AFFORDABLE RENTAL HOUSING REPORT AND TEN-YEAR PLAN

Special Action Team on Affordable Rental Housing Report to the Hawaiʻi State Legislature, in Response to Act 127 (Session Laws of Hawaiʻi 2016)

July 2018
Honolulu, Hawaiʻi

PREPARED BY:
THE OFFICE OF PLANNING
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
STATE OF HAWAIʻI

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Special Message from

Governor David Y. Ige

In response to the

Affordable Rental and Housing Report and Ten-Year Plan

July 27, 2018

As this report makes clear, Hawai'i's decades-long affordable housing shortage requires solutions that will span multiple state administrations, receive consistent, multi-year funding from the Legislature, involve all four counties, rely on partnerships with the private sector, and are embraced by community members statewide.

Many of the barriers to building more affordable homes identified by the Special Action Team have been discussed for years. What makes this report different?

This is the first time that parcels of land suitable for rental housing that is affordable for low- and moderate-income families, as well as the remainder of our residents, have been identified and mapped using the State's Geographic Information System. Together, approximately 10,688 acres of state, county and private lands have been prioritized for rental housing through 2026.

In addition, this report sets housing production goals for each of the counties, recommends specific implementation actions, and clearly identifies the entities responsible for ensuring steady progress.

Finally, this report plainly indicates that a whole-community response is needed to build at least 22,500 affordable rental housing units by 2026 as specified in Act 127 (2016). Government, private sector and community members will all contribute to our shared success. Community support might be the single most important factor in achieving success, as public sentiment will drive government funding and influence project sites.

Mahalo to the Special Action Team members who worked diligently to develop this living document. I am committed to working with the Legislature, counties, private sector and the community to achieve our affordable housing goals. Together, we can do great things.

With warmest regards,

DAVID Y. IGE
Governor, State of Hawai'i

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List of Acronyms and Abbreviations

ACS .... American Community Survey

Act 127 .... Act 127 (Session Laws of 2016)

AMI .... Area Median Income

CFD .... Community Facilities District

CIP .... Capital Improvement Project

DAGS .... Department of Accounting and General Services

DBEDT .... Department of Business, Economic Development and Tourism

DBEDT Housing Demand Study .... *Measuring Housing Demand in Hawaiʻi, 2015- 2025*

DCAB .... Disability and Communication Access Board

DHHL .... Department of Hawaiian Home Lands

DLNR .... Department of Land and Natural Resources

DOH .... Department of Health

DURF .... Dwelling Unit Rental Fund

EA .... Environmental Assessment

FMR .... Fair Market Rent

Governor's Housing Plan .... Governor's August 2016 *State of Hawaiʻi Housing Plan*

HCDA .... Hawaiʻi Community Development Authority

HHFDC .... Hawaiʻi Housing Finance and Development Corporation

HHPS .... Hawaiʻi Housing Planning Study

HICH .... Hawaiʻi Interagency Council on Homelessness

HPHA .... Hawaiʻi Public Housing Authority

HOME .... HOME Investment Partnerships Program

HRS .... Hawaiʻi Revised Statutes

HUD .... United States Department of Housing and Urban Development

ID .... Improvement District

IZ .... Inclusionary Zoning

List of Acronyms and Abbreviations Cont.

JCHS .... Harvard University Joint Center for Housing Studies
LIHTC .... Low-Income Housing Tax Credit
LRB .... Legislative Reference Bureau
LUC .... Land Use Commission
MCC .... Mortgage Credit Certificate
NLIHC .... National Low Income Housing Coalition
NHPD .... National Housing Preservation Database
NHT .... National Housing Trust
OP .... Office of Planning
PAB .... Private Activity Bonds
PDU .... Project Development Use Permit
RHRF .... Rental Housing Revolving Fund
SAT .... Special Action Team on Affordable Rental Housing
SHFP .... State Housing Functional Plan
SHPD .... State Historic Preservation Division
SLH .... Session Laws of Hawai'i
SMA .... Special Management Area
TIF .... Tax Increment Financing
TOD .... Transit-Oriented Development
TOD Council .... Hawai'i Interagency Council for Transit-Oriented Development
TOD Strategic Plan .... TOD Council Strategic Plan for Transit-Oriented Development
TVR .... Transient Vacation Rental
UHERO .... University of Hawai'i Research Organization

