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DAVID Y. IGE
GOVERNOR

LEO R. ASUNCION
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OFFICE OF PLANNING

Ref. No. P-15513

DEPT. COMM. NO. 326

March 8, 2017

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

Pursuant to Hawaii Revised Status (HRS) Section 226-56(c), and for your information and consideration, I am transmitting a copy of the recently updated Hawaii State Housing Functional Plan. This State Housing Functional Plan provides a vehicle for focusing attention and taking action on critical issues with regard to housing in Hawaii. This functional plan, updated by the Hawaii Housing Finance Development Corporation (HHFDC) will assist HHFDC and the Office of Planning in implementing the goals, objectives, and policies of HRS Chapter 226, Hawaii State Planning Act, as they relate to housing.

In accordance with HRS Section 93-16, I am also informing you that the report may be viewed electronically at: <http://planning.hawaii.gov/hawaii-state-planning-act/>.

Sincerely,

Leo R. Asuncion

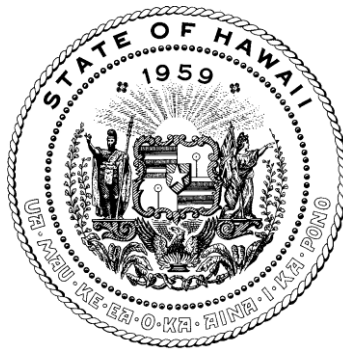
Enclosure

c. Legislative Reference Bureau

ec: Governor's Office: Gov.ReportsDistribution@hawaii.gov
Lieutenant Governor's Office: LtGov.ReportsDistribution@hawaii.gov
Legislative Auditor: auditors2@auditor.state.hi.us
Department of Budget and Finance: DBFLeg.DIR@hawaii.gov

The Hawaii State Plan

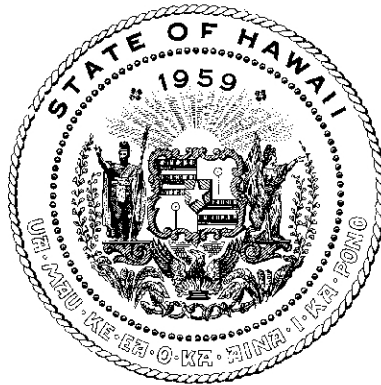
HOUSING



February 2017

The Hawaii State Plan

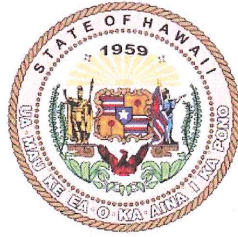
HOUSING



*Preparation of this Functional Plan was coordinated by the
Hawaii Housing Finance and Development Corporation
in accordance with Chapter 226, Hawaii Revised Statutes.*

Submitted by  Date 2/14/2017
Craig K. Hirai, Executive Director

Approved by  Date FEB 21 2017
David Y. Ige, Governor, State of Hawaii



EXECUTIVE CHAMBERS

HONOLULU, HAWAII

DAVID Y. IGE
GOVERNOR



FOREWORD

This State Housing Functional Plan provides specific strategies, policies and priority actions to address the current housing shortage in Hawai'i. All the major stakeholders – state government, the counties, housing developers, and the non-profit sector – have significant roles to play. The revised Plan represents a commitment to working collaboratively on solutions to the housing crisis, many of which are long term and complex in nature.

We will continue to focus on leveraging state funds and reducing regulatory barriers within the state's control to increase the inventory of affordable housing, particularly rental housing that is affordable to our workforce and lower income households. As we move forward, we remain committed to the mission of increasing housing for a continuum of income levels while being strategic about investing the state's limited resources, both human and financial, to develop long-term, sustainable solutions to benefit future generations in Hawai'i.

David Y. Ige
DAVID Y. IGE

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

PREFACE

Chapter 226, Hawaii Revised Statutes, outlines a long range guide for Hawaii's future and establishes a statewide planning system. The system includes the formulation of State functional plans, including this plan on housing, to guide programs and actions and for the allocation of resources.

The Hawaii Housing Finance and Development Corporation is charged with the responsibility of preparing a functional plan on housing. This State Housing Functional Plan is aimed at implementing the goals, objectives, and policies of The Hawaii State Plan and County General Plans. It presents a balanced set of strategies and implementing actions directed towards meeting Hawaii's housing needs.

The State Housing Functional Plan was prepared under the guidance of the Office of Planning and the Special Action Team ("Special Action Team") on Affordable Rental Housing, which was established by Act 127, Session Laws of Hawaii 2016. The Special Action Team is established within the Office of Planning, Department of Business Economic Development & Tourism, State of Hawaii for administrative purposes and is composed of eleven members.

A handwritten signature in black ink, appearing to read "Craig K. Hirai".

CRAIG K. HIRAI
Executive Director

SPECIAL ACTION TEAM ON AFFORDABLE HOUSING

<p>CHAIR Leo Asuncion Director Office of Planning</p>	<p>Craig K. Hirai Executive Director Hawaii Housing Finance and Development Corporation</p>
<p>STATE HOUSE OF REPRESENTATIVES The Honorable Mark Hashem Chair House Committee on Housing</p>	<p>STATE SENATE The Honorable Breene Harimoto Chair Senate Committee on Housing</p>
<p>HAWAII COUNTY Susan Akiyama Administrator Office of Housing and Community Development</p>	<p>CITY & COUNTY OF HONOLULU Jun Yang Executive Director Mayor's Office on Housing</p>
<p>KAUAI COUNTY Gary Mackler Kauai County Housing Agency</p>	<p>MAUI COUNTY Carol Reimann Director Department of Housing and Human Concerns</p>
<p>AFFORDABLE HOUSING ADVOCACY* Scott Fujii Executive Director PHOCUSED</p>	<p>NON-PROFIT DEVELOPERS* Keith Kato Executive Director Hawaii Island Community Development Corporation</p>
<p>FOR PROFIT DEVELOPERS* Stanford Carr President Stanford Carr Development, LLC</p>	

* Public members appointed by the Governor

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CHAPTER I. INTRODUCTION

The Hawaii State Plan (Chapter 226, Hawaii Revised Statutes) provides a long-range guide for Hawaii's future. It establishes a Statewide Planning System to achieve State goals, objectives, policies, and priorities. This system requires the development of State Functional Plans which are approved by the Governor. The functional plans are intended to promote coordination of State and County government actions, as well as those of the private sector, toward achievement of common Statewide goals. They are prepared to address areas which include, but are not limited to, agriculture, conservation lands, education, energy, higher education, health, historic preservation, housing, recreation, tourism, and transportation.

