REPORT

of the

JOINT LEGISLATIVE HOUSING AND HOMELESS TASK FORCE

Hawaii State Legislature

Pursuant to Act 196

Session Laws of Hawaii 2005

Submitted for the

Joint Legislative Housing and Homeless Task Force

by:

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and
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EXECUTIVE SUMMARY

Hawaii's Housing and Homelessness Crisis

The Legislature recognizes that the lack of affordable housing in Hawaii has become a significant problem affecting all segments of society. Each legislative session, more and more people from all walks of life have come to testify on legislative measures related to affordable housing and homelessness.

Approximately thirty-two percent of the State's more than 400,000 households pay in excess of thirty percent of their income for shelter. These ratios are higher for renters than for owners, and for households that have resided in their units for less than six years.[1] Low-income households are particularly burdened by inadequate housing inventory and escalating rental costs, and the "affordability gap" is increasing over time.[2]

An estimated 44,190 new housing units (32,580 on Oahu alone) are projected to be needed during the 2005-2009 period statewide to satisfy pent-up demand and anticipated new household formation, of which 21,890 units (15,590 on Oahu alone) are projected to be needed for households with less than eighty percent of median income.[3]

HUD Median Family Income (MFI) Percent	Honolulu	Maui	Hawaii	Kauai	State
<30%	2,160	560	410	160	3,290
30-50%	5,980	820	630	480	7,910
50-80%	7,450	1,320	1,240	680	10,690
80-100%	4,060	520	440	210	5,230
100-120%	4,970	650	530	250	6,400
120-140%	2,430	290	150	190	3,060
140-180%	2,490	320	430	190	3,430
>180%	3,040	280	530	230	4,180
TOTAL	32,580	4,860	4,360	2,390	44,190

In Honolulu, for example, a household of four persons with an annual income of $54,250 (eighty percent of the median) could be expected to afford a single family home priced at $222,200 (assuming mortgage interest of six percent, a five percent down payment, and twenty-eight percent of income allocated to housing expense). But the median sales price of single family homes on Oahu in 2005 was $550,000. Similarly, the same family could be expected to pay $1,410 in monthly rental (including utilities), but the median rent for a single family home was $2,204.[4]

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[1] *See* SMS Research & Marketing Services, Inc., Hawaii Housing Policy Study 2003, table IV-A-7 at IV-B-9 (December 2003).

[2] *See* Housing and Community Development Corporation of Hawaii (HCDCH), State of Hawaii Consolidated Plan for Program Years July 1, 2005 Through June 30, 2010 at 36 (September 16, 2004).

[3] *See* HCDCH, *id.* at 31.

[4] *See* letter and attachments of Stephanie Aveiro, Executive Director, HCDCH to Senator Ron Menor (April 15, 2005).

Legislative Response to the Crisis

Given that Hawaii's housing and homelessness crisis is one of the highest priority issues for the Legislature, Act 196, Session Laws of Hawaii 2005 (the "Omnibus Affordable Housing Act"), made significant progress in addressing the issues. The Act's key provisions include but are not limited to: (1) sale or lease of decommissioned public housing at low cost for renovation by private entities; (2) use of the dwelling unit revolving fund for permanent construction financing; (3) increase in the low-income housing tax credit; (4) grants for low-income rental units; (5) exemption from the conveyance tax when property is transferred for low-income housing projects; (6) use of rental housing trust fund moneys for mixed-income affordable housing projects; and (7) extending the general excise tax exemption for certified housing projects to affordable rental housing.

Act 196 recognized in particular the acute problem of homelessness in Hawaii, where the latest homeless point-in-time count enumerated a total of 5,935 homeless individuals statewide. From 1992 to 2003, the hidden homeless population has more than doubled, from over 90,000 to over 220,000 persons. Development of low-income rental housing and homeless shelters are vitally important to help the unsheltered homeless, or those who have a primary nighttime residence not ordinarily used as a regular sleeping accommodation, make the transition into permanent housing.

Act 196 also reorganized the housing and community development corporation of Hawaii (HCDCH) into two separate agencies, the Hawaii public housing administration and the Hawaii housing finance and development administration, in order to promote greater efficiency and effectiveness in the management of public housing and in the financing of affordable housing development in the future.

Joint Legislative Housing and Homeless Task Force

While Act 196 established measurable goals and laid the foundation for continued progress, more action is clearly needed. Accordingly, the *Joint Legislative Housing and Homeless Task Force* was established by the Act to develop more immediate solutions that can be implemented in the near future to help ease Hawaii's housing shortage and the needs of the homeless. The Task Force has been guided by the principle that its findings and recommendations should be focused on what the state role should be in providing affordable housing.

The Task Force was specifically asked in Act 196 to determine the following:

(1) The inventory of all state lands used for low-income and public housing, the condition of public housing units on the lands, and whether other state lands and properties are available and suitable for the development of transitional shelters for the homeless or low-income rental housing;

(2) The inventory and condition of all public and private low-income rental housing units;

(3) The number of decommissioned units and if those units could be repaired or renovated and be used for low-income rental housing or homeless shelters;

(4) Strategies for public partnerships with private and nonprofit entities to renovate housing units and develop low-income rental housing and homeless facilities;

(5) Strategies and incentives for public partnerships with private and nonprofit entities to develop moderate-income affordable ownership homes and lower-income rental units;

(6) Strategies to streamline the permitting and approval process and address infrastructure barriers to development of new housing projects;

(7) The role the land use commission (LUC) should play in the approval process for affordable housing projects; and

(8) Other matters relating to housing and the homeless that the Task Force deems appropriate.

As directed by Act 196, the President of the Senate and the Speaker of the House of Representatives each appointed four members to the Task Force, co-chaired by the Chair of the Senate Committee on Commerce, Consumer Protection and Housing, and the Chair of the House of Representatives Committee on Housing.

The members of the Task Force are:

Senate
Senator Ron Menor, Co-Chair
Senator Rosalyn Baker
Senator Gary Hooser
Senator Paul Whalen

House of Representatives
Representative Michael Puamamo Kahikina, Co-Chair
Representative Ezra R. Kanoho
Representative Scott Y. Nishimoto
Representative Chris Halford

The Task Force spent many hours researching and meeting with stakeholders and other persons knowledgeable about housing in Hawaii, including mayors, county council members, and officials from state and county agencies, private companies, and nonprofit organizations. Meetings were held in each county in a variety of formats including public hearings and briefings, roundtable discussions, and visits to various private and public housing sites. The purpose of these meetings was to determine the types of affordable housing and transitional homeless projects already in existence, gather information on innovative programs, and find out what the State needs to do to further develop affordable housing and homeless programs. The Task Force relied on the information collected to develop its recommendations.

The Task Force could not have gathered the information contained in this report without the help of many individuals statewide. The Task Force expresses its appreciation to those individuals who generously offered their time and knowledge, and most of all their dedication, to helping the Legislature address Hawaii's affordable housing and homeless needs. *See* Appendix A for a list of a participants and contributors.

The Task Force report was prepared by staff of the Senate Majority Office, with contributions from the House Majority Staff Office.

Summary of the Task Force Findings and Recommendations

The Task Force was encouraged by many of the affordable housing and transitional homeless developments that currently exist or are in the planning stages. However, more affordable housing is needed. Accordingly, the Task Force proposes a five-year plan with the goal of developing a substantial number of affordable housing units, as well as an increased number of accommodations and services available to the homeless.

Based on the input received from various stakeholders, the State should become more actively involved in several major areas of concern, including: (1) leveraging more sources of financing for affordable housing; (2) making available more public land for the development of affordable housing; (3) streamlining government approvals and permitting of affordable housing projects; (4) building more offsite infrastructure to serve affordable housing; (5) appropriating additional funds for transitional housing, shelters, and services for the homeless population; and (6) preserving and maintaining the existing stock of public housing and rental units, much of which is badly deteriorated, subject to high vacancy rates and long turnover times, and otherwise not available for needy tenants.

The Task Force therefore recommends that the Legislature now adopt a five-year plan to implement solutions in each area of concern. Priority actions would include but not be limited to:

(1) Increase the allocation of conveyance tax revenues to the rental housing trust fund to at least fifty percent, to finance development of at least an additional 2,300 rental units over the next five years (5,238 units if leveraged with other sources).

(2) Appropriate $20,000,000 to fund immediate and near-term solutions to the homeless problem through grants-in-aid to innovative nonprofit organizations.

(3) Create further incentives such as a new noncompetitive state low-income housing tax credit of ten to fifteen percent of project eligible basis, unconstrained by federal law, to leverage private investment funds for development of low- and moderate-income units.

(4) Identify private and public lands available for affordable housing development, including small state-owned parcels suitable for construction of self-help homes.

(5) Appropriate approximately $10,000,000 to repair and modernize 825 vacant units in federal and state public housing projects.

Recommendations

The Task Force recommends that the Legislature now adopt legislation to accomplish the following:

With regard to the financing of affordable housing –

(1) Appropriate $20,000,000 for homeless and transitional housing and services for fiscal year 2006-2007. The State also needs to make a commitment to ensure a stable and steady source of funding for homeless housing and services. Therefore, the Task Force recommends at least $5,000,000 for each of the next four fiscal years to fund these areas. For fiscal year 2006-2007, the Legislature may consider funding of grants-in-aid requests by nonprofit organizations that propose creative and innovative immediate and near-term solutions to the homeless problem.

(2) Increase allocation of conveyance tax revenue to the rental housing trust fund (RHTF) from thirty percent to at least fifty percent, effective in fiscal year 2006-2007, to sunset at the end of fiscal year 2009-2010. The Task Force recommends that this allocation be increased further if the state housing agency can demonstrate that there are enough developers that can effectively utilize the additional funds to make more affordable rental units available.

Conveyance Tax (millions)	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Council on Revenues Projections 12/16/05	$ 59.7	$ 71.1	$ 84.9	$ 102.1	$ 123.5
Current: 30% to RHTF	$ 17.9	$ 21.3	$ 25.5	$ 30.6	$ 37.0
Proposed: **50%** to RHTF		$ 35.5	$ 42.4	$ 51.1	$ 61.7
Increase to RHTF		$ 14.2	$ 16.9	$ 20.5	$ 24.7
Number of Units Built	291-530	416-913	465-1063	526-1250	602-1482

If the allocation of conveyance taxes to the RHTF is increased from thirty percent to fifty percent, the difference could result in a total of 2,300 new units being built with RHTF funds and four percent tax credits over five years, and if leveraged with additional financing sources, an estimated total of 5,238 new units could be built.

(3) In addition to the existing state low-income housing tax credit (LIHTC), establish a new separate state affordable housing tax credit of ten to fifteen percent of project eligible basis, decoupled from the federal tax credit, for construction of new or rehabilitation of existing affordable housing units.

(4) Amend the state rent supplement program to allow funds to be used for project based operating subsidies for State low income housing units.

(5) Increase the low-income household renters' eligibility for income tax credit from $30,000 adjusted gross income (AGI) to $50,000 AGI, and increase the tax credit from $50 to $100 per qualified exemption for taxpayers with AGI up to $30,000, and $75 per qualified exemption for taxpayers between $30,000-50,000 AGI (estimated subsidy from $7,300,000 to $19,000,000 annually).

Low-Income Renter’s Tax Credit	**Household of four, up to $30,000 AGI**	**Household of four, up to $50,000 AGI**
Current credit at $50	$200	None
Proposed credit at $75 / $100	$400	$300

(6) More fully utilize bond financing for affordable housing improvements.

(7) Fully fund and strengthen existing programs such as Hula Mae and the downpayment loan program designed to assist residents, including first-time homebuyers, to purchase their own homes.

With regard to land availability for affordable housing –

(8) Create innovative self-help ownership projects by:

- Encouraging the development of small self-help ownership housing on small state-owned land parcels. The Task Force has identified numerous small parcels that may be suitable for lease for one dollar per year for fifty years to develop ownership units through self-help organizations or community land trusts.

- Appropriating $2,000,000 over five years for interim construction loans for fifty self-help homes. Organizations may seek additional financing assistance through HCDCH’s dwelling unit revolving fund (DURF).

(9) Enact an inclusionary zoning enabling statute for ordinances that may be adopted by the counties, applicable to all residential and nonresidential development, requiring uniform assessment of affordable housing unit

percentages or in-lieu fees; *see*, *e.g.*, chapter 46, part VIII, Hawaii Revised Statutes, relating to impact fees. Provide appropriate incentives to the counties to adopt such ordinances.

(10) Authorize a study identifying available land from the large estates that are divesting their holdings, or lands previously used for pineapple and sugar plantations, that could be developed for affordable housing, and examine the feasibility of having the state acquire those lands for affordable housing development through a land bank or land trust. Appropriate $50,000 for the study.

(11) Provide incentives over the next five years to develop affordable ownership and rental housing in the Honolulu urban core:

- Require the State to build at least 100 units of affordable housing above any usage of state-owned property for state offices on Beretania Street in Iwilei. The State should also undertake a planning process to try to integrate affordable housing into state building complexes that are developed in the future.

- Designate an appropriate agency to work with the city and county of Honolulu and stakeholders in the private sector to develop a plan for the redevelopment of the Honolulu urban core for affordable housing. The plan should contain key elements including but not limited to: (a) identifying parcels of land and buildings in the urban core suitable for redevelopment; (b) determining infrastructure requirements and financing of infrastructure improvements; (c) evaluating whether acquisition of land by the state or county may be necessary; and (d) recommending the appropriate agency or entity to oversee redevelopment activities. The plan and recommendations for implementing legislation shall be submitted to the Legislature for consideration during the 2007 Session. Appropriate $75,000 for the plan.

(12) Accelerate Phase 1 of the Kalaeloa project under the Hawaii community development authority (HCDA) to develop 2,385 affordable housing units, by providing state funds which can be leveraged to finance construction of offsite infrastructure totaling up to $70,000,000 over a five-year period for the development of affordable housing. The HCDA shall submit a detailed plan for the development of affordable housing at Kalaeloa to the Legislature for the 2007 Session.

With regard to government approvals and permitting for affordable housing –

(13) Require that state agencies in the permit review process give affordable housing projects priority processing, and provide sufficient funds and resources to ensure timely completion of these reviews.

(14) Amend the Zoning Enabling Act to provide the counties with flexibility to approve affordable housing projects by waiving requirements for certain infrastructure, such as sidewalks; *see*, *e.g.*, section 46-14.5, Hawaii Revised Statutes [Act 196] relating to land use density for low-income rental units.

(15) Amend section 201G-118, Hawaii Revised Statutes, to improve and further streamline the fast-track permitting process.

(16) Request that the counties establish an expedited permitting and approval process for affordable housing projects. Counties that come up with an approved plan within three months shall receive state funding to implement the plan. Appropriate $650,000 for implementation of the plans.

With regard to availability of infrastructure for affordable housing –

(17) Request the counties to provide information on their offsite infrastructure requirements (*e.g.*, sewer, water, drainage, and roadway systems) to accommodate future affordable housing developments.

(18) Appropriate capital improvement project (CIP) funds for offsite infrastructure needed in developments that incorporate affordable housing components throughout the State.

(19) Encourage creative, innovative, and cost-effective ways such as tax increment financing or the establishment of improvement districts to finance the construction of offsite infrastructure, and determine whether additional legislation is needed to implement these measures.

With regard to the preservation and maintenance of the existing stock of public housing and affordable rental units –

(20) Pass legislation to finalize reorganization of the HCDCH into two separate agencies, the Hawaii public housing administration and the Hawaii housing finance and development administration, with each agency having clearly defined roles and responsibilities.

(21) Provide approximately $10,000,000 to repair and modernize the 825 vacant units in federal and state public housing.

(22) Direct the Legislative Reference Bureau to:

- Study and assess the government subsidized affordable housing projects currently in private ownership that are eligible to convert to market-priced housing over the next five years.

- Prepare a plan on the measures and incentives that can be implemented, together with cost estimates, to retain these projects as affordable housing. This plan shall be presented to the Legislature for the 2007 legislative session.

(23) Appropriate $50,000 to study the feasibility of decommissioning and placing under private ownership and management federal public housing projects, and present an action plan to the Legislature for the 2007 legislative session.

(24) Require the Hawaii public housing administration to decommission and place under private ownership state public housing projects where a determination has been made that they are dilapidated and not feasible to repair, or would be more effectively owned and managed by a private entity.

(25) Require the Hawaii public housing administration to accelerate the repair and refurbishment of public housing units that subsequently become vacant, to prepare them for timely occupancy by new tenants; and provide sufficient additional funds and resources for this purpose.

(26) Direct the Hawaii public housing administration to accelerate the conversion of the federal Palolo Public Housing project to private ownership and management, due to strong community support for this change and the successful conversion of the adjacent state project to a private nonprofit organization.

(27) Provide additional funding to the new Hawaii housing finance and development administration for the development of affordable housing.

(28) Provide tax breaks (*e.g.*, general excise tax exemptions or tax credits) to landlords of apartment complexes who maintain units as affordable rentals.

(29) Encourage private landlords with ten or more rental units to accept Section 8 vouchers by providing a general excise tax holiday equivalent to the amount assessed for one month of rent for each unit rented to a Section 8 voucher holder for one year (estimated incentive approximately $450,000 annually, or $2,250,000 over five years).

(30) Consider State acquisition of government subsidized affordable housing projects that are eligible to convert to market priced housing over the next five years, including Kukui Gardens.

(31) Include job placement, substance abuse, and other programs and services in affordable housing complexes, to integrate the tenants into the larger society.

***In addition to the above recommendations, the Legislature should also be open to considering other ideas and proposals that emanated from the Task Force meetings and roundtable discussions. These include*:**

(1) Revamping the role and responsibilities of the land use commission.

(2) Allowing greater flexibility in the use of state housing funds to meet the needs of various income groups.

(3) Issuing bonds for the development of affordable housing, homeless facilities, credit enhancement (loan guarantees) for conventional financing, and down payment loans for first-time homebuyers.

(4) Providing a two to one state tax deduction or tax credits for the donation of land for affordable housing.

(5) Authorizing the use of community land trusts to hold land for affordable ownership housing.

(6) Appropriating funds over five years to subsidize condominium projects of four stories or higher in Kakaako, mauka of Ala Moana Boulevard, that dedicate more than fifty percent of their units (up to 1,000 units) for sale at prices affordable to households at or below one hundred forty percent of median income.

(7) Encouraging the resolution of the ceded lands dispute by negotiating release of certain lands to be used for affordable housing.

(8) Making effective use of ohana housing by:

- Legalizing new or rehabilitated ohana units in all counties and on Hawaiian home lands, provided the owner agrees to rent to Section 8 voucher holders or comply with the federal affordability formula established for that unit.

- Funding administrative costs for counties to set up the permitting process to legalize ohana units, up to thirty percent of the expected rental needs of households whose income are below eighty percent of median income over the next five years. If the counties adopt this plan, over 6,000 units may be placed in the rental housing inventory.

- Providing incentives for homeowners to build new or rehabilitate existing ohana units through legal permitting, including $5,000,000 over five years for low-interest construction loans administered by the counties, and a general excise tax exemption for the first year of rent.

THE ROLE OF THE COUNTIES

One of the goals of the Task Force was to determine how each county planned to accommodate its affordable housing needs, and what kinds of projects are currently in the pipeline. Currently, each county has its own set of rules and requirements relating to affordable housing to meet its own unique needs. Some of the counties are in the process of formalizing or revising their housing policies. *See* Appendix B for a table of affordable housing requirements by county.

The Task Force was successful in meeting with county officials from the neighbor islands to gather information and to learn various innovative methods of encouraging the development of affordable housing. The Task Force was impressed greatly by the efforts of various entities and individuals in each of these counties. While each county has a unique way of dealing with the housing crisis, many of the solutions have proven to be quite effective, such as self-help housing, private-public partnerships, and transitional housing.

City and County of Honolulu

The Task Force has found it difficult to determine how the State can support the City and County of Honolulu's efforts to develop affordable housing because the city has no program, plan, or policy in place for affordable housing. Further, the city provided the Task Force with limited information. Yet the city has the greatest need of more housing, in large part because it has the greatest population by far of the four counties. Both homeownership and rental housing costs are among the highest of the four counties, further adding to the burden.

The city reported that while it has an administrative rule to require residential developers seeking zoning changes to set aside thirty percent of the units for affordable housing, this policy has not been enforced for the last six years. In 1999, the city council passed a resolution calling for a moratorium on enforcement of affordable housing restrictions imposed on developers. *See* further discussion in the section "Strategies and Incentives for Moderate-Income Affordable Ownership Homes."

The city's department of planning and permitting (DPP) submitted written testimony stating that it does not maintain statistics on the length of time for permitting and approval of affordable housing projects. The DPP did state that it has taken steps to streamline the permitting process to reduce delays, such as increasing staff, providing information online, improving its one-stop permit center, allowing third-party reviews of plans on behalf of the city, and opening a satellite office at Kapolei.

While DPP is to be commended for these efforts, the permitting process can be lengthy, frustrating, and complicated, particularly for nonprofit entities and smaller developers of affordable housing. It has been suggested that DPP consider holding educational seminars on the permitting process to make it less daunting to those not frequently exposed to the process but who are in a position to assist in alleviating Hawaii's affordable housing and homeless crisis.

County of Hawaii

In his meeting with the Task Force, Mayor Kim stated that since he became mayor in 2000, the county of Hawaii has faced several major issues where the problem was of such severity that a crisis was declared. It was pointed out that in these areas, the needs are so complex and immense that any solution must involve all levels of government (federal, state and county) as well as the community to make some kind of impact. Of all the challenges facing the county, the three problems that the government has established as crises have been the "ice" epidemic, the coqui frog, and housing.

Housing was declared to be a crisis by the county in 2003. This crisis was established not only for "affordable" housing but for the total spectrum of housing. A statewide study done in 2003 showed that the county had 45,000 persons identified as earning eighty percent of the median income or below, out of a population of about 160,000. This means that 45,000 people do not have a place to call home without the assistance of government, friends, or family. This number of people is now being overshadowed by the tremendous inflation of property values in the past few years, so that housing is out of reach even for those earning in the range of eighty to one hundred forty percent of median income. It is in this context that the following have been emphasized:

- State government must do all it can to maximize the maintenance and utilization of all its housing projects.