Executive Summary

Hawai'i has had an affordable housing crisis for decades. In 1970, nearly 50 years ago, the Hawai'i State Legislature, recognizing the importance of affordable housing to the fabric of our society, enacted Act 105 (Session Laws of Hawai'i 1970), to address the severe shortfall of affordable housing for lower- and middle-income residents. Almost a half century later, a critical shortage of affordable housing not only continues to exist, it has grown to crisis proportions/ The State Department of Business, Economic Development and Tourism, Measuring Housing Demand in Hawai'i, 2015- 2025 study (Department of Business, Economic Development & Tourism, 2015), projects that the state will require 64,693 housing units to meet demand by 2025. Nearly 70% (43,828) of the units will be needed for low-income households earning 80% or less of the Area Median Income.

On June 29, 2016, Governor David Y. Ige signed Act 127 (Session Laws of Hawai'i 2016) to address this crisis. Act 127 establishes a goal of developing 22,500 affordable rental units statewide to be ready for occupancy by December 31, 2026, and a Special Action Team on Affordable Rental Housing to recommend actions to achieve the goal.

Hawai'i suffers from a persistent and critical shortage of affordable rental housing.

This *Affordable Rental Housing Report and Ten-Year Plan* provides policy makers with a plan to achieve the affordable rental housing goal of 22,500 units by December 31, 2026. To develop the Ten-Year Plan, the Special Action Team evaluated the statewide affordable housing goal and extrapolated it into guidelines of production goals for each county to use as measurements of progress. An analysis of all statewide public and private lands was then conducted to categorize the lands into three tiers of suitability and readiness. The Ten-Year Plan identifies 10,688 acres of combined public and private lands statewide that fall into the first tier. Of these, 3,680 acres are state or county lands.

The Special Action Team identified five key areas as major barriers to the project goal of affordable rental units and made recommendations to address each area. These key areas are: public lands, infrastructure, funding, regulation and permitting, and preservation.

In the Ten-Year Plan, the Special Action Team developed a baseline of affordable rental units currently in the planning stages or under development, implementing actions, and measures of effectiveness to guide achievement of the affordable rental housing goals. This report provides next step recommendations on ways to support affordable rental housing in the state.

The recommendations can be used to guide state and county decision makers as they select priority areas to focus the development of affordable housing where it is most needed, with limited financial resources. These recommendations and the report have been developed through coordination and collaboration of the Special Action Team, made up of representatives from the state's housing agencies (Hawai'i Housing Finance and Development Corporation, Hawai'i Community Development Authority, and Hawai'i Public Housing Authority), legislative representatives, representatives from each county housing agency, and members of the public representing affordable housing advocacy groups, and for-profit and nonprofit developers.

Statement of Need

The Hawaiʻi Housing Planning Studies (HHPS), conducted periodically by SMS Research since 1992, notes that the study has "always found that housing need is greatest at the lower end of the market." (SMS Research and Marketing Services, Inc., 2016). The State Department of Business, Economic Development and Tourism (DBEDT), *Measuring Housing Demand in Hawaiʻi, 2015- 2025* study (DBEDT Housing Demand Study) (Department of Business, Economic Development & Tourism, 2015) projects that by 2025, housing demand will reach 64,693 units, with nearly 70% (43,828) needed for households earning 80% or less of the Area Median Income (AMI). The AMI is established by the U.S. Department of Housing and Urban Development (HUD) and adjusted annually by geographic area and family size.[1] The 2008 *Hawaiʻi 2050 Sustainability Plan: Charting a Course for Hawaiʻi's Sustainable Future* (Hawaiʻi 2050 Sustainability Task Force, 2008), published priority actions and targeted 2020 benchmarks which identified affordable housing as the most critical issue facing the state. The Hawaiʻi State Auditor's *Hawaiʻi 2050 Sustainability Plan—Ten-Year Measurement Update (2008-2017)* (Office of Planning, 2018), found that none of the recommendations in the report have been addressed in the intervening years.