PURPOSE OF THE STATE FUNCTIONAL PLANS

In conjunction with County General Plans, State Functional Plans are the primary guideposts for implementing the Hawaii State Plan. While the Hawaii State Plan establishes long-term objectives for Hawaii, the State Functional Plans delineate specific strategies of policies and priority actions that should be addressed in the short-term.

In addition, there is an increased emphasis on the implementation of programs and actions. Therefore, Functional Plans contain specific, implementable actions that can be directly related to budget items.

The purposes of the State Functional Plans with respect to Chapter 226, as amended, are to:

- Guide activities of State and County agencies toward implementation of Hawaii State Plan goals, objectives, policies, and priority guidelines;
- Provide a basis for allocation of resources to carry out various State activities in coordination with County activities;
- Identify major interrelationships among functional areas and guide programs and activities of State agencies; and
- Assist in clarifying State and County roles and responsibilities in the implementation of the Hawaii State Plan.

ROLE IN STATEWIDE PLANNING SYSTEM

The Functional Plans primarily address priority actions that should be taken within a two- to six-year period. This time frame coincides with the Biennial Budget and Capital Improvement Program budgetary cycles. The plans primarily affect State operations; however, recommendations for coordinated actions at the Federal, County and private sector levels are also included.

State Functional Plans provide the link between the Hawaii State Plan and the specific programs and processes carried out by State agencies. They provide the key mechanism for coordinating State and County concerns, responsibilities and activities in each functional area.

Functional Plans provide sufficient specificity and direction to guide, where applicable:

- Amendments to the County General and Development Plans;
- Development and execution of State programs;
- Appropriation of funds for major programs under the biennial and supplemental budgets;
- Appropriation of funds for major plans and projects under the Capital Improvements Program;
- Decisions of the Land Use Commission; and
- Decisions of the Department of Land and Natural Resources.

State Functional Plans are guidelines for action; they are not regulatory nor legislated documents.

PLAN PREPARATION/REVISION

Functional Plans are prepared and maintained by State agencies in accordance with guidelines prepared by the Department of Budget and Finance. The process involves input and coordination from advisory committees, State and County agencies, the Office of Planning and the general public.

The State Housing Functional Plan is maintained by the Hawaii Housing Finance and Development Corporation (“HHFDC”). The Special Action Team on Affordable Rental Housing (“Special Action Team”) provided the direction and oversight in the preparation of this revised 2016 State Housing Functional Plan. The Special Action Team was established by Act 127, Session Laws of Hawaii 2016 to make recommendations on actions to promote rental housing. The Special Action Team is comprised of 11 members – Office of Planning (which chairs the team), HHFDC, Member of the House of Representatives, Member of the Senate, four County representatives, and three members of the public appointed by the Governor.

CHAPTER II. FOCUS

BACKGROUND

Hawaii's housing market suffers from a persistent shortage of housing, particularly housing that is affordable to Hawaii's workforce and lower income groups. Indicators of Hawaii's tight housing market are highlighted below. The data is gleaned from the Hawaii Housing Planning Study, 2016 ("2016 HHPS"), which serves as a technical reference document for this State Housing Functional Plan.

Cost Burden

Approximately 36 percent of Hawaii's households are cost-burdened, meaning they pay more than 30 percent of their income for housing costs. Approximately half of these households pay more than 50 percent of their income for housing.

Shelter-to-Income Ratio by County, 2016

Shelter Payment as % of HH Income	County				State
	Hawai'i	Honolulu	Kaua'i	Maui	
None	27.0%	21.3%	20.8%	15.0%	21.4%
Less than 30%	37.2%	37.1%	36.8%	35.2%	36.8%
30 to 40%	10.3%	11.4%	10.8%	12.4%	11.3%
40 to 50%	4.0%	7.0%	5.6%	7.2%	6.5%
More than 50%	15.2%	17.4%	20.7%	24.2%	18.0%

Source: SMS, Inc., Hawaii Housing Planning Study 2016, Table 3, December 2016

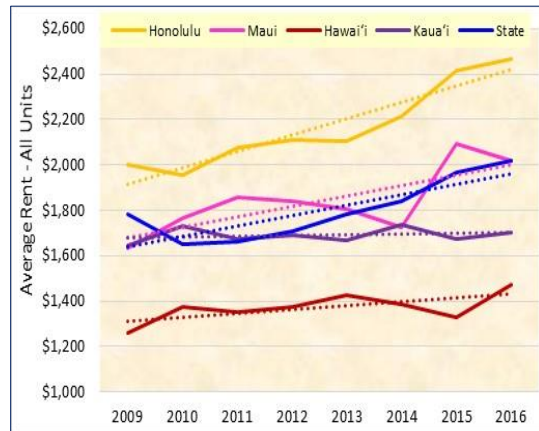
Crowding and Doubling-up

Hawaii's crowding rate, as measured by more than 1.01 person per bedroom, is consistently among the highest in the nation. The 2015 American Community Survey shows Hawaii was ranked at the top in crowding for owner occupied units (6.4%) and renter-occupied units (12.3%). This is consistent with findings from the 2016 HHPS survey which found that 12 percent of Hawaii households are doubled-up, meaning the housing units are occupied by two or more families or groups of persons who are not related by birth, marriage, or adoption. In total, 20.2 percent of households were crowded or doubled-up in 2016.

