for housing based on a model used in Singapore, where residents can enter long-term leases on government-owned, subsidized units priced lower than market rates.

In what seems an annual rite of spring, Chang’s [“Aloha Homes” bill](#) setting up a Singapore-style housing program in Hawaii has passed out of the Senate and its first hurdle in the House, but still needs to pass one more House committee.

More Reinvestment

Chang more recently has been touting another model: government-supported rental housing that's available to anyone, regardless of income — similar to public schools. He calls it “social housing.”

To that end, Chang sponsored a measure to [create new class of business entity](#) called “limited-profit housing associations”

These associations would provide an alternative, Chang says, to the most commonly used system in which low-income housing developers use taxpayer money to develop rental housing owned by developers, with the potential to eventually reap large windfalls — and no requirement that the owners reinvest profits to develop more affordable housing. That's a bad deal for taxpayers, Chang says.

The limited-profit housing associations could develop housing and even generate profits, but their primary purpose would be to provide long-term housing at below market rates, Chang said. Company assets, including equity, would have to be reinvested into housing.

Chang recently led a [delegation to Vienna](#) where Chang says such associations are used to provide subsidized rental housing to “over 60% of all city residents in attractive communities with impressive amenities.”

Chang also introduced bills providing funding to [refurbish existing state-owned affordable housing units](#), encourage Hawaii banks to [lend money](#) to develop affordable housing and create a pilot to extend to 99 years from 65 years the time the state can lease property to private people for housing.

A longer lease would encourage younger people to buy leasehold condominiums without fear of having to leave once they grow old, Chang said.

“It gives buyers security that they won't have to leave before they die,” he said.



Senate Ways and Means Committee Chairman Donovan Dela Cruz wants to fund infrastructure improvements to support transit-oriented development. (David Croxford/Civil Beat/2023)

Infrastructure Needed

If Hawaii's Ways and Means chairman Sen. Donovan Dela Cruz has his way, the bulk of taxpayer money for housing will go not to housing programs or agencies but rather to infrastructure.

In his State of the State speech, the governor proposed devoting the lion's share of a \$1 billion housing allocation to two funds overseen by the Hawaii Housing Finance and Development Corp. The idea was to deposit \$400 million into the state's rental housing trust fund to develop rental units and \$500 million would go to the dwelling unit revolving fund, used to pay for infrastructure improvements for developers who agree to build affordable housing units.

Dela Cruz is pushing a different approach. His preferred vehicle, [Senate Bill 1191](#), would funnel as much as \$750 million to the Hawaii Community Development Authority to direct to a variety of specific infrastructure projects around the state. Titled “Relating To Transit-Oriented Development,” the bill proposes funding for projects along the Honolulu rail line and other locations, such as the Kahului civic center on Maui and the Kailua-Kona Civic Center. It also directs money to improvements at Kewalo Basin in Kakaako Makai.

The bill has received support from agencies like the Hawaii State Energy Office, Hawaii Housing Finance and Development Corp., and Office of Planning and Sustainable Development, although with some caveats.

Scott Glenn, the acting director of the Office of Planning and Sustainable Development, [whose nomination remains pending](#), has suggested lawmakers provide money to the planning office to manage, rather than to specific projects.

He cited past legislative practice in suggesting that instead of targeting specific transit-oriented development projects, a “lump-sum be appropriated” to the planning office “as grants for planning, infrastructure feasibility, and environmental studies for projects in the State TOD Strategic Plan.”

“The OPSD has a strong track record of awarding and administering planning grant funds to State and county agencies with the guidance of the Hawai‘i Interagency Council for Transit-Oriented Development (TOD Council),” Glenn wrote.

In an interview, Dela Cruz insisted that the focus on infrastructure in SB 1191 was the most efficient way to support housing development by focusing on “smart growth” rather than sprawl.

“We want to try to eliminate urban sprawl, and we want to focus on efficient development that’s affordable,” he said.

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