82% of new rental housing built in the U.S. is luxury housing, according to a 2015 study commissioned by the Wall Street Journal.

[1] HUD calculates AMIs based on the five-year American Community Survey administered by the United States Census Bureau. The terms "family" and "household" are often used interchangeably, as they are in this document, but they are not one and the same thing to the Census Bureau, which defines "family" as including a householder and one or more other related people living in the same household, and a "household" as one or more people living in the same household that may or may not be related. Families may not consist of only one individual, although households may. Note, however, that Act 127 specifically defines "family" as including a family of one individual.

Section 2 of Act 127 (Session Laws of Hawai'i (SLH) 2016) (Act 127) notes that the state will require an additional 64,700 housing units to meet projected long-term housing demands between 2015 and 2025. Of these, 22,247 rental units will be needed for households of all income levels.

The National Low Income Housing Coalition (NLIHC) *Out of Reach* 2018 report (National Low Income Housing Coalition, 2018) documents the "Housing Wage" throughout the country; the hourly wage that a full-time worker must earn to afford a rental at the HUD's Fair Market Rent (FMR) without spending more than 30% of income on rent and utilities. Hawai'i's Housing Wage is the highest in the nation at $36.13 for a two-bedroom unit at the FMR of $1,879. To afford this modest apartment, a household would have to earn $6,263 monthly, or $75,158 annually. Contrast this with the $840 monthly rent a worker earning the 2018 average hourly amount of $16.16 would be able to afford. A worker earning the 2018 state minimum wage of $10.10 per hour would need to work 3.6 full-time jobs, or approximately 152 hours per week for all 52 weeks of the year, to afford an apartment at the FMR of $1,879, an hourly wage gap of $36.13. As the most expensive state in the nation to rent a home, the NLIHC estimates that Hawai'i has an existing deficit of 35,009 units for families earning 50% or less AMI.

These dire numbers are not new. Act 159 (SLH 2017), relating to affordable housing, states, "Almost 50 years ago, in 1970, the Hawai'i state legislature recognized the need to address the severe shortfall of affordable housing [resulting in the enactment of Act 105]….a half century after Act 105, the shortage of affordable housing still exists and has grown to crisis proportions." Some members of the Special Action Team have expressed the need to "go all in" to address this crisis or resign themselves to the fact that little or no progress will have been made to meet the goal of Act 127 by the time the Special Action Team sunsets in 2019.

Honolulu Mayor Kirk Caldwell noted in his "2017 State of the City" address that O'ahu is in danger of "becoming a de facto gated community only for the exclusive few" (Caldwell, 2017). Extended statewide, unless the planning, funding, and delivery of affordable rental housing becomes an overarching priority for the legislature, governor, mayors, housing agencies, developers, and public and private funding sources, 70% of Hawai'i's families will soon be excluded from affordable, safe, and sanitary housing – a key component of quality of life that is taken for granted by the top 25% of households in the state.

Act 127 (Session Laws of Hawai‘i 2016): A Call for Affordable Rental Housing

SB2561 SD2 HD1 CD1, passed by the 2016 legislature and enacted as Act 127 by Governor David Y. Ige on June 29, 2016, is intended to address Hawai‘i's rental housing deficiency in the affordable, subsidized, and market-rate rental markets. Act 127 is unequivocal 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 overcrowded living conditions. Without sufficient affordable rental housing, the future social, community, and economic consequences for Hawai‘i may be dire." A copy of Act 127 is included as Appendix A.