Rents

Average statewide contract rents have risen by 13 percent, from \$1,783 in 2009 to \$2,019 in the first quarter of 2016. In 2016, households in the City and County of Honolulu have the highest average contract rent (\$2,468), followed by Maui (\$2,106), Kauai (\$1,704), and Hawaii (\$1,474).

Average Rents, Counties and State of Hawai'i, 2009-2015



Source: SMS, Inc., Hawaii Housing Planning Study 2016, Figure 7, December 2016

Sales Prices

Across the state, the median sales price of single family dwellings has increased by 18 percent, to \$600,000, between 2010 and 2015. The median condominium sales price has increased by 13 percent, to \$364,000, over the same period.

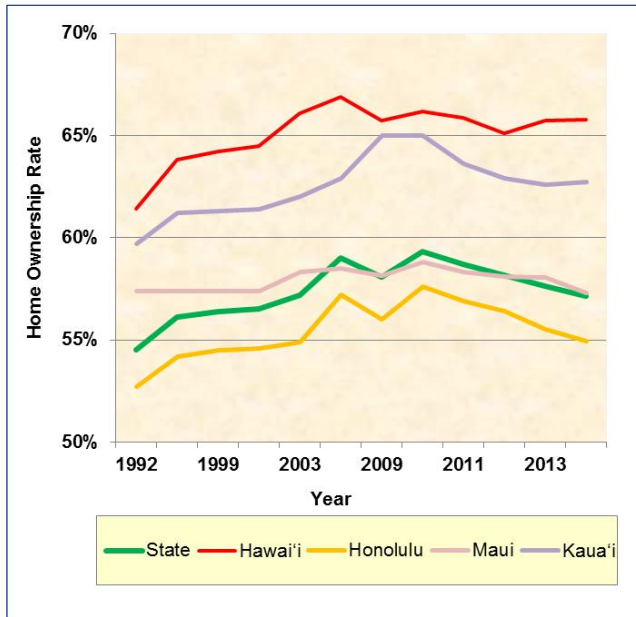
Median Home Sales Prices, Counties and State of Hawai'i, 2009 and 2015

	County				State
	Hawai'i	Honolulu	Kaua'i	Maui	
Single-Family House Sales Prices (in thousand)					
2009	\$277	\$576	\$469	\$496	\$495
2010	\$258	\$599	\$494	\$459	\$486
2011	\$244	\$577	\$462	\$435	\$470
2012	\$262	\$624	\$459	\$469	\$501
2013	\$294	\$646	\$520	\$527	\$543
2014	\$317	\$673	\$543	\$568	\$572
2015	\$330	\$699	\$625	\$585	\$600
Multi-Family Condominium Sales Prices (in thousand)					
2009	\$285	\$303	\$314	\$394	\$313
2010	\$254	\$306	\$269	\$384	\$311
2011	\$210	\$302	\$234	\$309	\$292
2012	\$259	\$316	\$293	\$354	\$316
2013	\$261	\$333	\$302	\$372	\$333
2014	\$283	\$350	\$344	\$412	\$352
2015	\$273	\$363	\$359	\$411	\$364

Source: SMS, Inc., Hawaii Housing Planning Study 2016, Table 21, December 2016

Homeownership rates have fallen across the nation since the Great Recession and Hawaii was no exception. In 2014, Hawaii’s homeownership rate fell to 57.1 percent from a high of 60 percent in 2006.

Homeownership Rates, 1990-2014



Source: SMS, Inc., Hawaii Housing Planning Study 2016, Figure 3, December 2016

Homelessness

There were 7,620 homeless persons in Hawaii on any given night in 2015, according to the Point-in-Time Count. This was an increase of approximately 10.1 percent from 2014. That growth was attributable to an increase in unsheltered homeless persons (24%). Hawaii had the highest per capita homeless rate among the 50 states – 53.7 persons per 100,000.

Residential construction fell after the Great Recession in 2008. Total housing units grew by about 5,600 units per year (2.2%) between 2009 and 2011. Housing growth slowed to 2,800 units per year between 2011 and 2014 – half of what it was in the previous five years.

Estimated Housing Need

Statewide, approximately 64,693 housing units are forecasted to be needed during the 2015-2025 period.¹ The 2016 SMS study estimates that nearly 57,500 units (89%) will be needed by Hawaii’s workforce and lower income households (i.e., those earning 140% and below the area median income (“AMI”) established by the U.S. Department of Housing and Urban Development (“HUD”)).

- Of the total units, approximately 43,828 units (68%) are estimated to be needed for households earning 80% and below the AMI. These are typically rental housing units.

¹ DBEDT, Measuring Housing Demand in Hawaii, 2015-2025, baseline scenario from Table 3.6: Summary Projections of Future Housing Demand for Hawaii, p. 22
Final SHFP 2-9-17

- Another 13,669 units (21%) are estimated to be needed for households earning from 80-140% AMI. These are typically for-sale units primarily for first-time homebuyers.

STATEWIDE ESTIMATE OF HOUSING NEED BY INCOME GROUP AND COUNTY									
	HUD Income Classification (% of Area Median Income)								Total
	Less than 30	30 to 50	50 to 60	60 to 80	80 to 120	120 to 140	140 to 180	180+	
State of Hawai'i	15,511	12,507	6,352	9,458	8,291	5,378	1,695	5,501	64,693
Honolulu	6,105	4,414	2,364	4,115	4,075	2,130	867	1,778	25,848
Maui	2,947	2,775	1,414	2,393	1,626	1,493	500	801	13,949
Hawai'i	4,966	3,917	2,292	2,200	2,193	1,295	122	2,624	19,609
Kaua'i	1,493	1,401	282	750	397	460	206	298	5,287
	Income Classifications								Total
	Less than \$30k	\$30k to \$45k	\$45k to \$60k	\$60k to \$75k	\$75k to \$100k	\$100k to \$150k	More than \$150k		
State of Hawai'i	16,998	13,691	6,984	10,293	9,054	5,853	1,820	64,693	
Honolulu	6,556	4,740	2,539	4,419	4,376	2,287	930	25,848	
Maui	3,127	2,944	1,500	2,539	1,725	1,584	530	13,949	
Hawai'i	5,733	4,522	2,646	2,540	2,532	1,495	142	19,609	
Kaua'i	1,582	1,485	299	795	421	487	218	5,287	

Source: SMS, Inc., Hawaii Housing Planning Study 2016, Table 28, December 2016

The purpose of this State Housing Functional Plan is to set forth a plan of action to address Hawaii's many housing problems.