- Assistance by the federal government must be supported so as to prevent continued decrease in the Section 8 subsidy from the U.S. Department of Housing and Urban Development (HUD). Information received is that this program, which has been cut by thirteen percent this year, will be cut by another ten percent next year.

- The county government will prioritize and do all it can to work with the county council to ensure that it does not add to the problem. Revisions have been made to protect agricultural land as a lifestyle; ensure homeowners are not caught in spiraling inflation of property taxes; review the building code; ensure heavy emphasis on community planning; strengthen the county's affordable housing policy for new developments; and ensure a positive working relationship with the department of Hawaiian home lands (DHHL) to support its housing programs.

The Mayor stated that it is vitally important that the state, federal and county governments work in a coordinated fashion to address the housing crisis.

Councilmember Pete Hoffmann indicated that the county recognizes that it has to do more for affordable housing, and accordingly the council adopted a new affordable housing policy early in 2005. The policy now lays down new guidelines that make clear that the county does not simply want developers to pay "in lieu" fees; it wants houses on the ground. A proposed amendment would ensure that commercial and industrial projects also have a viable affordable housing requirement. The county will turn over 270 acres at Waikoloa to UniDev LLC for development of workforce housing, and expects the first homes there in 2007. Eventually there will be 1,000 single-family and rental units for households with incomes from fifty to one hundred forty percent of the median. In other cases in Kona, the county has insisted on donations of land, roads, and school sites before granting development approval. But there is need for specific additional funding to augment what the county receives from HUD. For example, county discretionary funds will be used to keep the Kawaihae Transitional Housing Area open.

County of Kauai

Housing Executive Kenneth Rainforth reported that the county of Kauai is using "fast track" permitting procedures to expedite a number of affordable housing projects by private developers, nonprofit organizations, and the DHHL. The county has a housing task force of development review agencies called together biweekly to meet with developers to resolve problems, so that permit applications go to the "top of the stack" in the reviewing agencies, a number of which are experiencing staff vacancies. Out of this process, 398 affordable units (212 for sale, 186 for rent) are anticipated to be built by the end of 2007. Kauai will build out the Kalepa Village site by developing the last of four phases as a mixed-income project, since low-income rents barely cover operating expenses, with little or nothing for debt service. Kauai's first emergency homeless shelter and transitional housing project will be developed on an unused state baseyard in Lihue with the reuse of nonresidential buildings. The county is looking at state land parcels suitable for affordable housing sites. The 2002 housing needs assessment survey is being updated, with emphasis on reaching the homeless (those without telephones).

Mr. Rainforth added that Section 8 vouchers are currently assisting 650 households, and there is funding for 100 more. Kauai recently reopened its waiting list which now contains 330 households; preference is no longer given to elderly disabled applicants. The county would like the State to resume a more active role in providing land and infrastructure for affordable housing, to take some of the burden off the counties and private developers. This will require resolution of the litigation brought by the Office of Hawaiian Affairs (OHA) to block disposition of ceded lands. The priorities and eligibility for rental housing trust fund moneys, normally leveraged with other sources such as tax credits, have now been opened up under the provisions of Act 196, Session Laws of Hawaii 2005, thereby creating additional opportunities for mixed-income projects in partnership with private entities.

Councilmembers Kaipo Asing and Shaylene Iseri-Carvalho noted that an advisory committee is drafting the county's first ordinance specifying a formal policy for future housing exactions to be imposed on developers (as Maui and Hawaii have recently done), in lieu of the current practice of exacting *ad hoc* conditions under informal guidelines. The Mayor has mailed out a housing survey to Kauai residents, designed to gather information on how many affordable housing projects should be built, and to develop a plan for accomplishing this.

County of Maui

Mayor Alan Arakawa stated that his administration of the county of Maui has been working on affordable housing "from day one," in all categories: single family homes, homeless shelters, Section 8 housing, rentals for students and temporary workers, starter units for first-time buyers, and condominiums and assisted living for senior citizens. Housing for the homeless requires support programs to help these persons make the transition to residential living. Maui takes the position that government should stay out of what it cannot do or does not understand. The private sector will build to meet a need, but it will not build what it cannot sell. Most affordable housing built to date has been in fee simple, so the first owners receive a large bonus from price appreciation, as a result of which the units are not affordable to the next generation. That is why buyback requirements can help to maintain affordability. But government should not try to compensate for market fluctuations over which it has no control.

The Mayor cautioned that there are problems with the land use permitting process. Agencies reviewing projects generally wind up harming the projects. The time and cost of environmental review in particular are "horrible." Government can help by coordinating better with developers. The county administration likes the "fast track" process under section 201G-118, Hawaii Revised Statutes, but the county council does not. Impact fees [*e.g.*, affordable housing exactions] are a good approach, but they must be administered consistently, as developers need certainty rather than rules that continually change. Certain state agencies (transportation, health, and education) are either non-responsive or after-the-fact in their reviews of projects to determine infrastructure requirements. These agencies should either respond with specific recommendations, or allow the projects to go forward after a set time period. Burial council reviews for cultural impact are also problematic, as there is no uniformity and no set process.

INFORMATIONAL BRIEFING

The Task Force held an informational briefing in the State Capitol on October 12, 2005, at which statements were invited from selected agencies and stakeholders. The written statements received are summarized in Appendix C. The collective recommendations of the participants in the informational briefing include but are not limited to:

(1) Construct more affordable rental units for the homeless.

(2) Leverage private sector solutions and resources to:

  (A) Renovate Hawaii's aging public housing projects to the standards of privately owned affordable rental projects; and

  (B) Demolish dilapidated public housing units and sell the land, or convert the units to market use.

(3) Allow state rent supplement program funds to be used for operating subsidies to maintain renovated public housing projects.

(4) Develop mixed-income housing to help alleviate the need for deep operating subsidies for public housing.

(5) Increase densities in urban Honolulu to accommodate more affordable housing, by:

  (A) Developing a formula to pass on the cost of offsite infrastructure improvements to serve affordable units; and

  (B) Improve the aging sewer system infrastructure in a systemic and comprehensive manner.

(6) Build more housing product for *all* income groups.

(7) Remove duplication and overlap between state land use reclassification and county rezoning actions.

(8) Bundle financial resources in innovative ways to develop needed offsite infrastructure for affordable housing.

(9) Create additional tax incentives for developers of affordable units.

(10) Lower design standards for affordable and worker housing to reduce excessive costs.

(11) Provide the homeless with appropriate programs to build living skills in transitional housing, rather than temporary emergency shelters.

(12) Place general excise tax revenue from housing rentals into the rental housing trust fund.

(13) Encourage more landlords to accept Section 8 vouchers from low-income tenants.

PUBLIC INFORMATIONAL MEETINGS

The Task Force received public input at public informational meetings held in Kona on October 26, 2005; in Hilo on October 27, 2005; on Kauai on November 9, 2005; and on Maui on December 8, 2005. Written testimonies received by the Task Force are summarized in Appendix C.

County of Hawaii – Kona

Oral testimony was received from a concerned resident of La`ilani Rental Housing, seeking strict enforcement of the project rules for tenants. He cited various anecdotal examples of violations and less than adequate requests for compliance by management. The manager of La`ilani for Hawaii Affordable Properties testified that she had not before heard the resident's concerns, but would like to meet with him. A Hawaii county councilmember suggested that with the pending split of the housing and community development corporation of Hawaii (HCDCH) into two separate administrations, there is need to look at the role, functions, and qualifications of the board of directors for each entity.

County of Hawaii – Hilo

Oral testimony was received from a representative of Faith Against Drugs regarding his need to find simpler and more effective ways to access funds for supportive services to the homeless. Representatives of Hawaii County Economic Opportunity Council (HCEOC) described how various community "self help" projects they have done are increasingly affected by costs that have become "sky high." They emphasized the Big Island's need for infrastructure (water and power) to serve the vast areas of unimproved land where people are "squatting" without services. Federal rural development funds are decreasing every year and are not available for areas without infrastructure. State management of public housing is "deplorable," there are too many vacancies, and it takes too long to fill vacant units. The Lanakila Homes site needs to be better utilized and fully developed for affordable housing.

County of Kauai

Oral testimony was received from a Kauai county councilmember regarding the importance of a strong commitment to provide housing for Kauai's low-income population and shelter for its homeless. A self-help project at Eleele has completed eighteen homes but has more than one hundred lots that still need financing; use of sweat equity and no-interest loans for construction actually works against that. The project needs $4,200,000 for infrastructure. A representative from A & B Properties, Inc., pointed out that faster permit processing and state funding of infrastructure would save time and cut costs in developing affordable housing. The manager of Lihue Court Townhomes stated that not everyone is ready for home ownership, and there will always be a need for rental units in mixed-income communities. A prospective resident of Cliffside at Hanapepe Heights testified regarding her dispute with the Self-Help Housing Corporation over completion of her home, and that she was unable to find any government agency with oversight over such matters.

County of Maui

Oral testimony was received from Maui Economic Opportunities (MEO) that more state rental assistance funds would be helpful for assisting the approximately 275 people (including many working families) living at the Kahului Harbor breakwater. Representatives of the Maui Nui Housing Task Force said that housing affordability is now a middle class problem on Maui; since young people cannot find homes, employment vacancies cannot be filled. Home financing is a large issue, that may be helped somewhat by the recent increase in the conveyance tax dedicated to the rental housing trust fund. A concerned citizen pointed out that land and infrastructure are also essential to providing affordable housing, especially in upcountry Maui. The president of the Maui Coastal Land Trust supported the idea of forming trusts to receive assistance from other sources, and recommended that the term of buyback and shared appreciation conditions be lengthened to keep affordable homes available to the target population of low and moderate income families. One unseen response to the housing affordability crisis on Maui is that middle income families are renting out rooms to pay for their homes. Renters frequently have difficulty in coming up with both the first and last month's rent for the few rental units available.

The executive director of Na Hale o Wainee Resource Center stated that public housing should be turned over to the private sector, since the State is unable to generate sufficient funds to maintain the units properly. He has found it feasible to develop low income housing using direct donations of land and in-lieu fees made by other developers to satisfy their affordable housing conditions, so that projects can be delivered with little or no debt service and as separate entities, not mixed with units marketed to higher income households. A concerned citizen pointed out that "circuit breaker" property tax reform would be of great assistance to homeowners, but not to renters of investment homes that are not sheltered from rising land values. A representative of Family Life Center, which provides placement and case management services to the homeless, expressed difficulty in receiving approvals under the county building code for mobile structures used as temporary or emergency shelters. Many homeless persons are chronically sleep-deprived at night, and therefore cannot function effectively during the day to seek employment and other services they need. The executive director designate of MEO echoed that thought, and added that many homeless persons are without hope of looking for work, child care, and transportation. He also expressed frustration that the county will not grant the permits needed for MEO to develop an inmate transitional housing facility in the Wailuku building purchased with a legislative appropriation of $1,000,000 in fiscal year 2004-2005 (Act 41, Session Laws of Hawaii 2004, item IV-I-1.07, amending Act 200, Session Laws of Hawaii 2003).

HOUSING ROUNDTABLE DISCUSSIONS

The Task Force Chairs believed it was important to sit down with additional stakeholders to identify solutions to Hawaii's affordable housing crisis. Accordingly, on November 28 and December 2 and 6, 2005, the Task Force convened three meetings of representatives from the housing development industry, the nonprofit sector, and government, to consider immediate, short-term solutions and identify projects that can be completed over the next two to five years to ease Hawaii's housing shortage and the needs of the homeless population. For this purpose, the roundtable discussions focused on Hawaii's housing market in three segments: (1) households with incomes between fifty and eighty percent of the median; (2) households with incomes between eighty and one hundred percent of the median; and (3) households with incomes between one hundred and one hundred forty percent of the median.

Statements were invited from all representatives, who were asked to focus on the following questions:

(1) What must be done to increase the inventory of housing units for the pertinent income group within the next five years?

(2) What is the best type of housing project that will meet the needs of the pertinent income group that can be completed within the next two years?

(3) What specific projects are already in the design and/or construction phase for this group?

(4) What should government's role be in getting private developers to include housing units for this group within any housing project?

(5) What strategies are needed to identify and dedicate parcels of land for housing units for this group?

(6) Can the housing needs of this group be met entirely through private development?

(7) If the housing needs of this group cannot be met entirely through private development, what should government's role be in the development of housing for this group?

(8) Are there any redevelopment projects within the urban core on Oahu to meet the housing needs of this group?

(9) What type of non-financial assistance is needed from government to facilitate the development of housing projects for this group?

(10) On the demand side, should any type of incentives be provided to this group to bridge the gap between income and affordability? If so, what type of incentives?

(11) What are your recommendations for legislative action?

The members of the roundtable discussions collectively developed the following ideas for possible legislative and government action. Written statements received by the Task Force are summarized in Appendix C.

General Recommendations Common to All Income Groups:

(1) Provide a tax credit for entities that develop new or rehabilitated affordable housing.

(2) Conduct a review of administrative rules related to housing, namely title 15, chapters 174 and 175, Hawaii Administrative Rules.

(3) Address regulatory barriers at the state or local level that either add to the cost, or effectively discourage, housing production.

(4) Require the State to ensure the top twenty percent of public-private debt for affordable housing units.

(5) Review and revise personnel regulations and practices for housing agencies, including salary and positions.

(6) Encourage banks to be more active through the Community Reinvestment Act.

(7) Provide inclusionary zoning with linkage and incentives.

(8) Encourage rapid infrastructure support and amend density provisions for the Barbers Point/Kalaeloa area.

(9) Preserve existing state and local subsidized housing units.

(10) Increase HCDCH's bond authority.

(11) Increase the allocation allotted to the rental housing trust fund and dwelling unit revolving fund.

(12) Fund capital investment in housing.

(13) Dedicate a percentage (such as seventy-five percent) of general excise tax collections on residential rentals to be deposited into the rental housing trust fund.

(14) Promote creative mixed-use and mixed-income solutions to housing.

(15) Form a land trust to hold developable land acquired through inclusionary zoning.

(16) Reform the contractor licensing law.

(17) Form a Hawaii housing foundation (charitable organization) that is funded by private parties.

(18) Review Act 196, Session Laws of Hawaii 2005, including the amendment that a portion of decommissioned public housing be sold to private entities for rehabilitation for households between thirty and fifty percent of median family income.

(19) Fund a rent subsidy for families below fifty percent of median family income.

(20) Find new ways to build homeless shelters.

(21) Find new ways to finance infrastructure costs.

(22) Make more land available for affordable housing development.

(23) Overbuild the whole market so rents go down for the lowest income residents.

(24) Encourage vacation homes since they pay the highest taxes and use the least services.

(25) Amend the chapter 201G fast track building permit process to allow for the development of more affordable housing.

(26) Provide state grants for infrastructure to support redevelopment.

(27) Expedite development processing dependent on the number of affordable housing units proposed for a project.

(28) Change land use commission and department of taxation policies to make data available for analysis.

(29) Fund and increase the state low-income tax credit.

(30) Provide bonus rental credits.

For the Fifty to Eighty Percent of Median Income Group:

(1) Acquire agricultural land for rezoning from agriculture to urban to permit affordable housing developments.

(A) Sell some of the land to investors, and use the proceeds to finance affordable housing on the remaining land.

(B) Dedicate a percentage of the land to affordable housing through inclusionary zoning.

(2) Modify the land use commission's role to streamline the government permit approval process.

(3) Increase the state low income tax credit.

(4) Provide density bonus credits for low-income rental housing.

(5) Increase the conveyance tax to create a disincentive to outside investors.

(6) Sell public housing for rehabilitation under private ownership and management.

(7) Convert plantation camps into modest homes with limited infrastructure, with planned upgrades over a period of time.

(8) Fund county infrastructure and affordable housing planning and development.

(9) Raise property taxes for non-resident owners by refunding a general increase to residents through income tax credits.

(10) Use state surplus general funds to augment the rental housing trust fund.

(11) Consider self-help and sweat equity for affordable housing.

For the Eighty to One Hundred Percent of Median Income Group:

(1) Ease the entitlement process by streamlining it and avoiding duplication of review between the land use commission and the counties.

(2) Provide government assistance in the form of tax credits, increased funding for the rental housing trust fund, acquisition and use of public land, funding of infrastructure and other costs to the developer, financing through below market interest loans, and appointment of a "housing czar" as champion.

(3) Provide incentives for small landowners to create or preserve affordable rentals by:

(A) Financing the rehabilitation of units kept as affordable rentals;

(B) Legalizing and taxing ohana units maintained in compliance with building code standards and rented at affordable rates; and

(C) Considering a lottery to award legal ohana units.

(4) Reduce developers' exposure to financial risk in affordable housing projects through greater government investment in offsite infrastructure.

(5) Mandate that a determined percentage of affordable housing units be allocated to each community and neighborhood.

(6) Require that all new public buildings include an affordable housing component.

(7) Acquire land to create land banks and community land trusts for leasehold development of affordable housing, to reduce delivered costs to occupants and tenants.

(8) Decommission public housing units to private ownership and management.

(9) Authorize the counties to permit higher zoning densities than prevailing standards for affordable housing elements in new community projects.

(10) Consider how transportation systems and services can be improved to reduce demand in the urban rental market from persons seeking to avoid long commuting trips by living close to their workplaces.

(11) Raise the threshold valuation of projects or structures so as to exempt affordable housing from the licensing statutes that regulate contractors, architects, and engineers.

(12) Consider limitation of contractor liability for construction defects that cause insurance rates to rise above the level of economic feasibility for affordable housing projects.

(13) Mandate that owners of five or more rental units be required to accept HUD Section 8 vouchers upon presentation by prospective tenants.

(14) Capture data on the number of residential rental units by distinguishing and reporting general excise tax revenue from this source as a separate business activity category.

For the One Hundred to One Hundred Forty Percent of Median Income Group:

(1) Establish an independent authority to redevelop the urban core of Honolulu by using eminent domain for land consolidation, upgrading infrastructure, and rebuilding at higher density.

(2) Delegate condemnation power to private action, subject to legislative authority, designation of agency, and determination of public purpose under *Kelo v. City of New London*, 125 S.Ct. 2655 (2005).

(3) Develop affordable rental housing units under leasehold tenure with buyback restrictions to preserve affordability indefinitely into the future.

(4) Reduce developers' risk in developing affordable housing by providing incentives such as low-interest loans, loan guarantees, tax credits, improvement districts, and tax increment financing to share the cost burden of land acquisition and infrastructure development.

(5) Ease costly and time-consuming restrictions in the land use entitlement system by outsourcing plan reviews and approvals to expedite permit processing.

(6) Coordinate levels of government in the land use permitting process through means such as a "housing czar" or independent non-governmental or quasi-governmental agency.

(7) Provide homeowner counseling services for first-time homebuyers.

(8) Use inclusionary zoning to encourage development of affordable housing in communities that are concerned about development.

(9) Provide incentives to encourage employers to locate jobs where people live, thereby reducing transportation problems and demand for new workforce housing.

(10) Delegate condemnation powers to HCDCH as a redevelopment agency.

(11) Amend the blood quantum requirement to enable use of Hawaiian home lands to rehabilitate <u>all</u> Hawaiians with programs for better housing (including ohana units) funded by the office of Hawaiian affairs.

(12) Amend building standards to permit redevelopment of plantation camps and development of new affordable housing subdivisions at less than current county standards.

(13) Complete the identification of important agricultural lands so that marginal lands may be used for housing.

(14) Inventory surplus public lands that may be land banked or used for housing.

(15) Prevent the disposition and sale of public housing assets to investors; offer to tenants first, or transfer to DHHL for its use or distribution to beneficiaries.

(16) Provide wastewater collection and treatment systems for unserved rural communities such as Keaau.

(17) Curtail land value speculation by restricting resale of owner-occupied affordable units.

SITE VISITS

In addition to meeting with county officials, developers, and the public, the Task Force spent several hours on Oahu and each of the neighbor islands touring various types of housing developments. While some of the public housing projects were in dire straits, members of the Task Force were impressed by some of the innovative methods implemented through various private sector organizations.

The private sector, including for-profit and nonprofit organizations and developers, has made tremendous efforts to help alleviate the housing and homeless crisis that Hawaii is facing. While each county has implemented affordable housing requirements that require developers to build a certain amount of affordable housing, some of the developers have exceeded the minimum requirements. Others have made efforts to develop workforce housing that is affordable to residents that work in the area. Nonprofit organizations have also shouldered some of the burden by creating innovative programs to help those in need, such as the homeless and those recovering from drug dependency to transition back into the community and the workforce.

Descriptions of individual projects, including examples of innovative programs or developments, are described in Appendix D.

FACTUAL DETERMINATIONS MADE BY THE TASK FORCE

As background to the preparation of its findings and recommendations, the Task Force made a number of factual determinations as authorized by section 35(c), Act 196, Session Laws of Hawaii 2005. Throughout these determinations, reference is made to both "state" and "federal" public housing projects. State and federal projects are not clearly defined in statute or rule.[5] However, as a practical matter, "federal" and "state" housing projects operated by HCDCH are distinguished by the fact that federal projects receive regular funding assistance from HUD for operating and capital expenses, while state projects receive no such assistance. In addition, there are differences in the house rules for tenants. For example, pets are allowed in federal public housing (under HCDCH policies and procedures), but not in state public housing (except for exempt service animals).

Inventory, Availability, and Suitability of State Lands

Information provided by the HCDCH regarding lands under the agency's control indicates that there are 112.766 acres on Oahu (including 11.735 acres in Wahiawa and 82.756 in Kapolei); 551.724 acres on Maui (including 544 acres at the Villages of Leiali`i site planned for 4,600 units in Lahaina); and 292.303 acres on the island of Hawaii (including 272 acres in Kona), for a total of 956.793 acres statewide developable for residential use. Of these lands, approximately 552.092 acres are ceded lands (primarily at Villages of Leiali`i). Of the total developable area, 445.223 acres are already "spoken for" by development agreement, site control option, request for proposal process, negotiation, community planning, or transfer to another agency.[6]

Information provided by the HCDCH regarding lands controlled by the department of land and natural resources (DLNR) suggests that only 136.74 acres statewide (all but 3.5 acres of which are ceded land) are both vacant and developable for housing: 4.92 acres on Oahu, 2.49 acres on Maui, 3.33 acres on Kauai, and 126.00 acres on the island of Hawaii.[7] Only a few of these state-owned parcels are large enough to build multi-family projects to meet affordable housing needs over the next five years. The larger parcels appear to be on the neighbor islands. However, some small parcels may be developed by community trust land groups and may be suitable for self-help development. For example, the following small parcels may be suitable for residential development:

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[5] *See*, *e.g.*, sections 201G-31 and 201G-41, Hawaii Revised Statutes; sections 17-2028-2 and 15-193-2, Hawaii Administrative Rules.

