

STATE OF HAWAII  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY  
**KAKAAKO**  
Honolulu, Hawaii

*September 6, 2017*

Chairperson and Members  
Hawaii Community Development Authority  
State of Hawaii  
Honolulu, Hawaii

HCDA Kakaako Board Members:

**SUBJECT:**

Shall the Authority Appoint a Taskforce, Pursuant to HRS § 92-2.5 (b) to consider and recommend proactive strategies for encouraging low to middle income rental housing development in Kakaako so as to expand the range of housing opportunities in the Kakaako Community Development District (KCDD)?

**SUMMARY:**

The Authority is being asked to appoint a taskforce to research and recommend strategies for developing low to middle income rental housing projects in the KCDD.

**AUTHORITIES:**

Hawaii Revised Statutes 206E-4.

**BACKGROUND:**

The Authority is considering amendments to the current Kakaako Reserved Housing Rules to expand the source of reserved housing units, preserve reserved housing stock, encourage development of for-sale and rental reserved housing units, and create consistency with affordable housing rules administered by other State and City agencies. Though there are several affordable rental developments in the KCDD, there is still a need for additional low to middle income rental housing. The Hawaii Community Development Authority (HCDA) should play a proactive role in developing strategies to develop these additional housing units. Developing strategies for encouraging construction of additional low to middle income rental housing projects in KCDD is timely and necessary. The HCDA Chair has asked that staff bring this matter to the Authority for discussion.

## ANALYSIS:

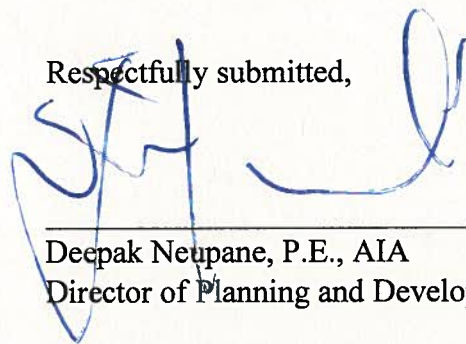
A 2015 housing report prepared by the City and County of Honolulu (C&C) indicates that the bulk of Oahu's housing demand is for housing affordable to households earning 120% or below the area median income (AMI). A substantial percentage of this demand is for rental housing units. There are currently eight (8) low to moderate income rental housing developments in the KCDD totaling 1,268 units. All of these rental units have income restriction of 100% or below the AMI. Another 204-unit rental development will soon be completed, increasing the total count to 1,472 units. A 74-unit development will soon start construction, and two other developments with 238 units that will likely be completed in the next 2-3 years. Once these developments are completed the total number of affordable rental housing units in the KCDD will be 1,784. However, the demand for affordable rental housing in Honolulu, including Kakaako far exceed the current supply. The C&C housing study indicates the cumulative demand for affordable rental housing in Honolulu between 2012-2016 was approximately 11,000 units. Not all of this affordable rental housing demand can be met in Kakaako, therefore; redeveloping urban areas create ideal opportunity for providing affordable rental housing. Providing affordable rental housing in the KCDD is particularly ideal because it is situated within close proximity of Waikiki and Downtown business employment centers.

There has not been a single privately financed affordable rental housing development in urban Honolulu in the last 20 years. All of the affordable rental developments have required financial subsidy in the form of low income housing tax credit (LIHTC), dwelling unit revolving fund (DURF), general excise tax exemption or other state or federal subsidy or incentive programs. In addition, most developments have required free land in the form of State or County owned lands. The Taskforce could investigate some the following items in developing an affordable housing strategy:

- Identify public lands in the Kakaako Mauka area that could potentially be developed with some affordable rentals, perhaps in combination with another use - e.g., remnants of HART acquisitions, portions of a redeveloped NBC.
- Combine infrastructure investments in Central Kakaako for Complete Street improvements (i.e., using flexible street design to reorganize on-street and off-street parking, improve pedestrian access, and create parklets) with full public funding for the cost share of property owners who agree to redevelop for rental housing.
- Explore the need to establish a partnership with HHFDC, HPHA and/or a nonprofit organization to develop and manage affordable rental housing units.
- Identify funding and/or statutory authority HCDA would need from the Legislature to implement these initiatives?
- Identify alternative sources of funding other than those currently available, such as use of ERS for gap financing.

The Taskforce will research and investigate these and other relevant options and make a recommendation to the Authority on a strategy for encouraging development of additional affordable rental housing in the KCDD.

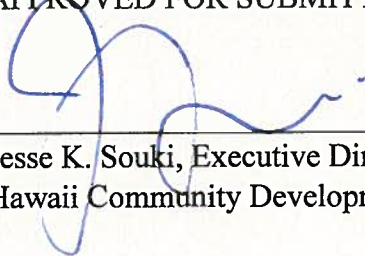
Respectfully submitted,



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Director of Planning and Development

APPROVED FOR SUBMITTAL:



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Jesse K. Souki, Executive Director  
Hawaii Community Development Authority