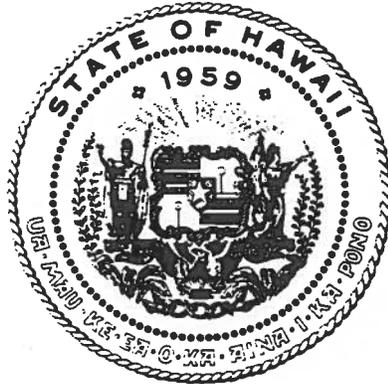
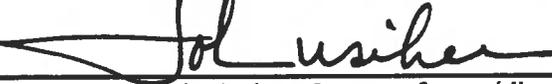


# *The Hawaii State Plan*



## *Addendum to the STATE HOUSING FUNCTIONAL PLAN*

Submitted By  Date 1-23-91  
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Approved by  Date 3-6-91  
*John Waibee, Governor, State of Hawaii*



**EXECUTIVE CHAMBERS**  
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**JOHN WAIHEE**  
GOVERNOR

**FOREWORD**

In May of 1989 I approved the State Housing Functional Plan. This plan is based on joint public and private efforts to finance, build, and maintain an adequate supply of affordable housing for Hawaii's people. This is not a goal that will be easily or quickly attained. We have, however, made an excellent start, as evidenced by the thousands of affordable homes throughout the state which are in the planning or construction stages.

We have also found that our plan has its shortcomings. It does not address to a sufficient degree those individuals and families who can least afford safe, decent shelter. This addendum focuses on that need. It contains amendments to the State Housing Functional Plan which will enable us to respond more effectively to the housing needs of very low and lower income families.



**JOHN WAIHEE**

JOHN WAIHEE  
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**PREFACE**

In 1989, the Hawaii State Legislature adopted House Concurrent Resolution 92, House Draft 1 which requested the Housing Finance and Development Corporation to study the implications of the definition of "affordable housing" which is used in the State Housing Functional Plan. A subcommittee of the State Housing Functional Plan Advisory Committee responded to the request, deliberating the actual intent of the resolution -- making housing accessible to more of Hawaii's people.

The subcommittee found that very low and lower income households were not adequately sheltered. Further, their housing needs were not being satisfactorily addressed in planned residential developments. The subcommittee recommended, and the Advisory Committee as a whole, unanimously agreed that a greater emphasis must be placed on meeting the housing needs of persons and families of very low and lower income.

This Addendum to the State Housing Functional Plan presents the subcommittee's findings and recommendations for addressing the housing needs of Hawaii's very low and lower income households.

  
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## ACKNOWLEDGEMENTS

The Housing Finance and Development Corporation, as the Plan preparing agency, acknowledges the members of the State Housing Functional Plan Advisory Committee for their commitment to meeting the housing needs of Hawaii's people.

The HFDC extends a special mahalo to Mr. Norm Dyer and the members of his subcommittee for spearheading this Addendum to the State Housing Functional Plan.

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## Background

In 1989, the Hawaii State Legislature adopted House Concurrent Resolution 92, House Draft 1, entitled "Urging the Hawaii State Functional Plan for Housing be Amended by Amending the Definition of Affordable Housing." The concurrent resolution requests that the Housing Finance and Development Corporation (HFDC) carry out the following tasks:

1. Study the "implications of the present definition of affordable housing";
2. "Evaluate the ramifications of selected figures all the way from 50% or less of the median income up to 140% of the median income in order to see at which level the goal of meeting the shortfall of lower income housing can best be met, both in terms of construction costs and of the number in need so that all housing need groups are served in an equitable manner"; and
3. "Amend the State Housing Functional Plan as such study shows need."

In response to H.C.R. 92, H.D. 1, a subcommittee of the State Housing Functional Plan Advisory Committee was formed to study the implications of the present definition of affordable housing, which reads as follows:

"As used in this (State Housing Functional) 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 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, 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) "Very low income" - those earning 50% of the area median income and below;

The subcommittee further found that because the housing functional plan's definition of "affordable housing" is shaped by the income guidelines set forth in existing government housing programs, the impact to existing public sector programs is limited. On the other hand, because the housing plan's definition is also used by the State Land Use Commission in framing its "affordable housing" condition for residential projects seeking State land use district boundary amendments, the impact to private developers is more substantial.