[6] *See* Appendix E, "Land Developable for Residential Use under HCDCH Control," attached to testimony of Stephanie Aveiro, October 12, 2005.

[7] *See* Appendix F, "Analysis of DLNR Sites – Various Islands," HCDCH, undated.

Location	Use SFD = single-family dwelling	Ceded
Banyan Model, Waimanalo, Oahu	5 SFD	Yes
Hokulele, Kaneohe, Oahu	2-3 SFD	No
Leilehua Villages, Wahiawa, Oahu	5 SFD	No
Ka'olu (Crown), Waipahu, Oahu	1 SFD	No
Kaimakani St., Oahu	2-4 SFD	Yes
Upapalu St., Oahu	2 SFD	Yes
Kamehameha, Oahu	1 SFD	Yes
Koko Head Ave., Oahu	1 SFD	Unknown
Makaniolu Pl., Oahu	1-2 SFD	Yes
Maunalua Ave., Oahu	1-2 SFD	Yes
Sing Loy Lane, Oahu	1 SFD	No
Kapalama Ave. Oahu	1-2 SFD	No
Lanakila Ave., Oahu	2 SFD	Yes
Lokia Place, Maui	Multi family	Yes
Honoapiilani Rd., Maui	Mixed use	Yes
Hanapepe Rd., Kauai	Mixed use	Yes
Puolo Rd., Kauai	3-5 SFD	Yes
Kaulana Rd., Kauai	3-5 SFD	Yes
Haleilio Rd., Kauai	5+ SFD	Yes
Inia St. Kauai	Mixed use	Yes
Mohouli St., Hawaii	4+ SFD	Yes
Komohana St., Hawaii	10+ SFD	Yes
Kawili St., Hawaii	4+ SFD	Yes

The Task Force urges HCDCH to expedite development of these small parcels for leasehold ownership housing. Self-help groups and small developers should review the list of available lands and present proposals for development to the HCDCH. The Task Force's recommendations on these lands are covered under the "Findings and Recommendations" section.

In recent litigation, OHA has sought to: (1) block the sale of ceded lands to private developers; and (2) receive its full share of revenues collected from ceded lands. The unresolved and continuing litigation may be a practical obstacle to the use of public lands for affordable housing, although it may not ultimately be a formal legal bar to such use. Under the threat of this litigation, the HCDCH transferred the development rights for the La`i`opua site in Kona to the DHHL with OHA's consent, thereby restricting those existing and planned units to native Hawaiians. In addition, HCDCH conveyed one village (72 acres) of the fourteen-village Leiali`i site to DHHL in 2005. However, without legislative reenactment of judicially discoverable and manageable standards for determining OHA's specific entitlement to ceded lands revenues, any claim for those revenues constitutes a nonjusticiable political question and arguably must be dismissed.[8] The circuit court has confirmed the State's authority to sell ceded lands,

[8] *See Office of Hawaiian Affairs v. State of Hawaii*, No. 26615, slip op. (Hawai`i Sept. 9, 2005).

and refused to make a declaratory ruling that such a sale did not release or limit Hawaiians' claims to those lands.[9]

Inventory and Condition of Public Housing Units

Federal. Information provided by the HCDCH indicates that there are 5,343 federal public housing units statewide (750 of which are vacant as of November 30, 2005). Of the total units, 4,145 are located on Oahu, 681 on the island of Hawaii, 321 on Kauai, and 196 on Maui.[10] Approximately 2,440 of these federal units have been reconstructed since 1984. Of the 750 vacant federal units, 350 are in a modernization program, of which 106 are approved for demolition, and the remainder will require extensive repairs such as reroofing, exterior siding replacement, hazardous materials abatement, and replacement of kitchen and bathroom cabinets and flooring. The remaining 400 units are in the assessment phase or in the process of minor to moderate levels of repairs. HCDCH estimates that 495 vacant units require repairs, ranging from minor to major, at a cost of $6,900,000.[11]

State. There are 864 state public housing units statewide (75 of which are vacant as of November 30, 2005). Of the total units, 750 are on Oahu, 56 on the island of Hawaii, 26 on Kauai, and 32 on Molokai.[12] HCDCH is not sure how many of the vacant state units are under renovation or being held for relocation of tenants from other projects, how long it takes to fill vacant state units, or why the process takes longer than for privately managed projects. However, the estimated cost of repairs or modernization for the 75 vacant units is $2,700,000.[13]

Vacancies. Site visits made by the Task Force have revealed that many public housing units managed by HCDCH are vacant, most for substantial periods of time:[14]

Property	Vacancy Rate
Puahala Homes – Oahu	22%
Kuhio Park Terrace – Oahu	12%
Kealakehe Public Housing – Kona	17%
Lanakila Homes – Hilo	52%
Lokahi – Hilo	53%
Kawailehua – Kauai	15%
Kahekili Terrace – Maui	33%

[9] *See Office of Hawaiian Affairs v. Housing Finance and Development Corporation*, Civil No. 94-4207-11, slip op. (Haw. 1st Cir., Dec. 5, 2002) (on appeal).

[10] *See* "HCDCH Inventory as of March 2005," attached to testimony of Stephanie Aveiro, October 12, 2005.

[11] *See* Appendix G, "Cost Estimates to Repair Vacant Public Housing Units Statewide," HCDCH, December 1, 2005.

[12] *See* "HCDCH Inventory as of March 2005," *id*.

[13] *See* Appendix G.

[14] *See* Appendix D for descriptions of all the affordable housing sites visited.

At Kahekili Terrace, for example, units may be vacant for up to six months. By contrast, vacant units at Paanau Village (a county project under private management) are turned over in two weeks, and at the privately developed Na Hale o Wainee Resource Center, vacant units are normally prepared for rental within twenty-four hours.

Physical needs assessment. In September 2003, IBM Business Consulting Services and Building Inspections Service, Inc. (BISCO) reported on a physical needs assessment (PNA) conducted for the 65 federal public housing properties owned by HCDCH. Since 1998, HCDCH had made some effort to correct a small percentage of the specific deficiencies observed and capital needs estimated (based on remaining useful life) in a previous PNA for 48 of the properties. But many common problems remained: (1) deterioration of exterior and interior walls due to failure to maintain a regular schedule of repainting; (2) rusting and corroded building metal components and appliances due to failure to perform regular preventive maintenance; (3) insect infestation and termite damage due to failure to conduct routine extermination; and (4) difficulties in repairing windows and doors due to poor design decisions (use of non-standard components and sizes). The total costs only to remedy deficiencies in all 65 properties was estimated to be $10,971,358. Total projected capital costs to replace major items (site work, building exteriors, building systems, common areas, unit interiors) was estimated to be $625,481,751 (over a twenty-year period), with $286,137,108 needed in the first five years of that period.[15] HCDCH's six-year CIP financial plan (including but not limited to hazard abatement, repairs, and renovation of public housing) reflects total required state appropriations of $124,011,000. HCDCH requested $16,848,000 in fiscal year 2005-2006 and $26,629,000 in fiscal year 2006-2007, of which the department of budget and finance (B&F) approved budget requests of $12,000,000 in each fiscal year.[16]

HUD evaluation. The HCDCH was evaluated by HUD pursuant to the requirements of the federal public housing assessment system (PHAS), received a score of less than the required sixty percent, and was designated a "troubled PHA" (public housing agency). Accordingly, HCDCH was required to enter into a memorandum of agreement (MOA) for the purpose of improving its score to sixty percent or above by remedying various deficiencies that led to its assessment as a "troubled" agency. The MOA, effective from October 1, 2004, to September 30, 2005, contains a number of "performance targets and strategies" in the areas of governance, organization and staffing, finance and procurement, housing management, property maintenance, resident services and initiatives, capital funds, security, and management information systems. The many specific targets and strategies include but are not limited to: (1) separation of public housing authority functions from state housing development and finance responsibilities; (2) streamlined process to improve timeliness of evictions and write-offs; (3) new rent collection policy to improve collections by fifty percent; (4) reduction of vacant unit preparation time by fifty percent; (5) unit occupancy increased

[15] *See* IBM/BISCO, "HCDCH Physical Needs Assessment," attached to testimony of Stephanie Aveiro, October 12, 2005.

[16] *See* HCDCH CIP budget worksheet attached to testimony of Stephanie Aveiro, October 12, 2005.

to ninety-five percent for all projects; (6) annual inspection of units for lease violations (exterior care); (7) completion of all emergency work orders within twenty-four hours or less; (8) completion of all non-emergency work orders within twenty-five days or less; (9) improved physical condition of projects up to compliance with PNA standards; (10) increased economic self-sufficiency opportunities for residents; and (11) request for increased HUD funding.

On November 4, 2005, HCDCH received a "passing" score under the PHAS, and was discharged from its obligations under the MOA with HUD. Nevertheless, not all of the targets and strategies contained in the MOA were accomplished. The HUD Honolulu Field Office will continue to work with HCDCH on development of an improvement plan to address the targets and strategies still outstanding.[17] These will include the following tasks:[18]

(1) Appoint a resident commissioner;

(2) Hire a contract and procurement officer;

(3) Reduce tenant receivables;

(4) Improve the timeliness of evictions;

(5) Develop strategy to reduce unit preparation time;

(6) Increase occupancy to ninety-five percent in all projects;

(7) Hire a maintenance manager;

(8) Generate work orders immediately after completion of unit and systems inspections;

(9) Correct or abate emergency work orders within twenty-four hours; and

(10) Resolve problems with current information systems and position HCDCH to conduct business electronically.

Funding. To date, all of HCDCH's available resources for repair and maintenance of public housing projects have been going to the federal units as a result of the "troubled agency" designation and the resulting MOA. Furthermore, the approximately $85,600,000 per year in federal operating funds that HCDCH will receive during the 2005-2007 fiscal biennium cannot be used for state low-income housing projects. Of these federal funds, approximately $43,400,000 is for rental housing services (public and low income housing facilities); $25,600,000 is for rental assistance (rent

[17] *See* letter of Michael S. Flores, Director of Office of Public Housing, HUD, to Stephanie Aveiro, Executive Director, HCDCH (November 4, 2005).

[18] *See* Minutes of HCDCH Board of Directors at 89-90 (November 17, 2005).

supplement payments); $10,700,000 is for administration (administrative and housekeeping services); $3,000,000 is for housing finance (financing, sales, and counseling programs); $1,600,000 is for private housing development and ownership (technical assistance); and $1,400,000 is for homeless services (living situations with case management). The corresponding annual state appropriations of operating funds during the 2005-2007 fiscal biennium are approximately $6,600,000 for homeless services; $1,240,000 for rental assistance; and $585,000 for rental housing services ($500,000 for repair and maintenance, and $85,000 for project security services).[19] The supplemental executive budget request for fiscal year 2006-2007 proposes to increase the first figure by $10,000,000 for renovation of existing housing for the homeless, and by an additional $10,000,000 for supportive housing for the homeless.

State CIP appropriations to HCDCH in the 2005-2007 fiscal biennium include $5,000,000 for repair and maintenance, site improvements, and renovations of existing housing projects statewide; $4,000,000 for conversion and upgrading of large capacity cesspools; $1,500,000 for the Hana Ranch affordable housing development on Maui; and $500,000 for a new leeward coast homeless shelter on Oahu.[20] The supplemental executive budget request for fiscal year 2006-2007 proposes to add CIP funding of $4,650,000 for completing the reconstruction of Lanakila Homes, and $1,500,000 for completing the Ka Hale Kahaluu modernization project.

Conclusion. HCDCH faces many challenges in keeping its public housing units in livable condition, for a variety of reasons. There are many regulations to follow and requirements to meet, such as making certain that units are ADA-accessible when necessary. Some of the Task Force's discussions led to the idea that the State should divest itself from public housing altogether, and turn over the properties to the counties or private firms for operation and management. Public housing projects that are privately managed have proven to be more efficient from an economic standpoint as well as socially for the residents.

Additionally, the Task Force finds that there are too many vacant units out of the inventory pool for too long. HCDCH should be more aggressive in making the units suitable for occupancy. If there are restrictions in the law, HCDCH needs to identify those specific restrictions and ask the Legislature to make the necessary amendments.

Inventory and Condition of Low-Income Rental Housing Units

Information provided by the HCDCH indicates that the State operates 1,221 rental housing system (RHS) units (45 of which were vacant as of November 30, 2005). Of these RHS units, 837 are on Oahu, 200 on the island of Hawaii, and 184 on Maui. Of the total units, 24 are scheduled for renovation to remedy fire damage, achieve ADA compliance, reroof the structures, repair the exterior, and modernize interiors. In addition, there are 174 HUD Section 8 units, 136 dwelling unit revolving fund (DURF)

[19] *See* Act 178, Session Laws of Hawaii 2005, items II-F-15, 17, 18, 20, 21, 22.
[20] *See* Act 178, Session Laws of Hawaii 2005, items IV-F-9, 10, 11, 12.

units, 123 units for the homeless, 88 U.S. Farmers Home Administration units, and 54 teachers cottages (on the neighbor islands).[21] Finally, there are 5,057 private market rental units funded with low income tax credits, rental housing trust fund moneys, Hula Mae multifamily tax exempt revenue bonds, or rental assistance revolving funds. No information is available on the condition of these private units.

HCDCH has in design or under construction an additional 854 rental units for households at or below eighty percent of the median family income; 100 rental units for households with incomes between eighty and one hundred percent of the median; and 228 for-sale units for households with incomes between one hundred and one hundred forty percent of the median, for a total of 1,182 new units.[22] These will include but not be limited to Villages of Kapolei 2, 5, 6, and 8 (Kaupe`a); Senior Residence at Iwilei; Senior Residence at Kapolei; Ka`olu (Crown Properties) at Waipahu; Waianae Supportive Housing; Uluwehi Emergency/Transitional/Permanent Housing; and Villages of Leiali`i 1A and 1B.[23]

Villages of Kapolei	144 rental units	up to 60% MFI
	100 rental units	up to 100% MFI
	100 for-sale units	up to 120% MFI
	118 for-sale units	up to 140% MFI
Iwilei Senior	40 rental units	up to 50% MFI
	119 rental units	up to 60% MFI
Kapolei Senior	60 rental units	up to 50% MFI
Piikoi Vista Senior	47 rental units	up to 50% MFI
Courtyards Mililani	48 rental units	up to 60% MFI
Aina Hou Vista Senior	106 rental units	up to 50% MFI
Waianae Supportive	50 transitional and homeless units	
Self-Help (Waimanalo)	20 own-build units	
2020 Kinoole Senior	30 rental units	up to 60% MFI
Hualalai Senior	30 rental units	up to 60% MFI
Waikoloa Employee Housing (UniDev)	1,000 rental and for-sale units	up to 100% MFI
Kalepa Village	40 rental units	up to 50% MFI
Self-Help (Kekaha)	20 own-build units	
Lokelani Senior	62 rental units	up to 60% MFI
Hale Mahaolu Senior	30 rental units	up to 60% MFI
Courts at Lanai	48 rental units	up to 60% MFI
Self-Help (Kula)	21 own-build units	

While these new units will help, many more are required to meet the need for 44,190 new housing units during the 2005-2009 period, of which 21,890 units are needed for households with less than eighty percent of median income.

[21] *See* "HCDCH Inventory as of March 2005," attached to testimony of Stephanie Aveiro, October 12, 2005.

[22] *See* testimony of Stephanie Aveiro, November 28, 2005.

[23] *See* Appendix E, "Land Developable for Residential Use Under HCDCH Control."

Inventory and Condition of Decommissioned Units

For HCDCH to decommission a state public housing project, the project must be: (a) wholly owned by the State, (b) no longer suitable for its original use, (c) not eligible for rehabilitation, and (d) the receiving organization or agency must have demonstrated expertise and resources for the rehabilitation.[24] Currently there are no decommissioned state public housing units. HCDCH would not oppose being mandated to decommission state public housing projects, provided that the units remain affordable and another entity is able efficiently and effectively to manage the projects.

To dispose of a federal public housing project to a nonprofit or for-profit organization or government agency, at least one of the following HUD criteria must be followed: (1) development changes in the area surrounding the project adversely affect the health or safety of tenants or the feasible operation of the project by the PHA; (2) disposition will allow the acquisition, development, or rehabilitation of other properties that will be more efficiently or effectively operated as lower income housing projects and that will preserve the total amount of lower income housing stock available to the community; or (3) other factors including meeting any of the criteria for demolition, such as abatement of a threat to safety or health. The PHA must also consult with the local government, tenants, and the resident advisory board, and offer to sell the property to any eligible resident organization, resident management corporation at the development (if any), or nonprofit organization acting on behalf of the residents of the development.[25]

Strategies for Low-Income Rental Housing and Homeless Facilities

The State provides a number of strategies for financing low-income rental housing and homeless facilities under chapter 201G, Hawaii Revised Statutes. These include but not limited to federal and state low income housing, rental assistance program, state rent supplement program, general excise tax (GET) exemption, rental housing trust fund (RHTF), and homeless assistance. In addition, federal programs provide resources and guidance for low-income rental housing and homeless facilities. These programs include but are not limited to low-income housing tax credits (LIHTC), the Home Investment Partnership Act (HOME program), community development block grants (CDBG), homeownership and opportunity for people everywhere (HOPE), and mixed-finance methods of public housing development. As two commentators on affordable housing note:[26]

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[24] *See* section 201G-44, Hawaii Revised Statutes, as amended by Act 196, Session Laws of Hawaii 2005.

[25] *See generally* 24 Code of Federal Regulations 970.2, 970.7, 970.13.

[26] Tim Iglesias and Rochelle E. Lento, The Legal Guide to Affordable Housing Development at 219-20, 235-36, 239-40, 329-30, 332 (American Bar Ass'n, 2005) (footnote references omitted).

The federal government annually authorizes the amount of tax credits available to the LIHTC program. These tax credits are distributed to the states through an allocation formula, which is based on population of the states. Pursuant to [Internal Revenue Service] regulation, state governments must develop and adopt Qualified Allocation Plans (QAPs), which provide guidelines for their programs on how they will allocate their tax credits. States review applications under their QAPs to make awards of tax credit allocations to qualifying housing developers who compete for the tax credits. Housing developers awarded tax credits identify an investor, and then negotiate a price for the credits and other essential business terms for the transaction.

Tax credits will likely only fund a portion of the total development costs, requiring the developer to seek other sources of funding for the development. After they have assembled the rest of the financing, received all necessary land-use and other approvals, and complied with all the due diligence of the development funders, the developer builds the project and rents it up. As long as the project is in compliance with all program regulations, the tax credit investors take advantage of the tax credits in succeeding years against their federal income tax liability until they are exhausted, or for up to ten years. . . .

The HOME Investment Partnership Act (HOME Program) was authorized in 1990 under Title II of the Cranston-Gonzalez National Affordable Housing Act. In general, the purpose of the HOME Program is to increase the supply of decent, safe, and affordable housing for families, to ensure expansion of the long-term supply of affordable housing, and to promote public-private partnerships in the development of affordable housing. HOME provides formula block grants to states and localities. HOME dollars are generally administered by participating jurisdictions (PJs), which can be local, county, or state governments; however, there is oversight by the HUD Regional Offices.

There are a wide range of eligible activities under HOME, including developing single-family homeownership or rental units, multifamily rental units, tenant-based rental assistance and down payment assistance to first-time home buyers. PJs must reserve at least 15% of their allocations to fund housing owned, developed, or sponsored by Community Housing Development Organizations (CHDOs). In addition, HOME dollars can provide operational support for CHDOs that have active HOME-funded projects. PJs must ensure that HOME-funded units remain affordable for a specified period: twenty years for new rental construction, and five to fifteen years for construction of homeownership units and rehabilitation, depending on the amount of HOME subsidy. . . .

Created in 1974, the Community Development Block Grant Program (CDBG) is similar to the HOME program in that the federal government, through HUD, provides dollars to cities, counties, and states each year. Under the Housing and Community Development Act of 1974, CDBG funds should be used "to aid in the prevention or elimination of slums and blight or to address community development needs that present a serious and immediate threat to the health or welfare of a community." The CDBG program has broad guidelines, allowing the funds to be directed to a wide range of activities involving neighborhood revitalization, supporting economic development, improving community facilities, and providing social services. The threshold for receiving annual allocations is

> metropolitan cities of more than 50,000 people, or certain urban counties that will serve smaller cities. State governments may also receive allocations for communities not entitled to receive CDBG funds from the county or local governments in which they are located. As with the HOME program, communities have broad discretion to develop their own programs and to determine how to spend their CDBG dollars. A more specific directive is that all CDBG activities must benefit low- and moderate-income people, and not less than 70% of the funds must be used for activities that benefit low- and moderate-income people over a time period not to exceed three years. . . .
>
> The mixed-finance method of developing public housing evolved from the HOPE VI public housing revitalization program. The HOPE VI program initially was intended to replace the nation's most severely distressed public housing stock with revitalized, sustainable communities, and subsequently was also used to promote leveraging limited federal funds to develop mixed-finance and mixed-income housing. The mixed-finance approach combines federal public housing capital funds (including HOPE VI) or operating funds with private dollars (including local and state funds) to develop public housing.
>
> This approach grew out of a dramatic need to modernize the nation's public housing inventory under circumstances of ever-decreasing resources from [HUD]. Now mixed-finance development has become the public housing development option of choice. It presents a public housing authority (PHA) with a variety of options and opportunities to address creatively the affordable housing needs of its community. The creative approach, spurred by mixed-finance development, points to new funding sources and new possibilities for the continued revitalization of the nation's more distressed communities. The mixed-finance method is an ever-evolving process that has seen a reduction in the level of HOPE VI appropriations offset by the increased availability of other forms of financing. The key characteristics of the approach's adaptability and significant leveraging of resources, as well as the social benefit of mixed-income communities, ensure the continued growth of mixed-finance as a method of developing public housing. . . .
>
> A 1994 opinion from HUD's General Counsel marked an important shift in public housing development: it facilitated private ownership of public housing and led to the establishment of a new method of public housing development – the mixed-finance model.