The State Housing Functional Plan is based largely on joint public/private efforts to finance, build, and maintain an adequate supply of affordable housing. It will be a working tool to guide the State, the counties, as well as the private sector in meeting the overall goal that **every Hawaii resident will have the opportunity to live in a safe, decent and affordable home.**

In order to respond to Hawaii's housing needs, the statewide housing plan must focus on a renewed State commitment to housing, and the preservation and expansion of affordable housing. This will require active cooperation and collaboration between the private and public sectors, including federal, state and local governments; housing developers, contractors and subcontractors, property managers, financial institutions, realtors, and investors; non-profit housing corporations, religious and civic groups; and housing consumers.

SCOPE

Major Concerns Addressed

The Implementing Actions of the State Housing Functional Plan focus on four broad areas on a statewide level:

1. Expand and preserve rental housing opportunities;
2. Increase homeownership;
3. Address barriers to residential development; and
4. Maintain a housing information system.

The State Housing Functional Plan is one of several areas of housing planning in the State. For brevity and clarity, this document must assume the use of existing programs at both State and County levels to attain the goals and objectives of The Hawaii State Plan.

Geographic Coverage

The State Housing Functional Plan addresses housing issues on a statewide basis.

DEFINITIONS

As used in this Plan:

"Affordable housing" in the context of identifying the persons or families intended to be served by such housing, primarily includes housing for persons or families whose incomes are identified as one hundred forty percent or less of the area median income ("AMI") for each of the counties of Hawaii, Maui, Honolulu, and Kauai as determined by the United States Department of Housing and Urban Development ("HUD") from time to time, and as adjusted by family size. For the purpose of this Plan, such persons or families include persons or families within the following income groups:

1. "Extremely low income" – those earning 30% of the AMI and below.
2. "Very low income" – those earning 50% of the AMI and below.
3. "Lower income" – those earning between 50% and 80% of the AMI.
4. "Moderate income" – those earning between 80% and 120% of the AMI.
5. "Above-moderate income" – those earning between 120% and 140% of the AMI.

The term "affordable housing" is generally broken down into two sub-categories, namely "affordable rental housing" and "affordable for-sale housing".

A rule of thumb states that a family should not have to pay more than 30 percent of its annual income for rent and utilities. This being the case, an affordable payment for a 2-bedroom unit for a family of 4 with an annual income of \$60,300 is approximately \$1,357 a month for rent and utilities. The target group for affordable rental housing is guided by the income limits established by HUD and includes persons and families within the income groups named in (1) to (3) above.

Since the income level for the affordable rental housing target group is capped at 80% of the HUD established median income, the income level for the affordable for-sale target group continues on from the 80% level and ranges upward to approximately 140% of the HUD established median income. This target group generally includes the above-referenced moderate and above-moderate income groups. However, families with earnings as low as 50% of the AMI could also be assisted utilizing programs such as the U.S. Department of Agriculture (USDA) – Rural Development 502 program which subsidizes mortgage interest rates to as low as 1.00%. It should be noted that the definition of “affordable housing”, particularly the definitions used to describe the five income groups, may conflict with the definitions used in other documents or for other programs.

“Homeless”, “homeless individual”, and “homeless person” means—

- (1) an individual or family who lacks a fixed, regular, and adequate nighttime residence;
- (2) an individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;
- (3) an individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including hotels and motels paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations, congregate shelters, and transitional housing);
- (4) an individual who resided in a shelter or place not meant for human habitation and who is exiting an institution where he or she temporarily resided;
- (5) an individual or family who—
 - (A) will imminently lose their housing, including housing they own, rent, or live in without paying rent, are sharing with others, and rooms in hotels or motels not paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations, as evidenced by—
 - (i) a court order resulting from an eviction action that notifies the individual or family that they must leave within 14 days;
 - (ii) the individual or family having a primary nighttime residence that is a room in a hotel or motel and where they lack the resources necessary to reside there for more than 14 days; or
 - (iii) credible evidence indicating that the owner or renter of the housing will not allow the individual or family to stay for more than 14 days, and any oral statement from an individual or family seeking homeless assistance that is found to be credible shall be considered credible evidence for purposes of this clause;
 - (B) has no subsequent residence identified; and
 - (C) lacks the resources or support networks needed to obtain other permanent housing; and
- (6) unaccompanied youth and homeless families with children and youth defined as homeless under other Federal statutes who--
 - (A) have experienced a long term period without living independently in permanent housing,

- (B) have experienced persistent instability as measured by frequent moves over such period, and
- (C) can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse, the presence of a child or youth with a disability, or multiple barriers to employment.

“Mixed-use” development means a development that contains affordable residential dwelling units that may be combined with governmental, educational, commercial, cultural, institutional, or industrial uses.

“Non-residential” or “transient” housing means those housing units other than condominium units in rental pools and which are intended for transient occupancy.

“Special needs housing” means housing for persons for whom social problems, age, or physical or mental disabilities impair their ability to live independently and for whom such ability can be improved by more suitable housing conditions.