In addition to examining "affordable housing" from a definitional standpoint, the subcommittee deliberated the actual intent of the resolution -- making housing accessible to more of Hawaii's people. "Affordable housing", particularly for very low and lower income households was examined in the context of planned government and privately-sponsored residential developments.

The subcommittee found that the housing needs of households with very low and lower incomes would not be adequately met in the future residential developments. Projected activity in existing government housing programs which typically serve those in the lower income brackets (e.g. the Federal Low-Rent Public Housing Program) is notably low.

The subcommittee thus concluded that it was not necessary to amend the Housing Plan's definition of "affordable housing", per se. However, because prices for current and planned housing projects were skewed towards above-moderate (or higher) income households, the subcommittee recommended that a greater emphasis be placed on addressing the housing needs of very low and lower income families.

Larger subsidies would be required to meet these needs. Additionally, it was suggested that the current State and counties' master planned residential community development

## Housing Need for Very Low and Lower Income Households

There are a number of indicators of the growing need for rental housing for very low and lower income households. A study by the Center on Budget and Policy Priorities cites "long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs."<sup>1</sup> There are approximately 22,000 applicants on waiting lists for housing assistance. This includes (1) State and County administered Section 8 Existing Housing Voucher and Certificate Programs; (2) the State Rent Supplement Program; (3) public housing and other affordable rental projects administered by the Hawaii Housing Authority and the counties; and (4) privately owned, federally-subsidized projects such as those developed under the Section 221(d)(3) mortgage insurance program. (Note that this is a duplicative count as many households have pending applications for assistance under more than one program.)

Another measure of the unmet need for affordable rental housing include the growing number of homeless individuals. SMS Research estimates that between 7,023 and 8,369 individuals are homeless in Hawaii on any given day. Further, in any given week, between 7,874 and 9,417 individuals are estimated to be homeless Statewide.<sup>2 3</sup>

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<sup>1</sup> Center on Budget and Policy Priorities, Holes in the Safety Nets - Poverty Programs and Policies in the States: Hawaii, Spring 1988, Washington, D.C.

<sup>2</sup> SMS Research & Marketing Services, Inc. prepared for the Hawaii Housing Authority, Hawaii's Homeless, July 2, 1990.

<sup>3</sup> These figures, based on a sampling of 494 homeless persons, have been challenged on the basis that the samples, particularly for Kauai, Maui and West Hawaii, were so small that extrapolating from the data leads to erroneous conclusions. (Tom Dinnell and Kristi Dinnell, Office for Social Ministry, Catholic Diocese of Honolulu)

the homeless, persons with severely disabling mental illnesses, single-parent families, abused spouses and children, and inmates. The provision of rental housing for these special need groups must be linked with social, medical and other services.

The number of affordable rental units to be developed by the year 2000 is not certain at this time. However, to get a general idea of the number of additional units that may be needed to accommodate demand, the planned production of units targeted for very low and lower income households was estimated. It should be noted that many of the planned units may not be developed and that production will probably extend beyond the year 2000.

Table 2, below, provides an estimate of planned production for very low and lower income households.

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**Table 2:**  
**PLANNED UNITS TARGETED FOR VERY LOW & LOWER INCOME HOUSEHOLDS**

<u>SUPPLY</u>	<u>OAHU</u>	<u>HAWAII</u>	<u>KAUAI</u>	<u>MAUI</u>	<u>STATE</u>
Current planned production***	5,700	5,800	1,700	5,300	18,500

\*\*\*Includes both rental and for-sale projects which are targeted for very low and lower income households. Figure has been adjusted by 25% to account for planned projects which may not materialize.

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In comparing planned supply with estimated demand, it appears that approximately 16,600 additional units would be needed.

Programs for the Development of Affordable Rental Housing

A number of government-sponsored programs provide resources for the development of affordable rental housing. Active programs include the following:

6. In addition to funding provided by the federal government and the issuance of bonds, the counties' sources of funding include State and county capital improvement project (CIP) funds, fees from unilateral agreements, and fees from other sources such as parking garages.

Utilizing all existing uncommitted government resources, it is estimated that approximately 5,800 units for very low and lower income households could be produced (based upon an average development cost of \$110,000 per unit). Compared to the estimated need for approximately 16,600 affordable housing units, additional resources will be needed to produce the remaining 10,800 rental housing units.