Innovative layering of mixed-finance funding sources for low-income housing has become more familiar in Hawaii in recent years. Examples include the Kamakee Vista, Wilder Vista, Palolo Valley Homes, La`ilani Rental Housing, Hale Hoaloha, Paanau Village, Lihue Court Townhomes, Na Hale o Wainee Resource Center, Front Street Apartments, and Kahului Town Terrace projects described in Appendix D.

Tax credits. Among the funding sources used most successfully in many of these projects are the nine and four percent federal low income housing tax credits (LIHTC).[27] The nine percent income tax credit (for projects *not* otherwise federally subsidized, for

[27] *See* title 26 United States Code section 42(b), which are coupled with the state low income housing tax credit under sections 201G-14 and 235-110.8, Hawaii Revised Statutes.

example by tax-exempt revenue bond financing) is capped annually at $2,340,000 (federal) and $1,170,000 (state). In addition to the federal tax credit, developers can also take a state low income housing tax credit (LIHTC) in conjunction with the nine percent federal tax credit. The state tax credit allowed in this case is fifty percent of the amount of the federal tax credit. There are currently 48 projects with 3,335 affordable units being financed by these credits, at a total value of $352,500,000. A separate four percent federal income tax credit (for projects otherwise federally subsidized) is *not* subject to the cap *if* fifty percent or more of the project is financed by tax-exempt bonds subject to a volume cap.[28] Again, the state tax credit allowed is fifty percent of the federal tax credit. There are currently five projects with 539 affordable units being financed by $80,878,000 in Hula Mae multifamily revenue bonds, with four of these projects also utilizing the non-competitive four percent tax credit.

Trust fund. Since its inception in 1992, the RHTF has received $27,945,858 in conveyance tax revenue and $38,200,000 in legislative appropriations, for a total of $66,145,858. Project award loans have been approved for 32 projects in the amount of $61,182,546; predevelopment capacity building grants have been approved for 18 organizations in the amount of $866,145; and organizational capacity building grants have been approved for nine organizations in the amount of $161,472. With total outstanding commitments of $7,846,661 and total pending applications of $1,369,000, the net balance of the RHTF as of October 31, 2005, was $17,822,897. With the increases in both conveyance tax rates and allocation of conveyance tax revenues to the RHTF under Act 156, Session Laws of Hawaii 2005, the fund is estimated to receive approximately $14,740,000 in fiscal year 2005-2006 (at current rates of conveyance tax collections), a more than two-fold increase over the amount ($6,145,828) received by the fund in fiscal year 2004-2005.

Historically, the RHTF has been used to leverage financing of about 200-250 units per year based on revenues of approximately $5,000,000 to $6,000,000. However, that leveraging was also dependent on use of federal and state low-income tax credits. Since the nine percent tax credit is capped, more RHTF funds are needed in proportion to the tax credits, if more units are to be developed using the four percent tax credit that is not capped. For example, if $10,000,000 in additional RHTF moneys were available, this amount together with the four percent tax credit could result in 70 units for households at or below sixty percent of median income; 103 units for a mix of households below sixty percent and below eighty percent of median income; or 212 units for a mix of households below sixty percent and below one hundred percent of median income. At current rates of conveyance tax collections, the corresponding number of units could be 103, 152, or 312 per year, depending on the income group mix.

The current Council of Revenues (COR) projections indicate strong growth in conveyance tax collections, with the following allocation to the RHTF:

[28] *See* title 26 United States Code section 42(h); sections 201G-14 and 235-110.8, Hawaii Revised Statutes.

Conveyance Tax (millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Council on Revenues Projections 12/16/05	$ 59.7	$ 71.1	$ 84.9	$ 102.1	$ 123.5
Current: 30% to RHTF	$ 17.9	$ 21.3	$ 25.5	$ 30.6	$ 37.0
Proposed: **50%** to RHTF		$ 35.5	$ 42.4	$ 51.1	$ 61.7
Increase to RHTF		$ 14.2	$ 16.9	$ 20.5	$ 24.7
Number of Units Built	291-530	416-913	465-1063	526-1250	602-1482

In the table above, if the allocation of conveyance taxes to the RHTF is increased from thirty percent to fifty percent, the difference could result in a total of 2,300 new units being built with RHTF funds and four percent tax credits over five years, and if leveraged with additional financing sources, an estimated total of 5,238 new units could be built. If a separate state affordable housing tax credit of ten to fifteen percent were available, not coupled to the federal tax credit restrictions, even greater numbers of new units could be built with leveraged RHTF or revenue bond financing.

Tax exemptions. In addition to the above sources of financing, over the 1999-2005 period, the average annual amount of GET exemptions granted to developers of affordable housing projects has been $20,500,000.[29] Further, the income tax credit for low-income household renters provides a subsidy estimated at $7,300,000 per year to taxpayers with adjusted gross income (AGI) of less than $30,000.[30] An increase in the tax credit from $50 to $100 per qualified exemption for taxpayers with AGI up to $30,000, and creation of a $75 tax credit per qualified exemption for taxpayers with AGI between $30,000 and $50,000, would increase the total amount of subsidy to $19,000,000 per year.

Low-Income Renter's Tax Credit	Household of four, up to $30,000 AGI	Household of four, up to $50,000 AGI
Current credit at $50	$200	None
Proposed credit at $75 / $100	$400	$300

Tax increment financing. An approach developed at the state and local level, may offer a strategy for funding major offsite infrastructure for housing projects:[31]

> An alternative that has become quite popular, but also controversial, is tax increment financing (TIF). First developed in California, TIF channels new property tax revenues rather than abating them. As with traditional tax abatement programs, TIF enabling statutes require local governments to prepare plans for the redevelopment of blighted areas or areas the development of which "will further the public purpose of encouraging increased residential, industrial and commercial activity. Some states, such as California, require these plans to be consistent with

[29] *See* sections 201G-116 and 237-29, Hawaii Revised Statutes.

[30] *See* section 235-55.7, Hawaii Revised Statutes.

[31] Iglesias and Lento, *id.* at 281-82, 323 (footnote references omitted); *see also* Cal. Health & Safety Code sections 33000-37910 (1999).

> local comprehensive plans. TIF plans must identify the boundaries of the project area as well as open space, street layout, characteristics of existing and proposed buildings, approximate number of dwelling units, and any property to be devoted to public purposes. Property taxes that will be generated by the improvements made by private investment under the plan are not abated, as with tax abatement programs, but are collected as they become due and allocated to the TIF development area to be used to retire TIF bonds that are issued at the beginning of the project to fund improvements within the project area such as streets, sidewalks, and other public facilities. Tax increment financing of urban redevelopment has been upheld against a variety of constitutional challenges, including lack of public purpose, equal protection, non-uniform tax, and impairment of contracts. A number of courts have held that TIF bonds are subject to state constitutional debt limitations. . . .
>
> A number of states provide mechanisms for local government to finance housing development through tax increment mechanisms. Tax increment financing is based on the observation that local government assistance, often in the form of public improvements or amenities, can be used to spur development. The "kick-started" development increases the taxable value of private property and thereby increases property-based tax revenue. The increased property-tax revenue can then be set aside to finance this kind of local government assistance. The process can be started by issuing bonds, repayable from the anticipated property tax increase, or "increment."

Chapter 46, part VI, Hawaii Revised Statutes (Tax Increment Financing Act) provides the enabling legislation for TIF in Hawaii. Under the Act, the counties are empowered to create tax increment districts, issue tax increment bonds, deposit tax increments into a fund created for a tax increment district, and enter into agreements with redevelopment agencies, developers, and bondholders, to implement and achieve the purposes of redevelopment plans or community development plans. The Act, enacted in 1985, was last amended in 1990.

The county of Hawaii enacted an ordinance for tax increment districts in 1994:[32]

> The purpose of this chapter is to enable the County to utilize tax increment financing to finance public improvements within a specific contiguous or noncontiguous geographic area, which is also an improvement district or a community facilities district, designated a tax increment district, by dedicating a portion of property tax revenue increases within the district to the funding of specific projects. This chapter also allows the creation of provisional tax increment districts, which can provide resources to enable the County to comprehensively address conditions in a targeted area through improvement districts, community facilities districts, or a combination of the two methods in conjunction with tax increment financing.

[32] *See* section 33-1, Hawaii County Code (1994).

The county of Maui provides that construction of off-site improvements for a Kihei research and technology park district may be financed by improvement district bonds, based on a tax increment funding program.[33]

Strategies and Incentives for Moderate-Income Affordable Ownership Homes

Home ownership is highly desirable but nearly impossible to attain by working families who earn up to $95,000 per year (about one hundred forty percent of median income for a family of four). Existing state programs under chapter 201G, Hawaii Revised Statutes, such as housing loan and mortgage programs, taxable mortgage securities programs, state mortgage guarantee program, and downpayment loan program, offer some assistance to home buyers. However, most state programs are not designed to create developer incentives to build affordable homes necessary to meet the demands of this income group. Instead, private developers may be forced by counties to include a percentage of affordable housing units as part of an overall housing development sold at market prices in return for zoning changes or use of a more streamlined permitting process. Such exactions pose burdens on developers, but promote a socially responsible policy of affordable housing ownership that cannot be implemented without the assistance of the private sector.

Affordable housing exactions in Hawaii are a hybrid of "linkage fee" [impact fee] and "fair share" [inclusionary zoning] techniques. With linkage fees, the developer must either build or pay for the construction of affordable housing or offsite infrastructure. With fair share mandatory set-asides, the developer must market a given percentage of the units built at prices affordable to specified income groups of the population. For example, a requirement to set aside ten percent of the housing units in a project to households earning less than eighty percent of median income would be a fair share exaction. By comparison, a requirement to contribute $1,500,000 for the development of affordable housing would be a linkage fee exaction.

Honolulu. The city and county of Honolulu imposes conditions such as affordable housing requirements at the time of rezoning action by means of *ad hoc* "unilateral agreements." Performance of the conditions (which run with the land in favor of the city council) either is a prerequisite to approval of the zoning change ordinance, or must be enforceable after approval within a specified time period or other "reasonable" time, for which a bond or cash deposit may be required to assure compliance.[34] In consideration of the housing market in the late 1990s, the council by ordinance amended all affordable housing conditions then in effect under unilateral agreements, to rescind any restrictions relating to buyer eligibility qualifications, buyback requirements, and shared appreciation on the transfer of units.[35] The recissions have now been allowed to lapse,

[33] *See* section 19.33.140, Maui County Code (1986).

[34] *See generally*, section 21-2.80, Revised Ordinances of Honolulu (1999).

[35] *See* Ordinance 99-51 (August 5, 1999), extended from August 5, 2001, to August 5, 2005, by Ordinance 01-33 (July 3, 2001).

although the council has before it options to renew the moratorium or limit the period when buyer eligibility qualifications are in effect.[36]

Hawaii. The county of Hawaii has for some time had an affordable housing policy adopted by ordinance, with specific objectives and requirements intended to implement goals and policies of the county general plan.[37] On February 2, 2005, the Hawaii county council adopted revisions to the affordable housing policy. Under Ordinance No. 05-23, developers are now required to include affordable housing in their projects or contribute to affordable housing offsite as a condition of rezoning for any residential, timeshare, resort/hotel and/or industrial uses. Ordinance No. 05-23 incorporates both linkage fees and inclusionary zoning in an attempt to require all developers to provide units to households earning below one hundred forty percent of median income. Affordable housing "credits" can be earned for development and sale or rental of units affordable to specified income groups. Developers who fulfill the affordable housing requirements will be entitled to a "density bonus" within the urban district. Finally, the ordinance provides that the county establish resale restrictions by rule to ensure that units created under the affordable housing policy remain affordable. Such rules may include, but not be limited to, provisions for buyback, shared appreciation, and other restrictions.

Maui. The county of Maui is also considering replacing its current qualifications for an affordable housing program[38] with a legislatively adopted housing policy. In the absence of an established ordinance, the county administration currently follows recommended administrative guidelines (revised May 31, 2005) that apply to all applications for change of zoning under which residential housing projects may be developed as permitted uses, except for projects developed under sections 201G-118 and 46-15, Hawaii Revised Statutes. An applicant's affordable housing requirement may be satisfied by one or more of: (1) an offer for sale or rent of fifteen percent of the units at prices or rents defined as affordable under the guidelines; (2) in-lieu payment of a monetary contribution; (3) provision of developable land or lots; or (4) other in-kind services or facilities. In-lieu monetary contributions are calculated at ten percent of the affordable sales price of the required number of units (fifteen percent of the total units). The guidelines may also be used for review and comment on other land use requests [such as business or industrial zoning] for which affordable housing mitigation is deemed applicable. Before filing a building permit application, the applicant shall execute an affordable housing agreement setting forth the detailed terms and conditions for compliance with the housing guidelines, including details of sales pricing and marketing, eligibility of income qualified households, and provision of credits for exceeding the minimum requirements of the guidelines.

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[36] *See*, *e.g.*, Resolution 05-252 (extending the moratorium on affordable housing conditions until June 30, 2006); and Resolution 05-294 and proposed CD1 (establishing a council policy regarding affordable housing conditions in unilateral agreements).

[37] *See generally*, chapter 11, article 1, Hawaii County Code (1998).

[38] *See generally*, section 2.86.610, Maui County Code (1992).

On September 15 and December 8, 2005, the Maui county council housing and human services committee considered a proposed bill for a "Maui County Housing Policy" that generally tracks the recommended administrative guidelines. On December 8, the committee also had before it an alternative proposal for a "Residential Workforce Housing Policy" calling for at least thirty percent of the total units to be affordable, with in-lieu contributions calculated at fifty percent of the average market price of the required number of units. Under this proposal, local residents would also have preference priority for the affordable units.

Kauai. The county of Kauai has a "circuit breaker" ordinance to make homeownership more affordable by keeping property taxes to a percentage of the adjusted gross income of the household. For fiscal year 2002-2003, upon proper application, a homeowner was entitled to a credit in the amount that assessed real property taxes exceeded three percent of household income.[39]

Inclusionary zoning. Mandatory housing unit dedications or linkage fees will pass constitutional muster if there is an "essential nexus" between the exaction, the impact of the development, and the public purpose served by the imposition. A California municipal inclusionary zoning ordinance generally applicable to *all* residential and nonresidential development, and requiring that ten percent of new dwelling units be "affordable" or that the developer pay an in-lieu fee, recently withstood a facial takings challenge in the situation where: (1) a clear policy established the legitimate governmental purpose; (2) no *ad hoc* land use bargain was at issue; (3) the housing requirement was a modest burden which could be offset by significant benefits to the developer (*e.g.*, expedited processing, density bonuses); and (4) the exaction could be reduced, adjusted, or completely waived upon appeal.[40]

The State lacks legislated standards by which the burden of providing affordable housing can be uniformly and fairly distributed among private developers. Absent a legislated standard for affordable housing exactions, discretionary *ad hoc* unilateral agreements such as used by Honolulu may be challenged as arbitrary and capricious, and not fair and reasonable. Hawaii's revised affordable housing policy (and Maui's proposed housing policy) may be less vulnerable to challenge to the extent that they incorporate affordable housing credits and density bonuses to offset the burden of the housing assessments. But these housing policies remain vulnerable to the extent that they lack a process for reduction, adjustment, or waiver of the exactions upon appeal.

Strategies to Streamline the Permitting and Approval Process

The estimated time line for development of a housing project, including conceptual planning, land use commission (LUC) boundary amendment petition, county plan

[39] *See* section 5A-11.4, Kauai County Code (amended by Ordinance No. 799, December 23, 2002).

[40] *See Home Builders Ass'n v. City of Napa*, 90 Cal.App.4th 188, 108 Cal.Rptr.2d 60 (2001), *cert. denied*, 122 S.Ct. 1356 (2002).

amendment, rezoning, and subdivision approval, is nearly seven years. Honolulu's subdivision review and approval process alone takes nearly three years.[41]

Both exemptions from permitting requirements and quick processing times can allow developers to produce housing units at lower cost. Pursuant to the "fast track" process under sections 201G-118 and 46-15.1, Hawaii Revised Statutes, HCDCH or the counties can develop, or assist in the private development of, an affordable housing project exempt from various statutes, ordinances, and rules related to land use planning, zoning, subdivision, and permitting. Under this process, a project not disapproved by the LUC or a county council within a forty-five day period after submission is "deemed approved." Nevertheless, the timetable for processing a section 201G-118 affordable housing project through county administrative agencies before submittal to the council is thirteen and a half months (in the county of Maui), including eight months for an environmental assessment but exclusive of grading and building permitting.[42]

But the fast track process thus far has had limited impact and remains controversial. Any boundary amendment petition deemed approved under LUC's administrative rules for section 201G-118 projects is subject to twenty-four *additional* "mandatory conditions" not otherwise required. These conditions include provision of affordable housing opportunities for low, low-moderate, and moderate income residents of the State of Hawaii to the satisfaction of the respective county in which the land reclassified is located.[43]

The fast track process is also risky for all concerned. On Maui, the Puunoa project was submitted and rejected twice by the Maui county council. The council approved the Hale Mua project, but found the process very difficult, since they had no way under the county rules that implement section 201G-118 to change the project in response to the concerns of neighbors.[44] However, nothing in sections 201G-118 or 46-15.1 *prohibits* county councils from attaching conditions to such projects; the statutes simply provide for approval or disapproval. A greater problem for developers is that nothing in these statutes requires state or county agencies to respond in a timely fashion to projects submitted for review during the fast track process.

The Task Force believes that outside of the role of the LUC, the fast-track process granted under section 201G-118, Hawaii Revised Statutes, is a county-controlled process. The counties are urged to review their codes and ordinances to determine whether they hinder the fast-track process, and whether changes need to be made.

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[41] *See* Affordable Housing Policy and Hawaii's For-Sale Housing Markets, prepared by SMS Research and Marketing Services, Inc., for the Land Use Research Foundation of Hawaii (October 2005), Exhibits 1-E and 1-F at 17-18, and Appendix D at 81 *et seq*.

[42] *See* testimony of Alice Lee, December 8, 2005.

[43] *See generally* section 15-15-90(e), Hawaii Administrative Rules (May 8, 2000).

[44] *See* Affordable Housing Policy and Hawaii's For-Sale Housing Markets at 8-9.

Strategies to Address Infrastructure Barriers

For the purposes of the rental housing trust fund (RHTF), section 201G-431, Hawaii Revised Statutes, defines "develop" or "development" to include construction, reconstruction, alteration, or repairing of approaches, streets, sidewalks, utilities, and services, or other site improvements. Similarly, subsection 201G-432(d) provides that the RHTF shall be used to provide loans or grants for development among other purposes. From the plain meaning of the "develop" or "development", it is apparent that *onsite* infrastructure in the form of local streets, driveway approaches, sidewalks, utilities, and services, or other site improvements is an allowable use of loan or grant funds from the RHTF.

The question has arisen whether it was the intent of the legislature **not** to use RHTF moneys to finance for *offsite* infrastructure, such as connector roadway, water, and sewer systems, parks, and schools. This latter purpose would require a large, up-front investment of RHTF moneys that would substantially shrink the amount of funds available for actual construction or acquisition and rehabilitation of rental housing. The amount of funds required for this purpose would have to be estimated on a project-by-project basis. However, since the onsite construction cost of affordable rental units is estimated by HCDCH to be $200,000 per unit for infill projects, the additional costs of providing infrastructure to raw land or of improving offsite facility systems will add substantially to the delivered price of the housing units.

The county of Maui recognizes that there is a limit to the amount of infrastructure costs that can be passed on to and absorbed by market-priced units in a mixed-income housing development project. Currently the amount of subsidy of affordable units by market units ranges from $20,000 to more than $200,000 per unit, depending upon the actual costs and prices of the units. Water, traffic mitigation, sewer capacity, park assessments, and school "fair share" contributions are the most costly and controversial elements. There is no "one size fits all" formula.[45]

Role of the Land Use Commission

The Task Force received strong and persuasive input from the community and stakeholders regarding the LUC, in particular that its role in the land use permitting process is duplicative of county efforts. The role of the LUC should be reviewed to possibly narrow its focus. The Task Force suggests that overlapping and redundant functions, such as both reclassifying and rezoning the same parcel in separate proceedings, should be eliminated for affordable housing projects.

One approach is that of Senate Bill 1219 and House Bill 1572, introduced in the 2005 Session of the Legislature. These bills would significantly alter the role of the LUC by amending chapter 205, Hawaii Revised Statutes, to:

[45] *See* testimony of Alice Lee, December 8, 2005.

(1) Provide that all district boundary amendments be acted upon by the appropriate land use decision-making authority of the county in which the land is situated, in a contested case proceeding consolidated with any required county plan or zoning amendments;

(2) Provide that parties to such boundary amendment proceedings may appeal the decision of the county to the land use commission for failure to consider the decision-making criteria under section 205-17, Hawaii Revised Statutes, which would be amended to state an affirmative presumption in favor of approval upon evidence of public economic benefit; and

(3) Require the LUC to conduct five-year boundary reviews of the land use districts, which shall not have force and effect until approved by the counties. Sections 205-3.1, 205-6, and 205–13, Hawaii Revised Statutes, relating respectively to the county fifteen acre exemption, special permits, and penalty for violation, would be repealed. Other sections, including but not limited to section 205-12 relating to enforcement, would be amended to accord with the principal provisions of the bill.

Homeless Solutions

The Task Force is dedicated to finding solutions to reduce homelessness across the State. A preliminary draft of the 2005 Homeless Point-in-Time Report indicates the following numbers of homeless individuals in the State:

County	Sheltered Homeless	Unsheltered Homeless	Total Homeless
Honolulu	1,525	1,973	3,498
Maui	467	280	747
Hawaii	393	1,049	1,442
Kauai	55	193	248
Statewide	2,440	3,495	5,935

There are many reasons causing individuals to become homeless including drug abuse and mental illness, as well as financial reasons such as loss of employment. Some individuals and families who are evicted from public housing also become homeless. Some homeless individuals are employed, but do not earn enough income to meet the cost of living in Hawaii.