“Transit-oriented development”, or TOD, is a type of community development that includes a mix of land uses such as housing, office, retail and/or other amenities integrated into a walkable, moderate- to high-density neighborhood and located within designated TOD zones or within a one-half mile radius of public transportation nodes.²

² This definition is used by the Hawaii Interagency Council for Transit-Oriented Development, as adapted from Reconnecting America (<http://reconnectingamerica.org/what-we-do/what-is-tod/>).

CHAPTER III. OBJECTIVES, POLICIES, AND IMPLEMENTING ACTIONS

This chapter presents the problem statements, objectives, strategies, policies, and implementing actions of the State Housing Functional Plan. Although the State Housing Functional Plan contains a number of objectives to be achieved by the year 2020 and 2026, the specific implementing actions contained in this Plan are generally actions to be achieved within a two-year timeframe.

ISSUE AREA: RENTAL HOUSING

PROBLEM STATEMENT: Hawaii is faced with a shortage of safe, decent and affordable rental housing.

In 2016, Hawaii ranked #1 in the nation for having the widest gap between wages and the price of rental housing. The National Low Income Housing Coalition's ("NLIHC") annual report, *Out of Reach*, documents the gap between wages and the price of housing across the United States. The report's Housing Wage is an estimate of the hourly wage that a full-time worker must earn to afford a modest and safe rental home without spending more than 30% of his or her income on rent and utility costs.

In 2016, the national Housing Wage is \$20.30 for a two-bedroom rental unit, assuming a 40-hour work week, 52 weeks per year. A worker earning the federal minimum wage of \$7.25 per hour would need to work 2.8 full time jobs, or approximately 112 hours per week for all 52 weeks of the year, in order to afford a two-bedroom apartment at HUD's Fair Market Rent ("FMR").

In comparison, Hawaii's Housing Wage is \$34.22 for a two-bedroom rental unit. In 2016, the FMR for a two-bedroom apartment in Hawaii was \$1,780. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn \$5,932 monthly or \$71,184 annually. A worker earning the federal minimum wage of \$7.25 per hour would need to work 4 full time jobs, or approximately 161 hours per week for all 52 weeks of the year, in order to afford a two-bedroom apartment at HUD's FMR.

The NLIHC's 2016 report highlights the struggle faced by millions of families in affording a safe and decent home. Wage stagnation, particularly among lower wage workers, rising rents, and an inadequate supply of affordable housing continue to present significant challenges.³

The State Legislature enacted Act 127, Session Laws of Hawaii 2016 (S.B. 2561, SD 2, HD1, CD1) Relating to Rental Housing to address Hawaii's rental housing problem. The Legislature found that an insufficient number of rental housing units are being supplied, either in the affordable, the subsidized or the market-rate rental markets. Further, that *"the lack of supply leads to higher rents for households of all income levels, leaving all tenants with less disposable income, increasing the personal stress of tenants, reducing tenant quality of life, and exacerbating the population overcrowding and homelessness problems. Without sufficient*

³ National Low Income Housing Coalition, *Out of Reach* 2016

affordable rental housing, the future social, community, and economic consequences for Hawaii may be dire.” Act 127 establishes a Special Action Team to make recommendations on actions to promote rental housing statewide and an affordable rental housing goal to develop or vest the development of 22,500 units by 2026.⁴

Governor David Ige’s “State of Hawaii Housing Plan” sets forth a production target of 10,000 housing units by the year 2020. Because of the current housing crisis, the focus is on affordable for sale and rental housing projects that are already in the planning and production pipeline.⁵

OBJECTIVE A: INCREASE AND SUSTAIN THE SUPPLY OF PERMANENT RENTAL HOUSING THAT IS AFFORDABLE AND ACCESSIBLE TO HAWAII RESIDENTS, PARTICULARLY THOSE WITH INCOMES AT OR BELOW 80% AMI.

ATTAIN THE LEGISLATIVE GOAL OF 22,500 RENTAL HOUSING UNITS BY 2026.

STRATEGY: Expand and preserve the supply of affordable rental housing units through joint public/private efforts. Expand and mobilize resources to better assist households seeking rental housing opportunities, including lower income households, the elderly, persons with disabilities, and homeless households. And, pursue sources of funding for rent subsidies.

POLICY A (1): Direct federal, state, and county resources toward the financing and development of rental housing projects.

IMPLEMENTING ACTION A(1)(a): Efficiently utilize existing federal, state and county financing programs, including the Low Income Housing Tax Credit, Hula Mae Multifamily Revenue Bond, and the Rental Housing Revolving Fund programs, to facilitate the development of permanent rental housing projects in areas suitable for development (i.e., urbanized areas in proximity to schools, jobs, public transportation, etc.).

Lead Organizations: HHFDC, HPHA, counties

Assisting Organizations: HCDA, HUD

Starting Date: Ongoing

Measures of Effectiveness: Number of rental units completed which are affordable to extremely-, very low-, low-, moderate-, and above-moderate income households; number of accessible rental units completed; number of family and senior rental units.

⁴ Pursuant to Act 127, SLH 2016, “affordable housing unit” means a privately-owned residential unit that the owner: (1) has completed the construction, reconstruction, renovation, repair, or acquisition of after December 31, 2016; and (2) pledges to comply and require each manager or successor owner of the unit to comply with the following for a period of at least thirty years: (A) rent the unit to a family with an annual income of not more than one hundred forty per cent of the area median income for a family of the same size; and (B) charge a monthly rent, excluding utility expenses, for the unit that does not exceed thirty per cent of the family’s monthly income.

⁵ Executive Chambers, State of Hawaii Housing Plan, August 2016/

IMPLEMENTING ACTION A(1)(b): Seek new sources of financing to increase the supply of permanent rental housing units in collaboration with legislators.

Lead Organizations: HHFDC, HPHA, counties

Assisting Organizations: HCDA, State Legislature

Starting Date: Ongoing

Measures of Effectiveness: New financing sources/programs; number of rental units in projects financed.