#### Obstacles to the Development of Housing for Very Low and Lower Income Households

Subcommittee members and other experts identified major constraints to the development of rental housing for very low and lower income households, along with possible measures to overcome these constraints. Their observations are as follows:

Observation 1: Constraints to development on the neighbor islands include the lack of infrastructure (e.g., roads, utilities, water and sewerage systems), as well as higher development costs (coupled with lower income levels) compared to Oahu.

Private developers have suggested that the State/County should consider concentrating on the development of infrastructure so that more land can be economically developed for housing. It has also been suggested that consideration should be given to government absorbing the prorata share of infrastructure costs for affordable rental housing units. (This would require

released for urban use in accordance with the demand for housing.<sup>5</sup>

It is important to note that simply redesignating more land for urban use without government controls will not automatically produce more housing for very low and lower income families. Because of the lack of large profit incentives for private developers to develop affordable rental housing, government programs to provide housing services, particularly for those least able to pay, are essential. In that sense, government programs to provide housing services should increase as income levels of targeted families decrease.

Observation 4: The State and Counties lack sufficient funds to develop rental housing for very low and lower income households and special need groups. During the 1980s, federal housing programs, which were previously the primary funding source for development of rental projects for very low and lower income households, were significantly reduced. The production of housing for very low income families came to a near standstill, leading to a significant increase in homelessness and associated social ills. Additionally, changes in the federal tax laws eliminated many incentives to rental housing production. This puts much more obligation upon the State and Counties to assume the role of financier and developer of housing projects for very low and lower income families and special need groups.

Observation 5: Building codes and subdivision standards are a constraint to the use of innovative, cost-saving technologies. Additionally, current labor wage laws impose further constraints on the overall development of affordable housing. In a housing crisis, all feasible means of increasing the housing supply

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<sup>5</sup> Dr. Wali M. Osman, "Housing - An Economist's Perspective" in Maui Inc., November/December 1989.

## Recommendations

Based upon the subcommittee's findings, the following are recommended actions to address the housing needs of very low and lower income households.

**Recommendation 1: Where feasible, housing densities in residential developments should be increased to enable homes to be delivered in a more economical manner. This could allow more lower income families to become homeowners.**

Higher densities would help to offset the high cost of site improvements, as well as check urban sprawl through the development of efficiently planned communities. Additionally, increased densities would help in lowering per unit development costs and could enable more lower income families to become homeowners with much smaller subsidies than would be required with single family dwelling units. A new implementing action under Policy A(1) could be added to encourage higher densities in residential developments.

Consideration must continue to be given to quality of life, as well as environmental, topographical and other constraints.

**Recommendation 2: Give priority to very low and lower income households in the provision of rental housing.**

Objective B of the State Housing Functional Plan seeks to achieve a "sufficient amount of affordable rental housing units by the year 2000 so as to increase the State's vacancy rate to at least 3%". While there is an overall need for more rental housing, priority should be given to very low and lower income households who are least able to pay for housing. Objective B should therefore be amended to reflect this priority.

**Recommendation 4: The State and counties should provide more resources for the development of community based rental housing projects affordable to very low income families and special need groups.**

The State Housing Functional Plan subcommittee found that approximately 1 percent of current and future residential projects to be developed by the private sector and government will be targeted specifically for households earning less than 50% of the median income. Yet it is estimated that this category of households account for approximately 21.4% of Hawaii's population. (It is unknown how many of these very low income households are adequately housed.)

Policy B(1) of the State housing plan "directs State, county and federal resources toward the financing and development of rental housing projects." An additional implementing action would call for more capital improvement project funds from the State and counties to be used to finance the development of rental housing for very low income families and special need groups. These moneys could be used as the sole source of financing or to supplement federal and other funds.

Another implementing action would call for the leasing of State land to private developers (both for profit and non-profit) to encourage the development of affordable rental housing.

Additionally, Policy C(6) of the housing plan seeks to provide an array of community based settings designed to offer comprehensive and coordinated rehabilitation and supportive services for persons with severe disabling mental illnesses (SDMI). As studies indicate that offenders would also benefit from an "array of community based settings", Policy C(6) should be expanded to include other special need groups including pre-parolees.