Legislative Mandate for Affordable Rental Housing

Act 127 establishes two major elements to address Hawai‘i's deficiency in affordable rental housing units. The first is a goal to develop or vest 22,500 affordable rental units statewide, for which all entitlements for construction are received on or after January 1, 2017, and the units are ready for occupancy by December 31, 2026. The second is the establishment of a Special Action Team on Affordable Rental Housing (SAT) to recommend actions to increase the supply of rental housing, particularly housing that is affordable to low- and moderate-income families.

Special Action Team on Affordable Rental Housing

The SAT includes the following 11 members specified in Act 127:

1. Director of the Office of Planning (OP), Chair
2. Executive Director of the Hawai‘i Housing Finance and Development Corporation (HHFDC)

3. A member of the House of Representatives, appointed by the Speaker of the House;
4. A member of the Senate, appointed by the President of the Senate;
5. A representative from each county (Honolulu, Hawaiʻi, Kauaʻi, and Maui), appointed by the Mayor of the respective county;
6. A member of the public to represent Affordable Housing Advocacy Groups, appointed by the Governor;
7. A member of the public to represent non-profit housing developers, appointed by the Governor; and
8. A member of the public to represent for-profit housing developers, appointed by the Governor.

Act 96 (SLH 2017), added the Executive Directors of HCDA and HPHA to the SAT, effective July 1, 2017.

The SAT consults and coordinates with state and county regulatory and planning agencies, community advocates, members of the business community, legislators, and the State's Executive Branch in the performance of its duties. The SAT also formally collaborates with the Hawaiʻi Interagency Council on Homelessness (HICH) and collaborates with the Hawaiʻi Interagency Council for Transit-Oriented Development (TOD Council).

The SAT is supported in its work by OP staff, who provide professional support and guidance to the team. The SAT will sunset on December 31, 2019, pursuant to § 5(c) of Act 127.

Affordable for Whom?

Act 127 defines an "affordable rental housing unit" as:

1. A privately-owned residential unit that the owner:

a) Has completed the construction, reconstruction, renovation, repair, or acquisition of after December 31, 2026; and

b) Pledges to comply and require each manager or successor owner of the unit to comply with the following for a period of at least 30 years:

- Rent the unit to a family with an annual income of not more than 140% AMI for a family of the same size; and
- Charge a monthly rent, excluding utility expenses, for the unit that does not exceed 30% of the family's monthly income.

The 30-year period is measured from the date of issuance of a Certificate of Occupancy for the unit, or if no Certificate of Occupancy is necessary, the date the unit was first rented to a family in accordance with the above paragraph.

2. An "affordable rental housing unit" also includes a residential unit owned by federal, state, or county agencies for rental to a low- or moderate-income family, as may be defined by the agency or law, as applicable.

The "affordability" of housing is defined differently depending on agency rules, funding sources, and law. For example, Low-Income Housing Tax Credits, the primary source of funding for affordable rental housing, administered by **HHFDC**, is restricted to projects for households earning up to 60% AMI. **HCDA** defines "low-income" as up to 80% AMI, and "moderate-income" as up to 140% AMI. **HPHA** is required to restrict at least 40% of its federally-financed public units to extremely low-income families earning 30% or less AMI. Although it can serve households earning up to 80% AMI, virtually all of its units are rented to extremely low-income families. **The City and County of Honolulu's** recently enacted Ordinance 18-10 restricts affordable units to households earning a maximum of 80% AMI.

Regardless of AMI, HUD's affordability guidelines specify that rent, including utilities, should not exceed 30% of gross monthly household income. HUD designates households that spend more than 30% as "cost burdened," and those that spend more than 50% as "extremely cost burdened." An estimated 58% of families in Hawaii are cost burdened, and of these, 33% are extremely cost burdened. Similarly, the Summary ACS 1-Year Ranking Tables (ACS) for the State of Hawaii: 2016 (Department of Business, Economic Development & Tourism, 2017), found that 52 percent of renter-occupied units spend 30% or more of household income on rent and utilities, the third highest in the nation.