IMPLEMENTING ACTION A(1)(c): Prioritize the development of rental housing on state land in TOD areas to enhance affordability.

Lead Organizations: HHFDC

Assisting Organizations: Counties, Hawaii Interagency Council for TOD

Starting Date: FY 2017

Measures of Effectiveness: New rental housing near rail/transit stations.

IMPLEMENTING ACTION A(1)(d): Support the development of permanent supportive housing for special need groups including persons with disabilities, frail elderly, and the chronic homeless.

Lead Organizations: HHFDC, HPHA, county housing agencies

Assisting Organizations: HUD, VA, DOH, DHS, service providers, nonprofit developers, private sector

Starting Date: Ongoing

Measures of Effectiveness: Obtain federal grants to develop rental housing (i.e., HUD section 811 or 202); project-based vouchers for veterans (VASH) and other special needs groups; number of rental units; number of accessible rental housing units.

POLICY A (2): Encourage increased participation from private developers and other state entities to develop rental housing.

IMPLEMENTING ACTION A(2)(a): Form public/private partnerships and/or enter into public/private development agreements to develop rental housing.

Lead Organizations: HHFDC, HPHA, counties, private sector

Assisting Organizations: HCDA, State Legislature

Starting Date: Ongoing

Measures of Effectiveness: Number of rental projects and units developed as a result of public private/development agreements.

IMPLEMENTING ACTION A(2)(b): Form partnerships and/or enter into agreements with state agencies to develop mixed-use developments which include rental housing.

Lead Organizations: HHFDC

Assisting Organizations: HCDA, HPHA, DLNR, DAGS, other State agencies that own land, private sector

Starting Date: Ongoing

Measures of Effectiveness: Number of mixed-use developments and rental units developed as a result of partnerships.

IMPLEMENTING ACTION A(2)(c): Streamline government procedures and reorient policies towards housing production, particularly rental housing.

Lead Organizations: HHFDC

Assisting Organizations: HCDA, county housing agencies, private for-profit and non-profit developers, unions

Starting Date: Ongoing

Measures of Effectiveness: Alignment of state agency policies and procedures; increased efficiency/effectiveness of financing programs; reduction in time to complete housing projects.

IMPLEMENTING ACTION A(2)(d): Create incentives to encourage the development of rental housing for extremely-low income households.

Lead Organizations: HHFDC, HCDA, HPHA

Assisting Organizations: County housing agencies, private for-profit and non-profit developers, State Legislature

Starting Date: FY 2017

Measures of Effectiveness: Number of rental housing units for households at 30% AMI and below; new feasible incentives.

POLICY A (3): Ensure that (1) housing projects and (2) projects which impact housing provide a fair share/adequate amount of affordable housing opportunities, including rental housing opportunities.

IMPLEMENTING ACTION A(3)(a): Impose realistic and fair housing requirements on projects that seek Urban land use designations, general or development plan amendments, zoning, or development permits.

Lead Organizations: LUC, county land use making bodies, HCDA

Assisting Organizations: OP, county housing agencies

Starting Date: Ongoing

Measures of Effectiveness: Number of rental housing units produced as a result of housing conditions.

POLICY A (4): Sustain a long-term supply of rental housing.

IMPLEMENTING ACTION A(4)(a): Renovate and/or redevelop public housing facilities.

Lead Organizations: HPHA

Assisting Organizations: HHFDC, State Legislature, counties, private sector

Starting Date: Ongoing

Measures of Effectiveness: Number of public housing projects/units renovated/redeveloped.

IMPLEMENTING ACTION A(4)(b): Assist in the acquisition and/or rehabilitation of rental housing projects.

Lead Organizations: HHFDC, private nonprofits

Assisting Organizations: County housing agencies, private sector

Starting Date: Ongoing

Measures of Effectiveness: Number of rental housing projects/units preserved.

ISSUE AREA: HOMEOWNERSHIP

PROBLEM STATEMENT: Research shows that homeownership has positive impacts on the stability of communities as families support and nurture their homes and surrounding neighborhoods. Homeownership has also been linked with increased civic engagement, higher voter turnout, enhanced home maintenance, and reduced crime rates. Moreover, homeownership, and the stability afforded by homeownership, has been linked with positive behavioral outcomes and educational achievement among children.⁶

Major obstacles to homeownership include (1) college debt and student loans, (2) not making enough money to purchase a home, and (3) not enough money for a down payment and closing costs.⁷ Other obstacles include (4) inventory is low and new construction is increasingly catering to wealthier buyers, (5) tight credit, and (6) high rent burdens, making it difficult to save.⁸

Homeownership in Hawaii has been falling steadily since 2006. In 2014, the Census reports it at 57.1 percent statewide. High prices, low inventories and a lack of confidence in the market have slowed home sales, especially in high-priced markets like Hawaii's. More important, the impact of the slow economic recovery falls heaviest on first-time homebuyers. It is their entry to the market that boosts the homeownership rate.⁹

⁶ Bipartisan Policy Center Housing Commission, Housing America's Future: New Directions for National Policy, February 2013

⁷ Ibid

⁸ Joint Center for Housing Studies of Harvard University, The State of the Nation's Housing 2016

⁹ SMS, Inc., Hawaii Housing Planning Study 2016, December 2016

OBJECTIVE B: INCREASE THE HOMEOWNERSHIP RATE.

STRATEGY: Facilitate the private development of affordably priced for-sale residential units, particularly for moderate and above-moderate first-time homebuyers.

POLICY B (1): Direct Federal, State and county resources and efforts toward the development of affordable for-sale housing units.

IMPLEMENTING ACTION B(1)(a): Utilize development tools, such as 201H powers and interim construction loans, to assist in the private development of affordably-priced homes in areas suitable for development (i.e., urbanized areas in proximity to schools, jobs, public transportation, etc.).

Lead Organizations: HHFDC, County housing agencies

Assisting Organizations: County Councils

Starting Date: Ongoing

Measures of effectiveness: Number of development agreements; number of for-sale units completed; number of projects assisted under 201H; number of construction loans.