Uluwehi. Several nonprofit groups have made helping the homeless a top priority. One example is the Hawaii Coalition of Christian Churches, which is working with the State to develop a 72-unit housing project on state land in Waianae, an area plagued with homelessness. The Uluwehi Project is proposed to be a gated complex with 32 transitional housing units, 24 affordable rental units, and 16 emergency shelter units. Its primary goal is to help people transition back into the community. A variety of programs and services will be offered onsite including case management, medical care, child care, substance abuse program, family intergenerational literacy program, career placement and job training, and spiritual counseling and guidance. Uluwehi is an example of a collaborative effort that involved the use of federal funds, state funds, and private funds.

Waianae Supportive Housing. HCDCH is currently in negotiations with an organization to develop transitional and supportive housing in Waianae.

Transitional Housing. The Task Force received input from invited agencies and organizations during an informational briefing on October 12, 2005, at the State Capitol. Some of the general homeless solutions that were offered included the concept that transitional and permanent housing are more effective than temporary emergency shelters.

The Affordable Housing and Homeless Alliance reported that it has had great success in moving people from homelessness into transitional housing, and that a transitional program will provide a solid foundation for moving into permanent housing. The Alliance also indicates that a variety of housing should be available to meet the needs of the homeless and individuals at risk of becoming homeless, including transitional housing, supportive housing, treatment housing, and permanent housing.

HCDCH shared its belief that the most effective use of public funds to solve homelessness is through the construction of affordable rental units. If affordable rental units were not available, individuals in transitional housing would have nowhere to transition.

FINDINGS AND RECOMMENDATIONS

Hawaii's affordable housing problems have reached crisis proportions and will only worsen unless all levels of government and the private sector work in partnership to implement bold and effective measures to address the housing needs of our residents. During the 2005 Session of the Legislature, significant progress was made in tackling this issue. One of the key measures was Act 196, Session Laws of Hawaii 2005, also referred to as the "Omnibus Affordable Housing Act." The Act added the following incentives, among others, to encourage greater private sector involvement in meeting the affordable housing needs of Hawaii's population:

(1) Authorize HCDCH to sell or lease decommissioned housing no longer deemed suitable for occupancy on favorable terms to allow non-profit and for-profit entities to build or rehabilitate the units as rental housing set aside for lower-income residents.

(2) Allow use of the dwelling unit revolving fund for permanent as well as interim construction financing.

(3) Increase the low-income housing tax credit from thirty to fifty percent of the federal tax credit for those who develop affordable housing.

(4) Allow HCDCH to provide grants from the rental housing trust fund for low-income rental units.

(5) Exempt the conveyance of real property from the conveyance tax when property is transferred to a developer for state-certified low-income housing projects.

(6) Establish greater flexibility in the use of rental housing trust fund moneys for mixed-income affordable housing projects.

(7) Extend the general excise tax exemption for certified housing projects to affordable rental housing.

Act 196 also mandated a reorganization of the HCDCH by splitting it into a public housing agency and a housing finance and development agency, each of which will have a clearly defined role and responsibility. This should greatly enhance the State's effectiveness in dealing with the housing crisis in the future. Section 38 of Act 196 calls upon HCDCH to prepare an implementation plan for this reorganization, together with a report to the 2006 regular session. The report is anticipated to contain draft legislation with substantive provisions including (1) revision of the buyback period for resale of affordable housing units to "qualified resident" purchasers from three to ten years; (2) provision of bond authority and a revolving fund for public housing financing transactions; (3) authorization of state rent supplement payments in state low income housing projects; and (4) clarification that rental agreements for non-federal public housing units would be subject to the residential landlord-tenant code rather than the federal eviction process (grievance hearing) as of July 1, 2006.

In addition to the Omnibus Affordable Housing Act, there were several other key elements in the comprehensive approach adopted by the Legislature to meet the affordable housing needs of our residents. These include provisions of Act 156, Session Laws of Hawaii 2005, which adjusts the conveyance tax rates for the most expensive properties and increases the amount of conveyance taxes that are transferred to the rental housing trust fund from twenty-five to thirty percent of conveyance taxes collected. It is projected that this will generate approximately $8,600,000 in additional conveyance tax revenue for the fund in fiscal year 2005-2006. Other important measures passed by the Legislature include appropriating substantial funding for homeless shelters and services, and providing millions of dollars for the repair and renovation of vacant units in public housing projects. Clearly, however, much more remains to be done.

Findings

In developing options for further consideration, the Task Force considered the multiple viewpoints expressed in conferences with public officials, public informational meetings and briefings, roundtable discussions with stakeholder representatives, and site visits at housing projects around the State. From this process, it became self-evident that the priority of government must continue to be to assist three target groups whose needs, under present market conditions, will not be met by the private sector alone: (1) the homeless population; (2) low-income and workforce households with incomes at or below eighty percent of the median; and (3) the gap group or moderate-income population with family incomes between eighty and one hundred forty percent of the median. The last group includes working persons, many of whom cannot afford to buy a home in today's market, such as police officers, teachers, security guards, cooks, office clerks, secretaries, maintenance workers, accountants, and electricians. The neediest are the homeless and low-income households, who cannot afford even market rentals, let alone the purchase price of housing at today's prices. Accordingly, government must continue to place a high priority on increasing the supply of affordable rental housing for these groups.

Addressing the affordable housing issue requires partnership between the federal, state, and county governments and the private sector. The Task Force was informed that the State should take a more proactive role in several major areas of concern, including: (1) leveraging more sources of financing for affordable housing; (2) making available more public land for the development of affordable housing; (3) streamlining government approvals and permitting of affordable housing projects; (4) building more offsite infrastructure to serve affordable housing; (5) appropriating additional funds for transitional housing, shelters, and services for the homeless population; and (6) preserving and maintaining the existing stock of public housing and rental units, much of which is badly deteriorated, subject to high vacancy rates and long turnover times, and otherwise not available for needy tenants.

Homeless facilities and very low-income public housing. The Task Force has determined:

- Homelessness is a critical problem with no easy solution. The Task Force is especially concerned about the increase in working homeless families who are shut out of the rental housing market due to the limited inventory of low-income housing.

- Few creative or innovative ideas were presented to the Task Force to immediately solve the homeless problem. The two proposed programs in Waianae appear to be solid near-term solutions. However, the Task Force is optimistic that the homeless problem can be solved over the next five years by increasing the inventory of transitional and low-income rental housing as well as providing funding for social services.

- Vacant units in federal and state public housing projects that require repair or modernization must be fixed immediately and returned to the rental inventory. The Task Force is concerned about the high number of vacancies, 750 in federal projects and 75 in state projects, as well as the slow turn-around time in certain projects before the unit is available for a new tenant.

- The State's public housing projects are aging and in need of substantial rehabilitation. Nearly all of these projects are over thirty years old. The State is facing a crisis because hundreds of millions of dollars are needed to keep these low-income housing units habitable. The State must explore private ownership and management of these projects, rehabilitation into mixed-use and mixed-income projects, and public-private partnerships. While recognizing the need for aggressive action to save low-income housing, the Task Force is also concerned that state lands will be sold off in order to raise capital for these projects.

Working families earning less than eighty percent of median family income. The Task Force has determined:

- Nearly 22,000 housing units are needed for working families over the next five years. Increasing the housing inventory for this group will be a challenge that government alone cannot meet. This challenge must also be met through private developers and landlords.

- The State has subsidized through private-public partnerships approximately 7,000 housing units, mostly serving the income group under eighty percent of median family income.

- Government-subsidized rental housing units in the planning stages over the next few years may be in the range of 2,000-3,000 units, based on currently known initiatives. For example, HCDCH in participation with the city and county of Honolulu has 854 rental units in the planning stages, and the county of Hawaii has plans to develop more than 1,200 units.

- The county governments are taking different approaches to solving the housing needs of working families. Hawaii and Kauai counties appear to be working hard to address these housing needs, using government intervention to facilitate private development. Maui is focused on private development to meet the housing needs of its residents. All three neighbor island counties have dedicated staff to focus on development of affordable housing. Honolulu has yet to promulgate a comprehensive policy or plan for affordable housing, and under current City Charter provisions, has no plans to re-establish a housing agency.

- Aggressive steps must be taken to increase the housing inventory for working families. The recommendations below are expected to put 10,000 units on the market over the next five years. However, many participants in the roundtable discussions expressed concerns that affordable rental housing will be lost because the affordability restrictions will be expiring on rental properties originally subsidized by the government.

Moderate-income families earning up to one hundred forty percent of median family income. The Task Force has determined:

- The current housing crisis now extends to moderate-income families for the first time in Hawaii's history. In the past, the moderate-income family was not recognized as needing government intervention in order for them to purchase homes. In 2005, the Legislature enacted Act 196 that recognized the moderate-income family as a group for whom affordable housing may be designated.

- Moderate-income families are shut out of the ownership housing market because of inflated housing prices. In the past few years, Hawaii's housing market has experienced strong price growth, fueled by out-of-state buyers who are purchasing single family homes or condominiums as second homes. To retain affordable ownership homes for Hawaii's residents, the Task Force wants to ensure that private developers sell these homes to Hawaii's residents who will occupy the property.

- Counties and development agencies use various methods to require developers to set aside a certain percentage of homes for moderate-income families. The Task Force is concerned that this uneven approach may subject counties to challenges. A uniform inclusionary zoning law, such as the model legislation adopted in California, may be better able to withstand constitutional challenge.

- The Task Force recognizes that the needs of moderate-income families may no longer be met exclusively through exactions on private developers in exchange for zoning exemptions and density bonuses. Other developer incentives are needed to encourage developers to build homes to meet the needs of this group.

- The Task Force finds that affordable housing to meet the needs of moderate-income families must be initiated by the counties, which are in the best position to control private development through zoning density, subdivision and building standards, and other requirements.

- The two most significant barriers to developing homes for the moderate-income family are the high cost of land and the need to build infrastructure to support the housing development. In areas where land costs are low, there is little infrastructure in place. In the Honolulu urban core, the aging infrastructure is unable to accommodate increased density developments.

Housing and Community Development Corporation of Hawaii. The Task Force has determined:

- Act 196, Session Laws of Hawaii 2005, required HCDCH to split into two organizations, one of which is to concentrate on the development of affordable housing. Once this transfer is made, the Task Force expects that affordable housing issues will receive the attention needed to achieve the five-year plan contained in this report.

- The Task Force will support the recommendations of the HCDCH regarding the changes necessary to effectuate the separation of responsibilities.

General Legislation, including Permitting Process. The Task Force has determined:

- Without exception, developers expressed frustration with the length of time required to obtain permits and approval of housing development projects. Many attribute the delay, in part, to duplication of review between the counties and the LUC. On the other hand, supporters of the LUC point to the constitutional requirement for state approval of land use reclassification.

- The Task Force finds that the counties must be primarily responsible for ensuring that affordable housing is built, because they control the land use permitting and approval process at the local level.

Proposed Five-Year Plan

The Task Force proposes a five-year plan to provide a substantial number of additional affordable housing units for working families and moderate-income families. In addition, the plan would increase the low-income renter tax credit for eligible families earning up to $50,000 adjusted gross income. The plan would appropriate approximately $10,000,000 to repair public housing vacant units. Finally, the plan proposes to increase funding for homeless transitional shelters and services by $20,000,000 in fiscal year 2006-2007 and an additional $20,000,000 over the next four years.

Recommendations

The Task Force recommends that the Legislature now adopt legislation to accomplish the following:

With regard to the financing of affordable housing –

(1) Appropriate $20,000,000 for homeless and transitional housing and services for fiscal year 2006-2007. The State also needs to make a commitment to ensure a stable and steady source of funding for homeless housing and services. Therefore, the Task Force recommends at least $5,000,000 for each of the next four fiscal years to fund these areas. For fiscal year 2006-2007, the Legislature may consider funding of grants-in-aid requests by nonprofit organizations that propose creative and innovative immediate and near-term solutions to the homeless problem.

(2) Increase allocation of conveyance tax revenue to the rental housing trust fund (RHTF) from thirty percent to at least fifty percent, effective in fiscal year 2006-2007, to sunset at the end of fiscal year 2009-2010. The Task Force recommends that this allocation be increased further if the state housing agency can demonstrate that there are enough developers that can effectively utilize the additional funds to make more affordable rental units available.

Conveyance Tax (millions)	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Council on Revenues Projections 12/16/05	$ 59.7	$ 71.1	$ 84.9	$ 102.1	$ 123.5
Current: 30% to RHTF	$ 17.9	$ 21.3	$ 25.5	$ 30.6	$ 37.0
Proposed: **50%** to RHTF		$ 35.5	$ 42.4	$ 51.1	$ 61.7
Increase to RHTF		$ 14.2	$ 16.9	$ 20.5	$ 24.7
Number of Units Built	291-530	416-913	465-1063	526-1250	602-1482

If the allocation of conveyance taxes to the RHTF is increased from thirty percent to fifty percent, the difference could result in a total of 2,300 new units being built with RHTF funds and four percent tax credits over five years, and if leveraged with additional financing sources, an estimated total of 5,238 new units could be built.

(3) In addition to the existing state low-income housing tax credit (LIHTC), establish a new separate state affordable housing tax credit of ten to fifteen percent of project eligible basis, decoupled from the federal tax credit, for construction of new or rehabilitation of existing affordable housing units.

(4) Amend the state rent supplement program to allow funds to be used for project based operating subsidies for State low-income housing units.

(5) Increase the low-income household renters' eligibility for income tax credit from $30,000 adjusted gross income (AGI) to $50,000 AGI, and increase the tax credit from $50 to $100 per qualified exemption for taxpayers with AGI up to $30,000, and $75 per qualified exemption for taxpayers between $30,000-50,000 AGI (estimated subsidy from $7,300,000 to $19,000,000 annually).

Low-Income Renter's Tax Credit	**Household of four, up to $30,000 AGI**	**Household of four, up to $50,000 AGI**
Current credit at $50	$200	None
Proposed credit at $75 / $100	$400	$300

(6) More fully utilize bond financing for affordable housing improvements.

(7) Fully fund and strengthen existing programs such as Hula Mae and the downpayment loan program designed to assist residents, including first-time homebuyers, to purchase their own homes.

With regard to land availability for affordable housing –

(8) Create innovative self-help ownership projects by:

- Encouraging the development of small self-help ownership housing on small state-owned land parcels. The Task Force has identified numerous small parcels that may be suitable for lease for one dollar per year for fifty years to develop ownership units through self-help organizations or community land trusts.

- Appropriating $2,000,000 over five years for interim construction loans for fifty self-help homes. Organizations may seek additional financing assistance through HCDCH's dwelling unit revolving fund (DURF).

(9) Enact an inclusionary zoning enabling statute for ordinances that may be adopted by the counties, applicable to all residential and nonresidential development, requiring uniform assessment of affordable housing unit percentages or in-lieu fees; *see*, *e.g.*, chapter 46, part VIII, Hawaii Revised Statutes, relating to impact fees. Provide appropriate incentives to the counties to adopt such ordinances.

(10) Authorize a study identifying available land from the large estates that are divesting their holdings, or lands previously used for pineapple and sugar plantations, that could be developed for affordable housing, and examine the

feasibility of having the state acquire those lands for affordable housing development through a land bank or land trust. Appropriate $50,000 for the study.

(11) Provide incentives over the next five years to develop affordable ownership and rental housing in the Honolulu urban core:

- Require the State to build at least 100 units of affordable housing above any usage of state-owned property for state offices on Beretania Street in Iwilei. The State should also undertake a planning process to try to integrate affordable housing into future state building complexes that are developed in the future.

- Designate an appropriate agency to work with the city and county of Honolulu and stakeholders in the private sector to develop a plan for the redevelopment of the Honolulu urban core for affordable housing. The plan should contain key elements including but not limited to: (a) identifying parcels of land and buildings in the urban core suitable for redevelopment; (b) determining infrastructure requirements and financing of infrastructure improvements; (c) evaluating whether acquisition of land by the state or county may be necessary; and (d) recommending the appropriate agency or entity to oversee redevelopment activities. The plan and recommendations for implementing legislation shall be submitted to the Legislature for consideration during the 2007 Session. Appropriate $75,000 for the plan.

(12) Accelerate Phase 1 of the Kalaeloa project under the Hawaii community development authority (HCDA) to develop 2,385 affordable housing units, by providing state funds which can be leveraged to finance construction of offsite infrastructure totaling up to $70,000,000 over a five-year period for the development of affordable housing. The HCDA shall submit a detailed plan for the development of affordable housing at Kalaeloa to the Legislature for the 2007 Session.

With regard to government approvals and permitting for affordable housing –

(13) Require that state agencies in the permit review process give affordable housing projects priority processing, and provide sufficient funds and resources to ensure timely completion of these reviews.

(14) Amend the Zoning Enabling Act to provide the counties with flexibility to approve affordable housing projects by waiving requirements for certain infrastructure, such as sidewalks; *see*, *e.g.*, section 46-14.5, Hawaii Revised Statutes [Act 196] relating to land use density for low-income rental units.

(15) Amend section 201G-118, Hawaii Revised Statutes, to improve and further streamline the fast-track permitting process.

(16) Request that the counties establish an expedited permitting and approval process for affordable housing projects. Counties that come up with an approved plan within three months shall receive state funding to implement the plan. Appropriate $650,000 for implementation of the plans.

With regard to availability of infrastructure for affordable housing –

(17) Request the counties to provide information on their offsite infrastructure requirements (*e.g.*, sewer, water, drainage, and roadway systems) to accommodate future affordable housing developments.

(18) Appropriate capital improvement project (CIP) funds for offsite infrastructure needed in developments that incorporate affordable housing components throughout the State.

(19) Encourage creative, innovative, and cost-effective ways such as tax increment financing or the establishment of improvement districts to finance the construction of offsite infrastructure, and determine whether additional legislation is needed to implement these measures.

With regard to the preservation and maintenance of the existing stock of public housing and affordable rental units –

(20) Pass legislation to finalize reorganization of the HCDCH into two separate agencies, the Hawaii public housing administration and the Hawaii housing finance and development administration, with each agency having clearly defined roles and responsibilities.

(21) Provide approximately $10,000,000 to repair and modernize the 825 vacant units in federal and state public housing.

(22) Direct the Legislative Reference Bureau to:

- Study and assess the government subsidized affordable housing projects currently in private ownership that are eligible to convert to market-priced housing over the next five years.

- Prepare a plan on the measures and incentives that can be implemented, together with cost estimates, to retain these projects as affordable housing. This plan shall be presented to the Legislature for the 2007 legislative session.

(23) Appropriate $50,000 to study the feasibility of decommissioning and placing under private ownership and management federal public housing projects, and present an action plan to the Legislature for the 2007 legislative session.

(24) Require the Hawaii public housing administration to decommission and place under private ownership state public housing projects where a determination has been made that they are dilapidated and not feasible to repair, or would be more effectively owned and managed by a private entity.

(25) Require the Hawaii public housing administration to accelerate the repair and refurbishment of public housing units that subsequently become vacant, to prepare them for timely occupancy by new tenants; and provide sufficient additional funds and resources for this purpose.

(26) Direct the Hawaii public housing administration to accelerate the conversion of the federal Palolo Public Housing project to private ownership and management, due to strong community support for this change and the successful conversion of the adjacent state project to a private nonprofit organization.

(27) Provide additional funding to the new Hawaii housing finance and development administration for the development of affordable housing.

(28) Provide tax breaks (*e.g.*, general excise tax exemptions or tax credits) to landlords of apartment complexes who maintain units as affordable rentals.

(29) Encourage private landlords with ten or more rental units to accept Section 8 vouchers by providing a general excise tax holiday equivalent to the amount assessed for one month of rent for each unit rented to a Section 8 voucher holder for one year (estimated incentive approximately $450,000 annually, or $2,250,000 over five years).

(30) Consider State acquisition of government subsidized affordable housing projects that are eligible to convert to market priced housing over the next five years, including Kukui Gardens.

(31) Include job placement, substance abuse, and other programs and services in affordable housing complexes, to integrate the tenants into the larger society.

***In addition to the above recommendations, the Legislature should also be open to considering other ideas and proposals that emanated from the Task Force meetings and roundtable discussions. These include*:**

(1) Revamping the role and responsibilities of the land use commission.

(2) Allowing greater flexibility in the use of state housing funds to meet the needs of various income groups.

(3) Issuing bonds for the development of affordable housing, homeless facilities, credit enhancement (loan guarantees) for conventional financing, and down payment loans for first-time homebuyers.

(4) Providing a two to one state tax deduction or tax credits for the donation of land for affordable housing.

(5) Authorizing the use of community land trusts to hold land for affordable ownership housing.

(6) Appropriating funds over five years to subsidize condominium projects of four stories or higher in Kakaako, mauka of Ala Moana Boulevard, that dedicate more than fifty percent of their units (up to 1,000 units) for sale at prices affordable to households at or below one hundred forty percent of median income.

(7) Encouraging the resolution of the ceded lands dispute by negotiating release of certain lands to be used for affordable housing.

(8) Making effective use of ohana housing by:

- Legalizing new or rehabilitated ohana units in all counties and on Hawaiian home lands, provided the owner agrees to rent to Section 8 voucher holders or comply with the federal affordability formula established for that unit.

- Funding administrative costs for counties to set up the permitting process to legalize ohana units, up to thirty percent of the expected rental needs of households whose income are below eighty percent of median income over the next five years. If the counties adopt this plan, over 6,000 units may be placed in the rental housing inventory.

- Providing incentives for homeowners to build new or rehabilitate existing ohana units through legal permitting, including $5,000,000 over five years for low-interest construction loans administered by the counties, and a general excise tax exemption for the first year of rent.

CONCLUSION

The Task Force spent over fifty hours listening to public officials, stakeholders, and members of the public, and visiting a wide range of housing projects and homeless programs. Throughout its journey, the Task Force asked these questions repeatedly:

"What is the role of government?"

"What do you want the Legislature to do?"

The Task Force's five-year plan is directly responsive to the ideas advanced during its deliberations. There are no easy, quick or inexpensive fixes to this problem. The Task Force concluded:

- The role of government is to set policies and provide financial resources to shelter the chronic homeless and the poor; and

- The housing projects under private management or ownership typically operate more efficiently than those under government management.

To address the shelter needs of working and moderate-income families, the role of government is to facilitate the efforts of, and provide incentives for, private developers to build housing for these groups. Both county and state government must work together in creating public-private partnerships. However, the counties are in the best position to take the leadership role in this area.