**Recommendation 7: The State should consider establishing a system of graduated and flexible subsidies which increase as income levels of targeted families decrease.**

The State's Rental Assistance and Rent Supplement Programs were intended to provide "shallow" rent subsidies to households not being served by federal "deep" rent subsidy programs. However, given the critical need for rental housing affordable to very low income families and in light of cutbacks in federal funding, it appears that deeper state subsidies are needed. Policy B(4) of the State Housing Functional Plan calls for full utilization of government-funded rent subsidy programs. New implementing actions under this policy would call for the State to consider providing additional funding to the Rental Assistance Program in order to reach families earning less than 50% of the median income, as well as increase funding to the Rent Supplement Program in order to reach more lower income families. The amount of these subsidies should also be tied in to the type and quality of the living unit being subsidized.

**\*IMPLEMENTING ACTION B(1)(e):** Encourage the development of housing that actually costs less to build, for example, SROs and MLUs.

Lead Organization: HHA  
Assisting Organizations: HFDC, County housing agencies, non-profit entities, private developers  
Starting Date: FY 1990-1991  
Budget Estimate: Not applicable  
Measures of Effectiveness: Number of units developed which are affordable to households earning 50% of the area median income and below and to those earning between 50% and 80% of the area median income; cost savings resulting from development of efficiency units.

Comments: Due to the high cost of constructing new housing, smaller and more basic housing units should be developed to make more efficient use of limited funds.

**\*IMPLEMENTING ACTION B(1)(f):** Lease State-owned lands for \$1.00 a year to private developers of affordable rental projects.

Lead Organizations: DLNR, HFDC  
Assisting Organizations: HHA, County housing agencies, private developers, non-profit entities  
Starting Date: FY 1990-1991  
Budget Estimate: Not applicable  
Measure of Effectiveness: Number of units developed by private developers which are affordable to households earning 50% of the area median income and below and to those earning between 50% and 80% of the area median income.

**\*IMPLEMENTING ACTION B(2)(d):** Pursue alternative sources of funding for the development of rental housing for very low and lower income households.

Lead Organization: HFDC  
Assisting Organizations: County housing agencies, OSP, private sector  
Starting Date: FY 1990-1991  
Budget Estimate: \$100,000  
Measure of Effectiveness: Identification of alternative funding sources and, if feasible, establishment of a rental housing trust fund.

**\*IMPLEMENTING ACTION B(4)(c):** Pursue increased levels of funding for the Rent Supplement Program in order to reach more lower income families.

Lead Organization: HHA  
Assisting Organization: State Legislature  
Starting Date: FY 1991-1992  
Budget Estimate: \$2,602,000 in FY 1991-1992; \$2,732,000 in FY 1992-1993  
Measure of Effectiveness: Number of additional households earning 80% and below of the area median income served.

Comments: The appropriated moneys would provide additional funding to the Rent Supplement Program in order to reach families earning up to 80% of the median income.

**\*IMPLEMENTING ACTION C(4)(d):** If feasible, set up controlled, temporary emergency shelters on appropriate vacant parcels of land (e.g., undeveloped or underutilized government-owned park or beach lands, or lots under freeways) to accommodate the homeless.

Lead Organization: HHA, county housing agencies  
Assisting Organizations: DLNR, DOT, DHS, DOH, HFDC, non-profit entities  
Starting Date: FY 1991-1992  
Budget Estimate: Undetermined  
Measure of Effectiveness: Number of homeless persons and families who are sheltered.

Comments: These temporary, controlled shelters (such as tents or very basic stick-built structures) could provide immediate, but temporary housing solutions for homeless individuals and families.

#### **ADDITIONAL AMENDMENTS TO THE STATE HOUSING FUNCTIONAL PLAN**

**\*IMPLEMENTING ACTION A(1)(c):** Where appropriate, increase housing densities in residential developments to enable more lower income families to become homeowners.

Lead Organization: HFDC, DHHL, County housing agencies, private developers  
Assisting Organizations: County planning and land use agencies  
Starting Date: FY 1990-1991  
Budget Estimate: Not applicable  
Measures of Effectiveness: Use of cluster and other multi-family designs; number of lower income homebuyers.