IMPLEMENTING ACTION B(1)(b): Participate with financial institutions to provide eligible moderate and above-moderate first-time homebuyers with mortgage financing assistance.

Lead Organization: HHFDC

Assisting Organization: B&F, State Legislature

Starting Date: Ongoing

Measure of Effectiveness: Number of homebuyers assisted with Mortgage Credit Certificates, Hula Mae mortgage loans.

IMPLEMENTING ACTION B(1)(c): Update the State Downpayment Assistance Loan program.

Lead Organization: HHFDC

Assisting Organization: B&F, State Legislature

Starting Date: FY2018

Measure of Effectiveness: Revise the downpayment assistance program; amend administrative rules; number of homebuyers assisted.

POLICY B (2): Assist moderate and above-moderate first-time homebuyers to become successful homeowners.

IMPLEMENTING ACTION B(2)(1): Ensure that homebuyers assisted through government programs obtain homebuyer education from HUD-approved counseling agencies.

Lead Organization: HHFDC, HCDA, Counties

Assisting Organization: HUD, private developers, lenders, nonprofit HUD-approved counseling agencies

Starting Date: Ongoing

Measure of Effectiveness: Amended administrative rules and procedures.

Comment: HUD-approved Housing Counseling agencies must be trained to provide counseling services. They are permitted to charge reasonable and customary fees for housing counseling and education services, including pre-purchase, reverse mortgage, rental, and non-delinquency post-purchase counseling services and non-delinquency post-purchase counseling services, provided certain conditions are met:

- Agencies must provide counseling without charge to persons who demonstrate they cannot afford the fees;
- Agencies must inform clients of the fee structure in advance of providing services;
- Fees must be commensurate with the level of services provided.

POLICY B (3): Ensure that housing projects provide a fair share of affordable for-sale housing opportunities.

IMPLEMENTING ACTION B(3)(a): Impose realistic and fair housing requirements on projects that seek Urban land use designations, general or development plan amendments, zoning, or development permits.

Lead Organizations: SLUC, county land use making bodies, HCDA

Assisting Organizations: OP, HHFDC, county planning departments and housing agencies

Starting Date: Ongoing

Measures of Effectiveness: Number of affordable for-sale housing units produced as a result of housing conditions.

ISSUE AREA: IMPEDIMENTS TO RESIDENTIAL DEVELOPMENT

PROBLEM STATEMENT: Previous studies have identified major impediments to the development of housing in Hawaii including the lack of “reasonably priced”, developable land; lack of major off-site infrastructure; high development costs; government regulations; community opposition; and growing environmental requirements.¹⁰

The *Final Report & Recommendations of the Affordable Housing Advisory Committee*, April 2006 notes that the current infrastructure capacity is a significant barrier to providing more housing units in the urban core of Honolulu. All forms of public infrastructure are in dire need of maintenance, up-grade and new installation. Roads, sewer, water, drainage, and schools have historically been the responsibility of government to construct. Many of the required infrastructure improvements have been passed on to the developer, adding to the price of a house. A Joint Legislative Housing and Homeless Task Force encouraged creative, innovative and cost-effective ways such as tax increment financing or the establishment of improvement districts to finance the construction of offsite infrastructure, as well as the appropriation of capital improvement project funds.¹¹ On the Big Island, there have been ample areas designated for residential growth; however, the issue is the lack of infrastructure.

Government regulations and the process for implementing the regulations have been identified as a major barrier to housing production in Hawaii. In August 2007, Hawaii accepted an invitation from HUD to join the “National Call to Action for Affordable Housing Through Regulatory Reform” initiative. A statewide Affordable Housing Regulatory Barriers Task Force, comprised of representatives from the counties, business, labor, developers, architects, non-profit service providers, the state, and the legislature, was convened to address regulatory barriers to affordable housing. The task force noted that *“in the context of building homes that are affordable, government regulations often work against the goal of delivering more affordable housing. Although government policies and regulations are often intended to control or direct growth, target resources, and prioritize areas of importance, the unintended consequence is often that these regulations add to the cost of building affordable homes. Many regulations are in place to ensure health and safety and to protect natural resources. However, all regulation has some direct or indirect effect on the supply and cost of housing.”*¹²

¹⁰ SMS, Inc., Hawaii Housing Planning Study 2016

¹¹ Joint Legislative Housing and Homeless Task Force, prepared by staff of the Senate Majority Office, with contributions from the House Majority Staff Office, “Report of the Joint Legislative Housing and Homeless Task Force Pursuant to Act 196, Session Laws of Hawaii 2005,” January 2006

¹² State of Hawaii, Office of the Governor, “Report of the Governor’s Affordable Housing Regulatory Barriers Task Force,” December 2008

OBJECTIVE C: ADDRESS BARRIERS TO RESIDENTIAL DEVELOPMENT.

STRATEGY: Coordinate and facilitate the production of housing by addressing development impediments including lack of land, infrastructure, and regulations that add to the cost of housing.

POLICY C (1): Utilize state and county land for mixed-use and mixed-income housing development with focus on rental housing.

IMPLEMENTING ACTION C(1)(a): Prepare suitability maps which identify state and county owned parcels in the State Land Use Urban District that are county zoned for rental housing and located outside of the SMA.

Lead Organizations: OP

Assisting Organizations: Counties, Special Action Team members

Starting Date: Ongoing

Measures of Effectiveness: Suitability maps.

IMPLEMENTING ACTION C(1)(b): Lease suitable state and county land, particularly parcels in TOD areas, for rental housing development.

Lead Organizations: DLNR, HHFDC, HPHA, Counties

Assisting Organizations: DAGS, DOE, UH, other state/county agencies; private developers

Starting Date: Ongoing

Measures of Effectiveness: Number of leases; number of rental units.