The Task Force recommends that the Legislature adopt its five-year plan. The Task Force further recommends that the counties adopt the proposals affecting the counties in this report.

APPENDIX A

LIST OF PARTICIPANTS AND CONTRIBUTORS

Name	Position	Organization
Mr. Ron Agor		
Mr. Alan Arakawa	Mayor	County of Maui
Mr. Bill "Kaipo" Asing	Council Chair	Kauai County Council
Ms. Stephanie Aveiro	Executive Director	Housing and Community Development Corporation of Hawaii
Mr. Marvin Awaya		Pacific Housing Assistance Corporation
Mr. Bryan Baptiste	Mayor	County of Kauai
Mr. Sandy Buzz	Incoming Executive Director	Maui Economic Opportunity
Mr. Tom Blackburn-Rodriguez		
Ms. Cynthia Blair		Self Help Homeowner
Mr. Kevin Carney		EAH, Inc.
Mr. Mark Chandler		U.S. Department of Housing and Urban Development
Mr. Anthony Ching		Land Use Commission
Ms. Annette Creamer	Executive Director	Habitat for Humanity - Kauai
Ms. Maude Cumming		Family Life Center
Ms. Sherri Dodson	Executive Director	Habitat for Humanity - Maui
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Mr. Warren Haruki	President	Grove Farm Co. Inc.
Ms. Meleana Higgins		Maui Economic Opportunity, Inc.
Mr. Chuck Hills		Island Concrete Manufacturing Systems
Mr. Craig Hirai		Hawaii Association of Realtors
Mr. Pete Hoffmann	Councilmember	Hawaii County Council
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Mr. Wade Nelson		Habitat for Humanity - Maui
Ms. Helen Neilsen		Starr Properties
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Ms. Karen Piltz		Chun Kerr Dodd Beaman & Wong, LLP
Ms. LaVonne Pironti		Lihue Court Townhomes
Ms. Melissa Prince		
Mr. Kenneth Rainforth	Housing Executive	County of Kauai Housing Agency
Mr. Charles Ridings	Executive Director	Na Hale o Wainee
Mr. Giovanni Rosati	Chair	Maui Nui Housing Task Force
Ms. Claudine San Nicolas		Maui News
Mr. Peter Savio		Hawaiian Island Homes
Mr. Robert Scott		Actus Lend Lease, LLC

Ms. Claudia Shay	Executive Director	Self Help Housing Corporation of Hawaii
Mr. Tom Shigemoto		A & B Properties, Inc.
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Mr. Dean Uchida	Executive Director	Land Use Research Foundation of Hawaii
Mr. Darren Ueki		Housing and Community Development Corporation of Hawaii
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Mr. William Walter		W.H. Shipman
Ms. Mary Pat Waterhouse		City and County Department of Budget and Fiscal Services
Mr. Charles Wathen		Pier Management Hawaii, LLC
Ms. Jackie Wine		
Mr. Lucien Wong		Actus Lend Lease, LLC
Mr. Randy Wong		City and County of Honolulu Department of Community Services
Mr. George Yokoyama		Hawaii County Economic Opportunity Council

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APPENDIX B

AFFORDABLE HOUSING REQUIREMENTS BY COUNTY

	Honolulu	Hawaii	Maui		Kauai	
	Existing	**Existing**	**Existing**	**Admin Proposed**	**Existing**	**Proposed**
Authorization	DHCD Rules for the Terms of Unilateral Agreements Requiring Affordable Housing, Eff 10/31/94*	Ordinance 05-23 Eff. 2/9/05	Admin. Guidelines Revised 5/31/05	Administration Proposal. Presentation made to the County Council on 6/15/05**	Policy proposal drafted 1995; revised 2002	Proposed April 2005
Percent Affordable	30% of total residential units	20% - Residential with 5+ units 1 credit/4 FTE jobs – resort, hotel, industrial that create 100+ jobs	15% of total residential 25% for hotel (Maui County Code 2.94.030)	15% of total residential	30% - Residential with 13+ units 15% - Resort with 25+ units Per analysis - commercial, industrial that create 100+ jobs	15% - 5-19 units 25% - 20+ units
Targeted Income Groups	1/3 @ 80% and below 2/3 @ 80-120%	140%	120% and below for single family sales 110% and below for multi-family sales 100% and below for rentals	120% and below for single family sales 110% and below for multi-family sales 100% and below for rentals	3% @ 50-80% 4.5% @ 80-100% 4.5% @ 100-120% 3.0% @ 120-140%	5-19 units, 15% 10% @ 80-100% 5% @ 100-120% 20+ units 10% @ <80% 5% @ 80-120% 5% @ 120-140% 5% @ 140-180%

<table>
<tr><th></th><th>Honolulu</th><th>Hawaii</th><th colspan="2">Maui</th><th colspan="2">Kauai</th></tr>
<tr><th></th><th>Existing</th><th>Existing</th><th>Existing</th><th>Admin Proposed</th><th>Existing</th><th>Proposed</th></tr>
<tr><td>Credit Structure</td><td>0-BR/1-BA = .68
1-BR/1-BA = .81
2-BR/1-BA = .92
2-BR/1.5-BA = 1.00
2-BR/2-BA = 1.08
3-BR/1.5-BA = 1.16
3-BR/2-BA = 1.28
3+-BR/2+-BA = 1.44

<u>Enhancement Credits</u>
Rentals for more than 20 years</td><td><u>For Sale</u>
120-140% =.5
100-120% = 1
80-100% = 1.5
<80% = 2

<u>Rental</u>
80-100% = 1
60-80% = 1.5
< 60% = 2

<u>Sale of House Lots</u>
80-100% = .5
<80% = 1</td><td><u>Enhancement Credits</u>
31-60% - 2 credits
Up to 30% - 3 credits</td><td><u>Enhancement Credits</u>
for units at 60% and below</td><td><u>Building Type Index</u>
3BR/1-1/2BA SF unit on 6000 sf lot = 1 credit; different credit value for different size/type of unit

<u>Target Income Group Index</u>
Increase or decrease credits depending on targeted income group

<u>Enhancement Credits</u>
150% - SF for sale
200% - buildable lot
200% - rental for 10+ years</td><td>Building Type Index may be used</td></tr>
<tr><td>Options to Satisfy Housing Condition</td><td>Units or finished lots on site
Units off site
Land dedication
In-lieu fee</td><td>Units or lots on site
Units or lots off site (within 15 mile radius)
Land dedication within 15 mile radius
In-lieu fee (used within 25 linear miles of project)
Infrastructure directly related to future affordable housing
Other subject to approval</td><td>Units on site
Units off site but in same community plan, with approval of DHHC director
Land dedication
In-lieu fee
Finished house lots
Infrastructure to affordable housing
Facility upgrades to existing affordable housing</td><td>Units on site
Units off site
Land dedication
In-lieu fee
In-kind services</td><td>Units on site
Units off site
Land dedication
In-lieu fee
Finished house lots</td><td>Units on site
Units off site (for projects of 20+ units subject to 25% penalty)
Land dedication
In-lieu fee
Finished house lots</td></tr>
</table>

	Honolulu	Hawaii	Maui		Kauai	
	Existing	**Existing**	**Existing**	**Admin Proposed**	**Existing**	**Proposed**
Trigger	Zone change.	Zone change; Subdivision approval for residential Agreement at Final Plan approval	Zone change, community plan amendment, district boundary amendment, SMA	Zone Change	Zone Change	Zone change Agreement at planning permit
Bank or Sell Credits		Yes, within 15 mile radius	Bank subject to execution of agreement	Bank subject to execution of agreement	Bank with Council approval	Bank with Council approval
Density Bonus		10% density bonus except in Ag or Rural SLU districts				
Eligibility Criteria	• 18 years • U.S. citizen • No majority interest in property suitable for dwelling • Financial ability • Intent to reside	• Residency • Income • Others set by Housing Agency or OHCD Administrator	Specified in project's affordable housing agreement	Specified in project's affordable housing agreement	• 18 years • U.S. citizen • No majority interest • Financial ability • Intent to reside • Income/family size • No prior ownership of state/county unit	• Hawaii resident • Owner occupant • 18 years • 1st time homebuyer • No majority interest • Preference for Kauai residents
Sales or Rental Flexibility		<u>Sales</u> 90 days – only eligible buyers 30 days – eligible but may have previously owned a residence After 120 days – open	<u>Sales***</u> 90 days – only eligible buyers; 90 days – eligible but at next higher income; 30 days – up to 180% of median After 210 days - open		Initial marketing period – only eligible 45 days – eligible but at next higher income 45 days – eligible but at next higher income After 90 - open	60 days – only eligible 60 days – eligible but 120% income 60 days – eligible, no income limit After 180 – open

	Honolulu	Hawaii	Maui		Kauai	
	Existing	**Existing**	**Existing**	**Admin Proposed**	**Existing**	**Proposed**
Transfer/ Resale Restrictions	• 2-8 year buyback depending on income group • Shared appreciation	May include buyback, shared appreciation and other restrictions	Specified in project's affordable housing agreement	Specified in project's affordable housing agreement	• 4-10 year buyback depending on income group • May include shared appreciation	• 15 year buyback • Shared appreciation
Rental Restrictions	• 10 years • Section 8 FMRs for families < 80% • 30% of income for families >80% • City has 1st option to purchase • If rented to low-income for more than 20 years, may be eligible for enhancement credits	• Agency determines affordable rental price annually • Rental prices are controlled for no less than 20 years			• 10 years • County has 1st option to purchase	• 15 years

NOTES:

* Ordinance 99-51 placed a moratorium on buyer eligibility requirements and transfer restrictions from 8/5/99-8/5/01. Ordinance 01-33 extended the moratorium from 8/15/01 to 8/5/05. Moratorium on affordable housing restrictions from 1999-2005 permitted sale of affordable units without buyer eligibility restrictions.

Resolution 05-252 proposes to temporarily amend, until 6/30/06, subject to extension, the affordable housing requirements to permit the sale of affordable housing units free from any conditions related to buyer eligibility and restrictions on transfer. Policy in flux at both administrative and legislative levels.

** The Maui County Council is considering proposals submitted by the County Administration, Maui Nui and Maui Tomorrow. Currently, it is uncertain what will be adopted.

*** Maui County Code 2.86.610.

SOURCE: Housing and Community Development Corporation of Hawaii, materials prepared for briefing before Land Use Commission, September 2005. Slightly amended in Affordable Housing Policy and Hawaii's For-Sale Housing Markets, prepared by SMS Research and Marketing Services, Inc., for the Land Use Research Foundation of Hawaii (October 2005). Further amended for this report, January 2006.

APPENDIX C

SUMMARIES OF WRITTEN TESTIMONY RECEIVED BY THE TASK FORCE

<u>October 12, 2005 – Honolulu (Informational Briefing)</u>

Housing and Community Development Corporation of Hawaii
Stephanie Aveiro, Executive Director

Stephanie Aveiro, Executive Director of the Housing and Community Development Corporation of Hawaii (HCDCH), testified as to the following general points:

(1) Construction of affordable rental units is the most effective use of public funds to solve homelessness.

(A) A planned transitional shelter coupled with supportive housing in Waianae illustrates the benefits of public-private partnerships. The city and county of Honolulu will provide $5,300,000 in federal HOME (Home Investment Partnership Act) funds; the State will provide 3.662 acres of land and $500,000 in CIP funds; Homeless Solutions will develop the property and operate the housing; and Waianae Community Outreach will operate the transitional shelter. The objective of this project is to provide transitional housing for the homeless and supportive housing for the chronically homeless, *i.e.*, those who have been chronically homeless for a year or more and suffer from a disability. Case management will be provided through the federal Shelter Plus Care program.

(B) A proposed homeless shelter in Waianae will consist of seventy-two rental units and forty dormitory beds. The Uluwehi facility will be developed by the Hawaii Coalition of Christian Churches (HCCC) modeled after the Ka Hale a Ke Ola on Maui, that has had an eighty percent success rate in maintaining housing free of crime and drugs. The cost of this project will be $14,700,000 ($900,000 annually for operations), combining funds from federal, state, city, private foundation and church sources.

(2) Rehabilitation of the existing public housing stock is also required. Many units are over fifty years old and are in need of substantial repair and renovation. Together with the Department of Accounting and General Services (DAGS), the HCDCH repaired 134 units over a four to five month period.

(3) Leveraged real estate solutions involving the private sector offer a brighter future for Hawaii's aging public housing projects. One example is the U.S. Navy's approach that conveys existing units to a partnership with private developers for renovation and new construction, in exchange for which the partnership collects the Navy's Basic Allowance for Housing matched to market rental rates. Another

example is the leasehold acquisition of Palolo Valley Homes by the Mutual Housing Association of Hawaii (MHAH), which then coordinated a $13,500,000 renovation, using multiple sources of funds (including the rental assistance revolving fund, the rental housing trust fund, and low income housing tax credits). The HCDCH concurrently funded a $4,000,000 lead-based paint remediation using capital improvement program (CIP) funds.

(4) Project-based operating subsidies are critical to the success of renovated projects, but the federal Section 8 program does not have the capacity to make such commitments. The HCDCH is considering legislative amendments to allow state rent supplement program funds to be used for operating subsidies in state low-income housing units, as well as tenant rent subsidies in privately leased units.

(5) Mixed-income housing could help alleviate the need for deep operating subsidies; for example, at the 700 unit Moanalua Terrace preservation project. Act 196 authorizes the HCDCH to offer decommissioned state public housing to private organizations or public agencies for rehabilitation into emergency or transitional shelter facilities, where at least fifty percent of the units would be set aside for families at or below fifty percent of median income. These facilities would also need social services, health care, and job training necessary for "building lives." The nonprofit Hawaii Housing Development Corporation and the Pacific Housing Assistance Corporation of Hawaii have successfully leveraged public and private resources to develop mixed-income rental housing.

(6) Management of state low income housing projects should be brought in line with the standards of privately owned affordable rental projects, and to comply with the standards of the Residential Landlord-Tenant Code (chapter 521, Hawaii Revised Statutes). The Mutual Housing Association of Hawaii harnessed private resources to renovate the aging Palolo Valley Homes, thereby improving the quality of life for its residents.

(7) A leveraged real estate model may have potential to generate funds for reinvestment in new housing, while avoiding the significant financial burden of the severe maintenance backlog in the existing public housing inventory. The model consists of the sale of vacant land, demolishing dilapidated units and selling the land for an alternative use, or converting existing units to market use.

(8) Limited resources have allowed only about 200 to 250 affordable rental units to be developed or preserved in Hawaii each year, while there is a need for 17,000 affordable rental units between 2004 and 2009. Act 156, Regular Session of 2005 (Relating to Land Conservation) will provide additional resources for the rental housing trust fund by increasing conveyance tax rates as well as the amount transferred to the fund.

(9) Section 8 housing choice vouchers and state rent supplement payments help low income families by subsidizing the tenants' cost of rent in the private market. Even so, voucher holders have a difficult time finding suitable units in today's tight rental housing market.

(10) Attachments: (1) "Land Developable for Residential Use Under HCDCH Control"; (2) "HCDCH Inventory as of March 2005"; (3) IBM/BISCO, "HCDCH Physical Needs Assessment."

Department of Planning and Permitting – City and County of Honolulu
Henry Eng, FAICP, Director

Henry Eng, FAICP, Director of the Department of Planning and Permitting (DPP) of the city and county of Honolulu, testified as to the following general points:

(1) Permit processing. The DPP has no statistics on the length of time for permitting and approval of affordable housing projects. However, permit streamlining has been a "constant priority," and steps taken include: (a) increasing staff and streamlining permit counter operations; (b) maximizing useful information available on the DPP website; (c) improving the One-Stop Permit Center; (d) paying a shortage differential to engineers to make Honolulu more competitive in hiring; (e) adopting the option of third party review; and (f) creating a satellite office at Kapolei.

(2) Affordable housing requirement. Honolulu requires that new housing developments provide thirty percent of the total number of units as affordable units; twenty percent of the total units must be affordable to households within eighty-one to one hundred twenty percent of median income, and ten percent must be affordable to eighty percent and below median income.

(3) Developer obligations for infrastructure. In addition, new housing development projects are required to pay for all on-site improvements, as well as for a significant amount of off-site improvements such as water and sewer lines and highway interchanges.

(4) Infrastructure improvements in urban Honolulu. The DPP would like to increase urban densities to accommodate the building of more affordable housing in Honolulu. The challenge, however, is how to improve aging infrastructure systems of limited capacity, in particular the sewer system, in a systemic and comprehensive rather than isolated project-by-project manner.

(5) Passing on the cost to market housing. Outside of master development projects that contain a mix of both market and affordable housing, there is no formula for passing on the cost of infrastructure to serve affordable units in urban Honolulu. Honolulu, however, takes primary responsibility for improvement of the sewer

collection system. Improvement districts (with special assessments to property owners) have not proved popular and have not been well used.

Land Use Research Foundation of Hawaii
Dean Uchida, Executive Director

Dean Uchida, Executive Director of the Land Use Research Foundation of Hawaii, testified as to the following general points:

(1) There is an insufficient supply of rentals and for-sale housing units for all income groups in the State. The real need is to build more housing product for all income groups. If the State focuses on low-income rentals, public housing, and the homeless, that leaves the Counties to address the needs of families in the eighty to one hundred forty percent of median income group.

(2) Barriers to the development of affordable housing include: (a) the lengthy land use entitlement process; (b) the lack of major off-site infrastructure to support development; (c) the lack of financial resources to develop affordable housing; and (d) high construction costs due to excessive design standards.

(3) Suggested solutions to the affordable housing problem include: (a) removing duplication and overlap between land use commission reclassification and county rezoning actions, and allowing developer self-certification of building plans for code compliance; (b) government assuming greater responsibility for funding infrastructure by "bundling" innovative sources such as tax increment financing and improvement districts; (c) creating tax incentives such as exemptions, exclusions, or credits against income, excise, and property taxes for developers who build more than the minimum required affordable units; and (d) lowering design standards for affordable and worker housing (overhead instead of underground power lines; swales instead of curbs and gutters; carports instead of garages; uniform instead of custom fixtures; and smaller rooms and houses).

(4) Attachment: Affordable Housing Policy and Hawaii's For-Sale Housing Markets, prepared by SMS Research and Marketing Services, Inc., for the Land Use Research Foundation of Hawaii (October 2005).

Affordable Housing and Homeless Alliance
Laura E. Thielen, Executive Director

Laura E. Thielen, Executive Director of the Affordable Housing and Homeless Alliance, testified as to the following general points:

(1) The homeless population would benefit more from transitional or permanent housing, with appropriate programs to build living skills, rather than temporary emergency shelter.

(2) Existing public housing must be a state priority, with a clear plan to improve the system. Barriers to making vacant units habitable and occupied include slow permit processing for renovation work, and cumbersome rules within the public housing program itself.

(3) Incentives such as tax credits and subsidies, and streamlined permit processing, are needed to encourage private developers to produce more affordable housing. Some or all of the general excise tax revenue from rentals should be placed in the rental housing trust fund.

(4) There are insufficient affordable housing units being developed (at a rate of 750 per year) to meet the demand for more than 30,000 units. One evidence of this is that people are returning their Section 8 vouchers for inability to locate housing and unwillingness of private landlords to rent to low-income persons. Accordingly, the federal allotment of Section 8 vouchers has been decreased.

Hawaii Coalition of Christian Churches
Pastor Wade Soares, Chairman

Pastor Wade Soares, Chairman of the Hawaii Coalition of Christian Churches (HCCC), testified that the HCCC has been awarded a contract to design, build, and operate a seventy-two unit and forty bed project in Waianae, for which it is seeking "fast track" permit approvals. Residents will be offered a number of proven programs and services under strict guidelines reflecting the core values of HCCC. The gated community will provide tangible solutions to homelessness and use housing to change lives.

<u>October 26, 2005 – Kona (Public Hearing)</u>

Nani Olu Resident Association

The Nani Olu Resident Association (NORA) submitted written testimony as to the following general points. Nani Olu is a federally funded state housing project managed by Hawaii Affordable Properties for the elderly and disabled in West Hawaii. Of its thirty-two units, eight units (twenty-five percent) are vacant and have been for an average of eighteen months each. The residents have been told that the vacant units are being held for residents of the Kahalu`u project during its renovation, but no one has been placed in Nani Olu since August 2003. NORA is requesting action by HCDCH to:

(1) Fill resident vacancies in a timely and humane manner.

(2) Train NORA officers to screen and select residents, rather than relying on HCDCH staff in Hilo.

(3) Maintain the property adequately, including painting interiors of units, and providing personnel with proper materials and tools.

(4) Increase funding for capital improvements, renovations, and routine repairs. Nani Olu is allocated only $500,000 for the entire decade. HCDCH statewide is budgeted to receive only $15,000,000 from HUD when it needs $650,000,000.

(5) Take action to remedy major health and safety problems, including exterior mold remediation and installation of guard rails for steep and slimy sidewalks.

November 23, 2005 – Honolulu (Written Correspondence)

Department of Community Services – City and County of Honolulu
Deborah Morikawa, Director

The city and county of Honolulu is currently working on many of the housing issues raised by the Task Force. The city has approximately 4,000 families using Section 8 vouchers, and it is trying to maintain or increase that level to maximize funding utilization. However, the city expressed concern that the number of vouchers may decrease since the maximum rental subsidy has increased.

The city further stated that they are currently not able to provide detailed answers to the questions raised by the Task Force, but are committed to developing more affordable housing options. An attached table detailed seventeen affordable and special needs housing projects to which the City is providing assistance in the form of:

- HOME loans
- CDBG grants
- Chapter 201G exemptions
- In-lieu credits
- Tax exemptions

The projects include affordable rental units for low-income and the elderly, a senior center, transitional housing for homeless families, workforce housing, drug rehabilitation, nursing and care, and emergency shelters.

November 28, 2005 – Honolulu (Roundtable Discussion)

Housing and Community Development Corporation of Hawaii
Stephanie Aveiro, Executive Director

Stephanie Aveiro, Executive Director of the HCDCH, recommended legislation to:

(1) Address barriers to affordable housing by provision of additional funding resources (such as through the rental housing trust fund) for development and upgrading of offsite infrastructure.

(2) Focus on building permanent housing for the homeless, integrated into the larger community with support services, rather than building emergency shelters.