POLICY C (2): Coordinate and share regional infrastructure investments between State, counties, and private developers.

IMPLEMENTING ACTION C(2)(a): Assist in financing regional state infrastructure improvements in areas of planned growth, such as near rail stations.

Lead Organizations: HHFDC

Assisting Organizations: OP, DOT, Counties, State Legislature

Starting Date: Ongoing

Measures of Effectiveness: Number of financing agreements; increased infrastructure capacity; number of residential units developed.

IMPLEMENTING ACTION C(2)(b): Utilize Improvement Districts, Tax Increment Financing, and/or other infrastructure financing mechanisms.

Lead Organizations: Counties

Assisting Organizations: Private developers, HHFDC, B&F, other state and county agencies

Starting Date: FY 2018

Measures of Effectiveness: Number of financing agreements; increased infrastructure capacity; number of residential units developed.

IMPLEMENTING ACTION C(2)(c): Leverage federal funds to increase capacity in the regional roadway network to facilitate housing development.

Lead Organizations: Counties, DOT

Assisting Organizations: Private developers

Starting Date: FY 2018

Measures of Effectiveness: Increased infrastructure capacity to support residential development.

Comment: An example is the use of funds under the American Recovery and Reinvestment Act of 2009 (“ARRA”), which was intended to jumpstart the economy. The County of Hawaii used most of the \$35 million in ARRA funds to finance construction of a three-mile stretch of the Ane Keohokalole Highway in order to open up new sites for residential development.

POLICY C (3): Address regulatory barriers including the lengthy land use entitlement process, lack of consistency and coordination in state and county agency reviews, impact fees and exactions, fiscal policy, and administrative processes that add to the cost of housing.

IMPLEMENTING ACTION C(3)(a): Reduce redundancies in the land use entitlement process.

Lead Organizations: LUC, County planning departments

Assisting Organizations: OP, HHFDC, county housing agencies

Starting Date: FY 2017

Measures of Effectiveness: Increased approval efficiencies.

IMPLEMENTING ACTION C(3)(b): Promote predictability and reliance in land use matters by supporting existing residential zoning and approved housing projects. If such projects are meeting the conditions of their approvals and are proceeding in good faith and in a timely manner, then these properties whether through zoning, development agreement, subdivision approval or otherwise should be defended from any subsequent down zoning actions or other actions that would delay their development.

Lead Organizations: LUC, HCDA, County Councils

Assisting Organizations: OP, counties, HHFDC

Starting Date: Ongoing

Measures of Effectiveness: Perceived predictability in land use matters.

IMPLEMENTING ACTION C(3)(c): Examine ways to revise the regulatory and procurement systems to allow for faster expenditure of funds to support residential development, including development to increase infrastructure capacity.

Lead Organizations: OP, HHFDC, DAGS

Assisting Organizations: Other state agencies, counties, private sector, TOD Council

Starting Date: Ongoing

Measures of Effectiveness: Increased efficiencies in encumbering/expending funds.

ISSUE AREA: HOUSING INFORMATION SYSTEM

PROBLEM STATEMENT: HHFDC posts on its website a list of government-assisted rental housing projects. HHFDC also periodically produces a housing planning study which provides a comprehensive assessment of the housing market, including housing conditions; demographic and economic characteristics of Hawaii's households; the housing supply; demand for housing by geographic areas and income group; projected housing need; and inventory of housing stock. However, a comprehensive information system of existing and new data useful in estimating housing need, tracking housing production, and preparing and updating housing plans in a form which allows for periodic updating is lacking and needs to be developed.

OBJECTIVE D: MAINTAIN A STATEWIDE HOUSING DATA SYSTEM FOR USE BY PUBLIC AND PRIVATE AGENCIES ENGAGED IN THE PROVISION OF HOUSING.

POLICY D: Coordinate housing-related information systems which are currently maintained by individual public and private agencies.

IMPLEMENTING ACTION (D)(1)(a): Conduct a statewide survey of agencies who are engaged in the provision of or the planning, development, construction, financing, sale, lease or management of housing to ascertain the scope of housing data maintained by these agencies, as well as their housing information needs.

Lead Organization: HHFDC

Assisting Organizations: County housing agencies, DBEDT, private sector

Starting Date: FY 2018

Budget Estimate: \$ Undetermined

Measures of Effectiveness: Assessment of information availability and needs.

IMPLEMENTING ACTION D (1)(b): Maintain a schedule of planned and completed housing projects. This schedule will be used to track housing goals (i.e., 10,000 housing units by 2020 and 22,500 rental housing units by 2026) and update housing plans and policies.

Lead Organization: HHFDC

Assisting Organizations: OP, Special Action Team, county housing agencies, private developers

Starting Date: Ongoing

Measures of Effectiveness: Updated production schedule.

ABBREVIATIONS

The following is a list of abbreviations of various organizations and agencies referred to in the plan:

AMI	Area median income established by HUD
B&F	State Department of Budget and Finance
County housing agencies	Office of Housing and Department of Community Services (Honolulu) Office of Housing and Community Development (Hawaii) Kauai County Housing Agency Department of Housing and Human Concerns (Maui)
DAGS	State Department of Accounting and General Services
DBEDT	State Department of Business, Economic Development & Tourism
DHS	State Department of Human Services
DLNR	State Department of Land and Natural Resources
DOE	State Department of Education
DOH	State Department of Health
DOT	State Department of Transportation
HCDA	Hawaii Community Development Authority
HHFDC	Hawaii Housing Finance and Development Corporation
HPHA	Hawaii Public Housing Authority
HUD	U.S. Department of Housing and Urban Development
LUC	State Land Use Commission
OP	Office of Planning
Special Action Team	Special Action Team established by Act 127, SLH 2016
TOD Council	Hawaii Interagency Council for Transit-Oriented Development
UH	University of Hawaii
USDA-RH	U.S. Department of Agriculture – Rural Housing
VA	U.S. Department of Veteran’s Affairs