(3) Address the housing needs of lower-income families by providing flexibility in the development and operation of rental housing.

(4) Relax the requirement that projects developed under agreement with HCDCH pursuant to section 201G-121, Hawaii Revised Statutes, be "primarily" for lower income housing, and instead require that projects provide a "reasonable" amount of affordable units on a case-by-case basis.

Land Use Research Foundation of Hawaii
Dean Uchida, Executive Director

Dean Uchida, Executive Director of the Land Use Research Foundation of Hawaii, recommended legislation to:

(1) Remove duplication and overlap between state land use reclassification actions and county rezoning actions.

(2) Develop a set of statewide standards for affordable housing projects.

(3) Require that affordable housing projects receive priority processing at selected reviewing agencies.

(4) Increase government funding for low interest loan programs to homebuyers.

(5) Create incentives to attract private developers to build more affordable units.

(6) Appoint a state coordinator to expedite "fast track" projects for households at or below eighty percent of the median income.

(7) Establish a statewide policy for minimum buyer qualifications, shared appreciation, buyback provisions, percentage of units to be affordable in a housing development, payment of in-lieu fees for affordable units, and portability of these requirements to offsite locations.

(8) Fund infrastructure through tax increment financing and improvement districts.

(9) Prioritize the provision of land and infrastructure for housing.

(10) Establish income and general excise tax credits for construction of new and rehabilitated affordable rental housing and new for-sale units.

(11) Allow additional income and general excise tax credits for each affordable unit built beyond the minimum requirement for households in the less than eighty percent and eighty to one hundred forty percent ranges of the median income.

Self-Help Housing Corporation of Hawaii
Claudia Shay, Executive Director

Claudia Shay, Executive Director, Self-Help Housing Corporation of Hawaii, recommended legislation to:

(1) Require by unilateral agreements at the state and county levels that every project provide thirty percent of the units affordable to families at or below eighty percent of the median income.

(2) Offer height and density bonuses as incentives to developers to build affordable housing.

(3) Increase state appropriations for rental assistance, the rental housing trust fund, and grants and low interest loans to nonprofit developers.

(4) Purchase land for land banking to preserve it from investors and for development in fee simple and leasehold projects, both self-help and contractor built.

(5) Maintain and promptly repair public housing units, including through the "sweat equity" approach.

(6) Inventory and analyze all public lands to identify surplus parcels that can be used for workforce housing.

(7) Impose owner occupancy requirements on first-time homebuyers.

(8) Impose a one percent surcharge on the conveyance tax, dedicated to affordable housing.

(9) Provide tax benefits for individual housing accounts saved for the purchase of housing.

<u>December 8, 2005 – Maui (Public Hearing)</u>

Department of Housing and Human Concerns – County of Maui
Alice Lee, Director of Housing and Human Concerns

Alice Lee, Director of Housing and Human Concerns, submitted a written statement as to the following general points. The county of Maui has a comprehensive and updated strategy to address the critical need for affordable housing through 2010. This need during the period 2003-2007 is estimated to be 1,390 affordable units (278 per year) for first time home buyers, and 2,570 affordable rental units (514 per year). To meet this need, there are 3,249 new and proposed affordable housing projects for the 2003-2007 period, 2,781 for homeownership and 468 for rentals (213 senior units and 255 for the general low-income public). The enumerated projects do not include additional developments at Maui Lani, Pulelehua, and Wainee.

The budget for the county's HUD Section 8 voucher allocation for 1,464 families is currently ninety-eight percent utilized to assist 1,379 families. In addition, the county is providing funding and technical assistance to Lokahi Pacific and Maui Economic Opportunities (MEO) for redevelopment projects in the urban core of Wailuku, and is working with Maui Lani Partners in the planning and design of a mixed used project to provide 320 affordable housing units. The county also provides approximately $500,000 in funding annually for programs and services to meet the needs of the homeless, including provision of a homeless services coordinator and a homeless response team comprised of key members of the administration. Among the objectives of the homeless program are the establishment of a transitional shelter facility and affordable housing complex in the Kihei area, and a community homeless services compound in Paia.

The county believes that the State could be more active in encouraging affordable housing in the following ways: (1) making state lands available; (2) establishing and funding programs for financing affordable rental housing; (3) establishing and funding programs for financing offsite infrastructure (in particular, water source development and highway improvements); (4) establishing tax incentives for the development of affordable housing units; and (5) establishing and implementing a land banking program for affordable housing.

Michael Molina, Councilmember – Maui County Council

Councilmember Michael Molina submitted written testimony describing county legislation he has introduced to expand opportunities for first time homebuyers. This legislation would provide low interest loans to assist families under one hundred twenty percent of the median income with down payment and closing costs. The council established a first time home buyers fund and appropriated $400,000 to initiate the program in fiscal year 2005-2006. Currently, the county of Maui, in cooperation with Lokahi Pacific, assists first time homebuyers using federal HOME loan funds that are restricted to families within eighty percent of the median income. Using county funds, the new program will enable assistance to be extended from the current fifteen families annually to approximately thirty-five families.

Habitat for Humanity Maui
Sherri Dodson, Executive Director

Sherri Dodson, Executive Director of Habitat for Humanity Maui, submitted written testimony as to the following general points. Habitat builds simple, decent homes that are sold to families within twenty-five to sixty percent of the median income with a no interest, no profit long-term mortgage. The families must pay a one percent down payment, put in at least 500 hours of sweat equity, and attend homeowner education and budget and credit counseling classes before they may occupy their homes, which typically are built for under $70,000 with monthly mortgage costs of $300. In this manner, Habitat will have built over 150 homes in Hawaii (and ten per year on Maui) over the next several years. Habitat suggests possible partnership opportunities to:

(1) Set aside a certain amount of federal HOME funds allocated to the State through HCDCH for Habitat to use in assisting families with down payments and closing costs.

(2) Create a state mortgage purchase fund from which Habitat could recoup its loan costs sooner to help other families build homes.

(3) Set aside ten percent of any state land transferred to the counties for development of affordable housing for use by Habitat.

(4) Float state bonds and provide state loan guarantees for the purchase by Habitat of land at below-market prices.

(5) Provide grant funds to Habitat for use in assisting needy families with small home renovation projects required for elderly or disabled family members or those who provide child care.

APPENDIX D

DESCRIPTION OF AFFORDABLE HOUSING SITES VISITED BY THE TASK FORCE

City and County of Honolulu (August 29, 2005)

Puahala Homes (state) is a public housing project of 128 units first occupied in two phases in 1952 and 1959. Since 1997, the project has undergone upgrades and repairs including reroofing, lead-based paint abatement, repairs to stairs, walls, and sidewalks, disability access upgrades, and removal of hazardous materials. Nevertheless, twenty-eight of the units (twenty-two percent of the total) are vacant due to renovation work and administrative holds to accommodate internal transfer of residents from another project.

Kuhio Park Terrace (federal) is a public housing project of 614 units, largely in two high-rise towers first occupied in 1965. The project now includes a Resource Center completed in 1999, where residents may receive certain health care, welfare benefits, social services, and child care services onsite. The vacancy rate is currently twelve percent; as of June 30, 2005, fifty-five units were being kept vacant for maintenance work and administrative holds, with nineteen units available for tenant placement.

Kamakee Vista (state) is a rental housing project owned and operated by the HCDCH. The project, developed by the Hawaii Community Development Authority (HCDA), was funded by tax-exempt revenue bonds of the state rental housing system. First occupied in December 1991, the project's 226 units are managed by Hawaii Affordable Properties, Inc. Sixty percent of the total units (135 units) are restricted to households at or below eighty percent of median income, and the project receives monthly operating subsidy payments from the Rental Assistance Program for these units. The property also includes several units rented out to commercial ventures.

Wilder Vista (private) is a fifty-five unit affordable housing project placed into service in December 2003 and managed by Prudential Locations. The $11,000,000 project, developed by a subsidiary of Hawaii Housing Development Corporation, was financed through federal and state low income housing tax credits and a very low interest loan from the rental housing trust fund (RHTF). The project also received a general excise tax (GET) exemption under chapter 201G, Hawaii Revised Statutes. Although most of the units are restricted to households at or below fifty percent of median income (with six units restricted to thirty percent of median income), the project receives no operating subsidies.

Palolo Valley Homes (private) was formerly a state public housing project constructed in the 1950s, whose 306 units were restored and placed back in service in March 2003. The renovation work was funded through federal and state low income housing tax credits, a very low interest loan from the RHTF, and a construction loan commitment from the rental assistance revolving fund. The Mutual Housing Association Of Hawaii

(MHAH) developed the restored project and now manages it, with the assistance of a project-based Section 8 operating subsidy.

County of Hawaii – Kona (October 26, 2005)

Kealakehe Public Housing (federal) is a forty-eight unit project initially occupied in 1985, currently under management by Hawaii Affordable Properties. There are six to eight vacant units for a vacancy rate of seventeen percent. A resident tenant expressed concern about ceiling rain damage, nonfunctional mailboxes, and restrictions on exterior planting by residents. Management representatives replied that renovations are in the bid process. Although there is a long waiting list of prospective tenants, some of the vacant units are being held open to transfer in tenants from another project that will undergo renovation.

La`ilani Rental Housing (state) has a total of 200 units first occupied in 1988, currently under management by Hawaii Affordable Properties. The project was originally funded with below-market tax-exempt bond financing from the rental housing system, later refunded in consolidation with other bond-financed projects of the system. Sixty percent of the units (120 units) are subsidized and restricted to households at or below eighty percent of median income.

Villages of La`i`opua (state) is a 1,000 acre, thirty year mixed use master development project planned for an eventual 3,337 single and multi-family homes with schools, parks, commercial uses, and other amenities. Village 3 has been developed by DHHL in 225 homes for qualified native Hawaiian beneficiaries, and Village 4 is in planning for another 236 units.[46] The balance of the project had been on hold pending resolution of a lawsuit filed by the Office of Hawaiian Affairs (OHA) against the State in 1994 (and presently on appeal before the Hawaii Supreme Court) to block the alienation of public land trust lands.[47] In December 2004, HCDCH entered into a transfer agreement with DHHL with OHA's consent, whereby DHHL will acquire and further develop the balance of the La`i`opua site, and reimburse HCDCH for some of the cost of infrastructure already in place.

County of Hawaii – Hilo (October 27, 2005)

Lanakila Homes (federal) is 202-unit public housing project built between 1951 and 1962. The HCDCH has approval of HUD to demolish and rebuild the units. Accordingly, the vacancy rate is currently fifty-two percent due to the pending demolition of the original units. Construction of the first eighty new units was completed in February 2000, followed by an additional twenty-eight units in January 2005 and twenty units scheduled for completion in November 2005. Continuation of the next phase of construction is contingent upon availability of additional state matching funds, as the HUD total development cost (TDC) cap for this project has already been reached due to

[46] *See* DHHL, Hawai`i Island Plan: Final Report, prepared by PBR Hawaii (May 2002) at 25; and DHHL, Ka Nuhou, Vol. 30 No. 3 (September 2004) at 1.

[47] *See* Ka Wai Ola o OHA (September 17, 2004).

the rise in construction costs. The Executive Director of HCDCH explained that the remaining units scheduled for demolition are considered by HUD "not to exist," and therefore cannot be renovated, but could be disposed of to another party for that purpose as a condition of additional funding for new units. The amount of time required to place tenants in vacant or new units depends on finding qualified applicants. That process could be expedited if HUD would accept prior certification of income eligibility for welfare or social security benefits rather than requiring independent third-party certification. Tenants for a given type of unit must also qualify in terms of their family size.

Hale Hoaloha (private) is an acquisition/rehabilitation project consisting of eighty-one units placed in service in January 2002. It was funded in part by a financing package including an HCDCH purchase money mortgage at three percent interest, tax-exempt Hula Mae multifamily bonds, and federal low income housing tax credits. The project has also obtained HUD Section 8 project-based operating subsidies and a state general excise tax exemption.

Lokahi (state) is a public housing project of thirty units initially occupied in 1962. It has recently undergone renovations including reroofing, lead-based paint abatement, exterior improvements, repair of damaged and termite-eaten doors, and installation of individual wastewater systems. Nevertheless, its vacancy rate is fifty-three percent, and ten of the sixteen vacant units are on maintenance hold.

County of Kauai (November 9, 2005)

Kawailehua (state and federal) is a public housing project of twenty-six state units and twenty-five federal units initially occupied in late 1993. The vacancy rates are fifteen percent (four units) for the state portion, and eight percent (two units) for the federal portion. The four vacant state units are being held for completion of repainting and installation of new appliances under a single contract managed from Honolulu. Although the federal units receive a HUD subsidy for operating expenses, no equivalent subsidy or Section 8 payments are available to the state units, which must be maintained solely from rental revenues constrained to thirty percent of tenants' income, further reduced by a utilities credit. HCDCH staff explained that management of public housing (as distinguished from state rental housing) cannot be outsourced because funds are not available to pay for private management. However, if the state public housing units were decommissioned and placed under private management, rents could be increased and the tenants could use Section 8 vouchers, thereby providing sufficient revenues for project maintenance.

Paanau Village (county) is an affordable rental complex of sixty units completed in February 1994 and managed by Hawaii Affordable Properties, adjacent to Kawailehua. The land was donated to the county by McBryde Sugar Company as a condition for zoning of another project in Poipu. The construction was funded by a combination of federal community development block grant (CDBG) and HOME investment partnership financing, together with state tax exempt revenue bonds. Vacancies in the project, when they exist, are turned over in two weeks; currently there are forty households on the waiting list. Although Paanau does not receive Section 8 funds, it does qualify for state rental assistance payments which, together with tenant rent payments, provide a limited but acceptable rate of return on investment under section 201G-221, Hawaii Revised Statutes. Accordingly, Paanau has a resident manager and receives onsite maintenance services. The project is planned to expand by sixty more units on adjacent land donated by A & B Properties, Inc.

Self-Help Housing Corporation of Hawaii (private) is a non-profit initiative that musters creative financing, helps low-income individuals become qualified home buyers, and uses "sweat equity" to substitute for the cash reserves. The organization locates and develops sites for a subdivision, then recruits a group of about ten prospective homeowners to work together and build all of their houses. The organization screens applicants, then works with them to provide financial counseling, intensive training in home ownership, and nuts-and-bolts training in building skills. When construction begins, team members are expected to put in thirty-two hours per week, building all houses in "mass construction" so they all begin and are completed at about the same time. "Sweat equity" accounts for more than half the value of most houses, literally replacing the down payments. It generally takes eight to ten months to build ten houses. On Kauai, Self-Help has projects at Hanapepe (twenty-three homes completed in 2001, with ten additional lots in development in Cliffside at Hanapepe Heights); Kalaheo (nineteen homes completed in 2003); and Puhi (forty-one homes to be developed commencing in 2006).

Puhi affordable housing project (private) is an outcome of an entitlement condition imposed by the land use commission (LUC) at the height of the economic "bubble" period in 1989. The condition required Grove Farm Properties, Inc., to offer (for sale or rental) at least thirty percent of the housing units it would develop to families within the income range of eighty to one hundred twenty percent of Kauai's median income, with an additional thirty percent of the units to be affordable to families within the one hundred twenty to one hundred forty percent income range. Grove Farm provided infrastructure improvements (including a private waste treatment plant), but when the project proved economically unfeasible during the 1990s, the land was eventually sold at a loss to Schuler Homes, which subsequently developed single-family, duplex, and multi-family subdivisions in three phases at the Puhi site.

KEO Emergency Shelter and Transitional Housing Program (private) will be Kauai's first such project for the homeless population, to be developed by Kauai Economic Opportunity, Inc. (KEO), a nonprofit community action agency, on a former state baseyard in Lihue. Existing structures will be rehabilitated to provide nineteen emergency beds for the homeless, and four portable buildings will be moved onsite and renovated into eight rental apartment units. A training center (for employment services and educational and lifeskills classes), as well as a storage and laundry facility, will also be included. Groundbreaking is scheduled for January 2006. Act 178, Session Laws of Hawaii 2005, item IV-K-22, appropriated $650,000 in fiscal year 2005-2006 for this project; additional funds have been sought from the community development block grant (CDBG) program, the HOME investment partnerships program, and the economic development initiative.

Lihue Court Townhomes (private) is a low-income multi-family rental housing project of 174 units (including eight units for transitional housing). The project is owned and managed by the Mutual Housing Association of Hawaii (MHAH), which acquired the property in 1994 and has spent over $8,000,000 to revitalize the formerly rundown and crime-infested development with funds from the rental housing trust fund, the federal HOME Program, and a post-Iniki disaster grant. Among the unique features of the project are its resident services, including house rules created by the tenants, a Head Start program, a computer lab, and a community market garden. The units are rented to the KEO, which selects and can evict individual tenants as required. There is now a six to ten month waiting list for residency in Lihue Court.

County of Maui (December 8-9, 2005)

Na Hale o Wainee Resource Center (private) is a homeless/transitional and affordable housing project of seventy-eight units in Lahaina initially occupied in February 2004. It was developed by Maui Economic Concerns of the Community, Inc., for a total construction cost of $9,600,000, financed by a combination of HOME funds, HUD grants, a Weinberg Foundation grant, county of Maui bond funds, and a private developer contribution of in-lieu fees to satisfy an affordable housing requirement elsewhere on Maui. The land was donated to the county by Amfac, Inc., and leased to the developer for $1.00 per year. The project was "fast tracked" under section 201G-118, Hawaii Revised Statutes, and enjoyed a number of other exemptions as well, from the general excise tax, rezoning requirements, permit and inspection fees, water meter and development fees, and parking requirements. Occupancy is restricted to households with no more than fifty percent of the median family income. The project neither requires nor receives an operating subsidy. Management conducts quarterly inspections of all tenants. When units are vacant, they are normally prepared for rental again within twenty-four hours.

Front Street Apartments (private) is another project developed in Lahaina for households with incomes below sixty percent of the median. The project consists of 142 units completed in 2001, financed by a package consisting of nine percent federal and state low income housing tax credits valued at $15,600,000 over a ten-year period. This was nearly sufficient to cover the construction cost of $17,736,834. The project receives no operating subsidy.

Kahekili Terrace (federal) is a public housing project of eighty-two units in Wailuku, initially occupied in 1966. Twenty-seven units (thirty-three percent) are vacant and on maintenance hold. Units may be vacant for up to six months depending on the amount of damage caused by tenants, and the priorities of five maintenance staff who must cover five projects. Also, even without the administrative appeal eliminated by Act 227, Session Laws of Hawaii 2002, HCDCH's grievance procedure requires a year or more to evict a tenant for nonpayment of rent, violation of the lease rental agreement, or other infractions such as failure to maintain the dwelling unit.[48] Act 227 will be repealed by its own terms on July 1, 2007, reinstating the administrative appeal. By contrast with HCDCH's lengthy procedure, management in private projects (including those not under the *direct* control, ownership, or management of HCDCH) can bring an action for summary possession under the landlord tenant code within only ten days after notice of failure to maintain.[49]

Kahului Town Terrace (private) is an affordable rental project completed in 1989, whose fifteen-year affordability commitment (households at or below sixty percent of the median income) will lapse in 2006. The project, managed by Hale Mahaolu, was financed in part by nine percent federal and state low income housing tax credits valued at $8,301,810 over a ten-year period. The project receives monthly operating subsidy payments of $175 per unit from the state rental assistance program. The project is scheduled to be refinanced with revenue bonds (for at least fifty percent of the cost) combined with state non-competitive four percent housing tax credits.

Hale Mahaolu Ehiku (private) (for which groundbreaking was held on December 9, 2005) will eventually have 112 units (initially thirty-four units) for elderly residents, most with incomes no more than sixty percent of the median. The project, on a seventy-five year leasehold with a forty-one year affordability commitment, will be financed by a package of nine percent federal and state low income housing tax credits and loans from the RHTF, the federal home loan bank in Seattle, and a commercial lender. The development cost of $5,819,872, for three-story garden style apartments with elevator adjacent to an adult day care center and senior community center, will be $171,173 per unit.

[48] *See* section 201G-52, Hawaii Revised Statutes.

[49] *See*, *e.g.*, sections 521-7, -51, and -69, Hawaii Revised Statutes.

APPENDIX E

Land Developable for Residential Use under HCDCH Control

City and County of Honolulu

Senior Residence at Iwilei

(1) 1-5-7:002

Acreage: 1.825 acres
Non-ceded

Status: DLNR owns land; HCDCH has development rights. HCDCH has Development Agreement with Pacific Housing Assistance Corporation to develop 155 senior rental units

Banyan Model Lots and Parcel, Waimanalo

(1) 4-1-008: 086-089

Four model home lots and adjacent fifth lot

Acreage: Approximately 0.65 acres
Ceded

Status: Pending sewer capacity

(1) 4-1-032: 126

Remnant Parcel in Waimanalo Banyan Tree development, landlocked

Acreage: Approximately 0.271 acres
Ceded

Status: Pending sewer capacity

Hokulele Subdivision Remnant Lot, Kaneohe

(1) 4-5-023: 011, 012

Possibly 2 or 3 house lots may be buildable

Acreage: Total parcel is approximately 1.213 acres, which includes reservoir and easements, small portion is buildable
Non-ceded

Status: Future disposition for residential development

Leilehua Villages Remnant Lots, Wahiawa

(1) 7-4-022: 045

Leilihua Village Remnant Lot

Acreage: Two parcels totaling approximately 11.735 acres, which includes Laiola project, ravine, and approximately 25,000 square feet (approximately five lots) that is buildable
Non-ceded

Status: Future disposition of buildable portion for residential development

Waianae Supportive Housing
(1) 8-5-028: 044
Acreage: 3.662 acres
Ceded
Status: Negotiating Development Agreement with Homeless Solutions to develop 20 transitional units and 30 supportive housing units

Uluwehi Emergency/Transitional/Permanent Housing
(1) 8-5-027: 071, 073
Acreage: 2.46 acres
Ceded
Status: Conditionally approved proposal from Hawaii Coalition of Christian Churches to develop 72 rental units (16 emergency, 32 transitional, and 24 affordable), plus 40 beds in 2 dormitory rooms (10 female beds; 30 male beds)

Villages of Kapolei
(1) 9-1-16: 93
Senior Residence at Kapolei (Village 2)
Acreage: 4.517 acres
Non-ceded
Status: Pacific Housing Assistance Corporation has Site Control Option Agreement to develop 53 senior units at 50 percent and below median family income (MFI) and six senior units at 30 percent and below MFI

(1) 9-1-16: 36, 59, and 64
Villages 2, 5, 6
Acreage: Parcel 1: 3.474 acres; parcel 2:9.807 acres; parcel 3: 7.615 acres
Status: Negotiating Development Agreement with Castle & Cooke Homes Hawaii to develop 492 units (287 rentals at 100 percent and below MFI and 205 for-sale units at 120 percent and below MFI)

(1) 9-1-16: por 076, 088
Village 8, Kaupe'a
Acreage: 52.402 acres
Status: Development Agreement with DHHL to develop 326 single family for-sale units at 120 percent and below MFI

(1) 9-1-079:001 through 035, 054
36 house lots in Village 4, Kekuilani (formerly owner-builder lots)
Acreage: Approximately 2.441 acres
Status: Future disposition for residential development

(1) 9-1-092: 037-066, 104
31 house lots in Village 5, Iwalani (formerly owner-builder lots)
Acreage: Approximately 2.5 acres
Status: Future disposition for residential development

Ka'olu (Crown Properties), Waipahu
(1) 9-4-017: Por. 058; 9-4-17: 053 and 054
Two parcels are currently being advertised for development through the Request For Proposal (RFP) process with the objective to maximize affordable housing units
Acreage: Parcel 1: 6 acres; parcel 2: 1.394 acres
Non-ceded
Status: In RFP process; proposals due October 28, 2005

(1) 9-4-017:061
Acreage: approximately 0.8 acres, buildable portion is about 4,000 square feet
Non-ceded
Status: Future disposition for residential development

<u>County of Maui</u>

Hana Lot, Hana
(2) 1-3-009: 009
Located in Hana Agricultural Park, Lot 3.
Acreage: Approximately 6.824 acres
Non-ceded
Status: Negotiations to transfer to county have stalled

Honokawai Kauhale Remnant Parcel, Lahaina
(2) 4-4-001: 026
Remnant parcel on Honokawai Kauhale rental project
Acreage: Approximately 0.9 acres
Ceded

Villages of Leiali'i, Lahaina
(2) 4-5-021: 003
Master-planned community. HCDCH owns portion and has development rights to the portion owned by DLNR.
Acreage: Approximately 1,128 acres
Ceded
Status: Ceded land lawsuit

(2) 4-5-021: 020 and (2) 4-5-036: 001-111
Villages 1A and lB
Acreage:
Status: Transferred to DHHL to develop 104 single family units in Village IA - 83 units at 120 percent and below MFI and 21 units at 140 percent and below MFI; 225 single family units in Village lB — 180 units at 120 percent and below MFI and 45 units at 140 percent and below MFI

County of Hawaii

Mohouli Vacant Lot, Hilo
(3) 2-4-059: 032
Mohouli Subdivision, once intended for construction through community college
Acreage: Approximately 0.149 acres
Ceded?

Honokaa Parcel, Honokaa
(3) 4-5-01 0: 122
Acreage: approximately 8.041 acres
Non-ceded
Status: Community planning process; possible supportive senior rentals

Kona Land
(3) 7-4-008: Por. 056
DLNR owns land; HCDCH transferred development rights to DHHL. HCDCH negotiating with DHHL for development rights to non-ceded portion of land.
Acreage: Approximately 272 acres
Non-ceded
Status: HCDCH negotiating for development rights

Kealakehe Vacant Lots, Kailua-Kona
(3) 7-4-019: 043
Kealakehe House lots, vacant remnant lot off Ho’oloa Street
Acreage: Approximately 4.072 acres
Non-ceded
Status: Future disposition for residential development

(3) 7-4-021: 019
Kealakehe vacant lot
Acreage: Approximately 8.041 acres
Non-ceded
Status: Future disposition for residential development

APPENDIX F

Analysis of DLNR Sites - Various Islands

Island of OAHU - Aiea-Halawa

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
(1) 9-9-53:66	Kaimakani Street Ext.	22,679 Sq.Ft.	Urban / R-5	Vacant- Utility line corridor	Single Family Dwellings	Y	N	Single Family Dwelling	Y
(1)9-9-019: 002	Chester Way	3.14 Ac.	Urban / CZC: P-1, P-2, R-3; LUO: R-3, R-10	Vacant- Steep slope	Single Family Dwellings	Y	N	N/A	Y

Island of OAHU- Aiea

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
(1)9-9-044: 020	Upapalu Street	11,460 Sq.Ft.	Urban / CZC: R-6 LUO: R-5	Vacant	HECO Sub-Station; Single Family Dwellings	Y	Probable	Single Family Dwelling	Y
(1) 9-9-044: 024	Kamehameha Highway	6,840 Sq. Ft.	Urban / CZC: R-6 LUO: R-5	Vacant	HECO Sub-Station; Single Family Dwellings	Y	Probable	Single Family Dwelling	Y
(1)9-9-072: 45	99-820 Iwaiwa Street	1.47 Ac.	Urban / CZC: R-6 LUO: R-5	Vacant - Steep slope	C&C Park. Single Family Dwellings, Industrial	Y	N	N/A	N

Island of OAHU- Kakaako-Makiki

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
(1)2-1-51: 09	525 Keawe Street	3.42 Ac.	Urban / State-HCDCH	Parking Lot, SOH Storage, Satellite Station	Industrial, Various business, Elderly, Condominiums, Etc.	Y	Y	High-Rise Small Family Affordable Rental Project	N(?)
(1)2-4-32: 02	Auwailimu Drive	30,045 Sq. Ft.	Urban / CZC: R-6 LUO: R-5	Vacant - Stream Lot	Papakolea Housing. Roosevelt H.S., Stevenson MS.,Single Family Dwellings, Condominiums	Y	N	N/A	Y

Island of OAHU - McCully-Kaimuki-St. Louis Hts.

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y/N	Developable Y / N	Type of Housing Development	Ceded Land
(1)2-3-34: 01	612 McCully Street	7,895 Sq.Ft.	Urban / CZC: A-2 LUO: A-2	American Legion Club House & Ala Wal Cannel Promenade	Shopping Centers, Hotels, Apartments, Condominiums	Y	N	N/A	N
(1)3-2-36: 10	Koko Head Avenue	5,500 Sq Ft.	Urban / CZC: P1 LUO: P-2	Vacant - Pu'u O Kaimuki Mini Park	Fire Station, Single Family Dwellings	Y	Probable	Single Family Dwelling	?
(1)3-3-56: 02	Dole Street	107.72 Ac.	Conservation/Urban	Majority is vacant: BOWS Reservoirs	U of H, Single Family Dwellings	Y	N	N/A	Y

Island of OAHU- Kuliouou

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
(1)3-8-04: 01	May Way	2.12 Ac.	Conservation / CZC: P-1, R-6 LUO: P-1, R-5	Vacant - Ridge	Single Family Dwellings, Condominiums	Y	N	N/A	Y
(1)3-8-04: 54	Makaniolu Place	8,723 Sq.Ft.	Urban / CZC. R-6 LUO: R-5	Vacant - Sloped Lot	Single Family Dwellings, Condominiums	V (Thru Maunalua Avenue)	Probable	Single Family Dwelling	Y
(1)3-8-04:56	Maunalua Avenue	8,135 Sq.Ft.	Urban / CZC: R-6 LUO: R-5	Leased by DLNR Single Family quonset hut home.	Single Family Dwellings. Condominiums	Y	Probable	Single Family Dwelling	Y
(1)3-8-04:57	Maunalua Avenue	7,875 Sq Ft.	Urban / CZC: R-6 LUO: R-5	Vacant - Sloped Lot	Single Family Dwellings, Condominiums	Y	Probable	Single Family Dwelling	Y

Island of OAHU - Kalihi

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable YIN	Type of Housing Development	Ceded Land
(1) 1-6-008: 051	Sing Loy Lane	4,164 Sq.Ft.	Urban/CZC: R-6 LUO: R-5	Vacant	Single Family, Commercial, School	Y	Y	Single Family	N
(1) 1-6-024: 038	Kapalama Avenue	8,284 Sq.Ft.	Urban/CZC: R-6 LUO: B-2 Comm. Bus.	Parking Lot for Kalihi-Palama Library.	Kalihi YMCA, Bishop Museum, Farrington H.S.	Y	N	N/A	N
(1) 1-7-041: 002	1741 Lanakila Avenue	12,558 Sq.Ft.	Urban / CZC: R-7 LUO: R-3.5	Vacant	Single Family	Y	Y	Single Family - Possibly two units.	Y

Island of OAHU- Kapalama-Kalihi

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable YIN	Type of Housing Development	Ceded Land
(1)1-2-21: 21	Sand Island Road	20,735 Sq.Ft.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21: 35	Sand Island Access Rd.	15,281 Sq.Ft.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21: 36	Sand Island Access Rd.	1.42 Ac,	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1) 1-2-21: 37	Sand Island Access Rd.	26,100 Sq.Ft.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21: 38	Sand Island Access Rd.	6,750 Sq.Ft.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y

Island of OAHU - Kapalama-Kalihi

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable YIN	Type of Housing Development	Ceded Land
(1)1-2-21: 39	Sand Island Access Rd.	11,610 Sq.Ft.	Urban / CZC: -2 Heavy Industrial; LUO: I-2 Intensive Industrial	t)LNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21: 40	Sand Island Access Rd.	1.10 Ac.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21:41	Sand Island Access Rd.	1.74 Ac.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21: 42	Sand Island Access Rd.	42,000 Sq.Ft.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21: 43	Sand Island Access Rd.	15,100 Sq.Ft.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21: 44	Sand Island Access Rd.	11,353 Sq.Ft.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21: 45	Sand Island Access Rd.	4.50 Ac.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1)1-2-21:46	Sand Island Access Rd.	2,037 Sq.Ft.	Urban / CZC: 1-2 Heavy Industrial; LUO: 1-2 Intensive Industrial	DLNR Lease - Industrial	Industrial	Y	N	N/A	Y
(1) 1-3-15: 72	Gertz Lane	16,480 Sq.Ft.	Urban / CZC: R-7 LUO: R3.5	Vacant - Stream Lot	Single Family, Kuhio Park Terrace Project	Y	N	N/A	Y

Island of OAHU - Nuuanu Valley

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
(1) 1-8-007: 050	010 Niolopa Place	7,158 Sq.Ft.	Urban/ CZC: R-3 LUO: R-10	HECO Electrical Transformer Vault	Residential	Y	N	N/A	N
(1) 1-9-010: 009	Ala Kimo Drive	22,095 Sq. Ft.	Urban / CZC: R-3 LUO: R-10	Vacant - Landlocked	Residential	N	N	N/A	N
(1) 1-9-008: 039	Old Pali Road	12,000 Sq.Ft.	Urban / CZC: R-3 LUO: R-10	Vacant - Steep slope	Residential	Y	N	N/A	N

Island of MAUI

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y /N	Developable Y / N	Type of Housing Development	Ceded Land
(2) 4-5-028: 070	610 Lokia Place Lahaina	1.59 Ac.	Not listed / R-3	DLNR Rev. Permit - Farming	Single Family Dwellings	Y	Y	Multi-Family (w/addition of some Leialii lands)	Y
(2) 4-4-001: 026	3560 Honoapiilani Rd. Honokowal	39,204 Sq.Ft.	Not listed / R-3	Vacant Lot - Remnant from construction of Honokowai Kauhale Rental Project.	Single Family, Hotels. Condominiums, Businesses	Y	Y	Small commercial complex.	Y
(2)4-4-001: 094	Honokowai	7,405 Sq.Ft.	Not listed / R-3	Sewer Pump Station	Single Family Hotels, Condominiums, Businesses	Y	N	N/A	Y

Island of KAUAI - Hanapepe

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
(4)1-8-007:014	Hanapepe Road	21,551 Sq.Ft.	Urban / R-4	Vacant	Commercial	Y	N	N/A	Y
(4)1-8-007: 015	Hanapepe Road	16,807 Sq.Ft.	Urban / R-4	Vacant	Commercial	Y	N	N/A	Y
(4) 1-8-008: 049	Hanapepe Road	8,148 Sq.Ft.	Urban 'C-N	Vacant	Single Family / Commercial	Y	Probable	Single Family, Commercial	Y
(4)1-8-008: 052	Hanapepe Road	1.17 Ac.	Urban / C-G	Vacant	Single Family / Commercial	Y	Y	Single Family, Commercial	Y
(4)1-9-010: 003	4460 Puolo Road	16,792 Sq.Ft.	Urban / Not listed	Vacant	Single Family, Commercial, Hanapepe Stadium	Y	Y	Single Family	Y

Island of KAUAI Wailua-Kapaa

TMK	Location	Lot Size	Land UselZoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
(4)4-1-011: 016	357 Kaulana Road	22,749 Sq.Ft.	Urban/ R-6	Vacant	Single Family	Y	Y	Single Family	Y
(4)4-1-011:018	360 Kaulana Road	1.03 Ac.	Urban / R-6	Vacant	Single Family	Y	N	N/A	Y
(4)4-1-011: 020	5330 Haleilio Road	38,500 Sq.Ft.	Urban / R-6	Vacant	Single Family	Y	Y	Single Family	Y
(4) 4-1-012: 008	5244 Haleilio Road	33,606 Sq.Ft.	Urban / R-6	Vacant	Single Family	N	N	N/A	Y
(4) 4-5-008: 033	1316-A Inia Street	8,050 Sq.Ft.	Urban / Not listed	Occupied - Single Family Dwelling	Single Family, Commercial	Y	Y	Single Family, Commercial	Y
** (4) 4-5-8: 4*	*1298 Inia Street*	*17,514 Sq.Ft.*	*Urban / Not listed Urban / Not listed*	*DLNR Rev. Permit - Vacant*	*Single Family, Commercial Single Family, Commercial*	*Y*	*N*	*Single Family, Commercial*	*Y*
** (4) 4-5-8: 7*	*1310-A Inia Street*	*9,975 Sq.Ft.*		*DLNR FP - Single Family Dwelling*		*Y*	*N*	*N/P*	*Y*

* Two lots mentioned in report prepared by Kevin Funasaki, CMS 1.

Island of KAUAI- Poipu

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
(4) 2-8-022: 005	Off Poipu Road	22,913 Sq.Ft	Urban / Not listed	Road Access	Well Weli Houselots	Y	N	N/A	Y

Island of HAWAII - Downtown Hilo

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible YI N	Developable Y / N	Type of Housing Development	Ceded Land
3-2-3-020:002	Laimana Street	6.76 Ac.	0 / RS-7.5	Veterans Cemetery #2	Cemetery Residential	Y	N		N
3-2-4-001:121	Kumukoa Street	39.46 Ac.	0/ RS-10	Vacant Overgrown	Residential Drainage Canal	Limited	Possible		Y
3-2-4-001:124	Off Mohouli Street	2.33 Ac.	0/ RS-10	Vacant Overgrown	Residential Drainage Canal	Y	Y		Y
3-2-4-001:158	Komohana Street	12.67 Ac.	0 / RS-10	Vacant Overgrown	Residential Mohouli Park	Y	Y		Y
3-2-4-056:014	600 W. Lanikaula Street	15.54 Ac.	0/ RS-7.5	Easement	Church National Guard	Y	N		Y
3-2-2-050:067	Kawili Street	22,814 S.F.	0 / RS-10	Vacant	Residential commercial	Y	Y		Y

Island of HAWAII - Hilo Airport

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
3-2-1-017:057	Ntene & Lokoaka Streets	3.01 Ac.	0 / RS-15	Vacant - Flood Prone Overgrown Heavy Brush	Makai Residential Mauka - Vacant	Y	Possible		Y

Island of HAWAII – Hilo

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
3-2-4-012:009	Off Kawailani Street	14.37 Ac.	0 / RS-15	Vacant Heavy Brush & Trees	Residential	Need Entry with Below	Y		Y
3-2-4-012:010	Off Kawailani Street	3.99 Ac.	0 / RS-15	Vacant Heavy Brush & Trees	Residential	Y	Y		Y
3-2-4-041:003	1479 Komohana Street	15,190 Sq.Ft.	0 / RS-15	Vacant Rocky	Residential	N Sloped	N		Y
3-2-4-026:045	Maunakai Street	10,600 Sq.Ft.	0 / RS-15	Vacant Overgrown Trees	Residential	Y	N		Y
3-2-4-051:001	Kaunaloa & Haihai St.	35.7 Ac.	0 / RS-15	Pasture	Residential	Y with Below	Y		Y
3-2-4-051:094	Laula Street	10,125 Sq.Ft.	0 / RS-15	Vacant	Residential Pasture	Y	Y		Y
3-2-4-051:107	Haihai Street	10,014 Sq.Ft.	0 / RS-15	Pasture	Residential Pasture	Y	Y		Y
3-2-4-051:108	Haihai Street	10,100 Sq.Ft.	0 / RS-15	Pasture	Residential Pasture	Y	Y		Y

Island of HAWAII - West Hilo

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
3-2-3-027:004	Waianuenue Avenue	1.89 Ac.	0 / RS-15	Vacant Heavy Brush	Residential / Church	Y	Y		Y
3-2-3-031:006	Waianuenue Avenue	16,939 Sq.Ft.	0 / RS-10	Vacant Large Trees	Drainage Ditch	Limited	N		V
3-2-5-005:089	Pamoho Road	34,500 Sq.Ft.	0 / RS-10	Vacant	Residential / HELCO New Development	Limited Unpaved Trail	N		Y

Island of HAWAII – Pahoa

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
3-1-5-007:024	‘Apa’a Road	2.46 Ac.	0 / RS-10	Appears Vacant Possible Agriculture	Residential / Agriculture	Limited 'Apa'a Road Not Continuous	Possible		Y

Island of HAWAII – Mountain View

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
3-1-7-010:003	Old Volcano Road	41,818 Sq. Ft.	0 / RS-20	Vacant Heavy Brush	Residential / Agriculture	Y Thru Gravel Road	Possible		Y
3-1-7-010:005	Old Volcano Road	33,541 Sq. Ft.	0 / RS-20	Vacant Flood Area Below	Residential Above Sloped Lot – Ag Below	Y One Lane Down Enos Road	Possible		Y
3-1-7-011:016	Volcano Road	20,150 Sq. Ft.	0 / RS-20	Vacant Heavy Brush	Residential Below Street Level	Y	Possible		Y
3-1-8-068:009	Volcano Road	13,575 Sq. Ft.	0 / RS-20	Vacant	Cemetery – Residential	Y	No – Sloped		Y

Island of HAWAII - Puako

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
3-6-9-004:001	69-1782 Puako Road	18,503 Sq. Ft.	0 / RS-10	Address Lot has House Vacant Lot	Residential/Beachfront Residential/Beachfront	Y Y	N Y	Single Family or Duplex	Y

Island of HAWAII - Waimea

TMK	Location	Lot Size	Land Use/Zoning	Current Use	Surroundings Use	Accessible Y / N	Developable Y / N	Type of Housing Development	Ceded Land
3-6-5-012:031	Kawaihae Road	12,165 Sq. Ft.	0 / RS-10	Gulch	Residential / Pasture Flood Zone	Limited Along Drainage Canal	N		Unknown
3-6-6-001:005	Kawaihae Road	2.13 Ac.	0 / RS-10	Pasture High End Subdivision	Residential / Pasture Sandalwood at Waimea	Y	Possible		Y
3-6-6-001:011	Kawaihae Road	2.33 Ac.	0 / RS-10	Pasture High End Subdivision	Residential / Pasture Sandalwood at Waimea	Y	Possible		Y
3-6-6-004:021	Alaneo Street	10,779 Sq. Ft.	0 / RS-10	Vacant Corner Lot	Residential	Y	Y	Single Family Dwelling Needs Septic Tank	Y
3-6-6-006:002	Kawaihae Road	1.10 Ac.	0 / RS-10	Lanikepu Gulch		N	N		Y
3-6-6-006:003	Off Kawaihae Road	1.0 Ac.	0 / RS-10	Pasture	Residential Possible Flood Area	Thru Gulch -6.002	Possible		Y
3-6-6-006:004	Off Kawaihae Road	1.0 Ac.	0 / RS-10	Pasture	Residential Possible Flood Area	Thru Gulch -6.002	Possible		Y

APPENDIX G

COST ESTIMATES TO REPAIR VACANT PUBLIC HOUSING UNITS STATEWIDE

Federal Public Housing Vacancies*

The following information was prepared by the HCDCH's Development Support Section.

- Note: The estimate of unit condition is the best estimate available at this time by staff. During the annual unit inspections, which will take place in Spring 2006, the HCDCH will assess actual conditions, and will arrive at an actual determination of the numbers of Type "A", "B", and "C" units among the vacant units.

- Note also: The average repair costs per type of unit indicated below are the amounts used for budgeting purposes. Actual repair costs per unit will vary.

Total Number of Vacant Units:	750 units	as of 12/01/05
Estimated Number of Units under Modernization:	149 units	
Estimated Number of Units w/ approved Demolition: [Not to be repaired]	106 units	
Estimated No. of Vacant Units In Need of Repair:	**495 units**	
Type "A" Units Minor Level Repairs	80 units	
Type "B" Units Moderate Level of Repairs	325 units	
Type "C" Units Major Level of Repairs	90 units	

Estimated Average per unit Repair Costs:

Type "A" Units	$ 3,500 per unit
Type "B" Units	$12,000 per unit
Type "C" Units	$30,000 per unit

Subtotal Estimated Repair Cost (Federal): $6,880,000

State Low Income Housing Vacancies*

The following information was prepared by the HCDCH's Construction Management Section.

- Note: The average repair cost per type of unit indicated below are the amounts used for budgeting purposes. Actual repair costs will vary.

Total Number of Vacant Units: 75 units

Type "A" Units: 32 units Minor Level Repairs

Type "B" Units: 10 units Moderate Level of Repairs

Units Requiring Modernization: 33 units

Estimated Average per unit Repair Costs:

Type "A" Units	$3,000 per unit
Type "B" Units	$12,000 per unit
Units Requiring Modernization	$75,000 per unit

Subtotal Estimated Repair Cost (State): $2,691,000

Total Estimated Repair Cost (Federal and State): $9,571,000

***** These estimates were determined based on the best information available at the time of calculation. The estimates are limited to repair costs of the vacant units only.