Hawaii has the highest energy costs in the nation, three times the national average (Ross, 2017).

HHFDC GUIDELINES
140% AMI IN 2018 DOLLARS

... FAMILY OF ONE
... FAMILY OF TWO
... FAMILY OF FOUR

HONOLULU COUNTY
... $114,380
... $130,620
... $163,240

HAWAII COUNTY
... $77,000
... $87,920
... $109,900

KAUAI COUNTY
... $86,380
... $98,700
... $123,340

MAUI COUNTY
... $92,540
... $105,840
... $132,160

Under Act 127 the calculation of 30% of family income excludes utilities, meaning that it is possible that even affordable rental units developed under it may be occupied by cost-burdened families.

It is crucial that planners and decision makers addressing the affordable housing crisis understand that there is no single definition of affordable rent, although HUD's 30% rule provides a generally-accepted guideline, and that the income range for eligibility for affordable rental projects range from 0% AMI to 140% AMI.

Duties of the SAT

The tasks and duties of the SAT are enumerated in §§ 7-9 of Act 127 (SLH 2016):

1. Provide recommendations on actions to be taken to achieve the affordable rental housing goal;
2. Establish performance measures and timelines for the development of affordable rental housing units; and
3. Address and make recommendations to reconcile the public interest that may compete against and restrict the development of rental housing; and
4. Develop a ten-year plan that identifies land that are suitable for affordable housing units.

The Special Action Team is tasked with recommending actions to increase rental housing for low- and moderate-income families.

Duties and Tasks Completed

The SAT completed the following duties and tasks enumerated in Act 127 prior to the development of this *Affordable Rental Housing Report and Ten-Year Plan*:

1. Recommended that the Hawai'i Housing Finance and Development Corporation (HHFDC) should be the agency to monitor and periodically report on the achievement of the performance measures and compliance with the timelines in this report.
2. Periodic consultation with the Hawai'i Interagency Council on Homelessness (HICH) in performance of its duties. The SAT will continue to consult periodically with HICH until its sunset on December 31, 2019.
3. Submitted reports to the legislature of its findings, recommendations, and progress with the ten-year plan prior to the convening of the regular sessions of 2017 and 2018. It will also submit an annual report to the legislature prior to the convening of the 2019 regular session.
4. Submitted legislation proposing an update to the Hawai'i State Planning Act (Chapter 226, Hawai'i Revised Statutes (HRS)), to include an update to the State Housing Functional Plan (SHFP), 20 days prior to the convening of the 2017 regular session. The SAT drafted proposed amendments to Sections 226-19 and 226-106, Chapter 225, HRS, to prioritize housing opportunities for extremely low- to above

moderate- income households; and to Section 226-56, Chapter 226, HRS to simplify the process of the lead state agencies' obligations to comply with the statute's requirement that the functional plans be updated periodically. These amendments were enacted as Act 82 in July 2017. HHFDC revised the SHFP in accordance with the amendments in Act 127.

Tasks Addressed in this Report and Ten-Year Plan

In this *Affordable Rental Housing Report and Ten-Year Plan*, the SAT addresses its progress in fulfilling its remaining duties under Act 127:

1. Recommend actions to achieve the goal of 22,500 new affordable rental housing units established statewide in § 3 of Act 127.
2. To comply with the above item, recommend actions to:
    a. Increase the supply of rental housing affordable for low- and moderate-income families.
    b. Increase the supply of rental housing affordable for the remainder of the resident population.
3. Target rental housing development in TOD areas.

    Act 127 directs the SAT to target affordable rental housing in TOD areas. Act 130 (SLH 2016) established the TOD Council to coordinate and facilitate TOD planning among state agencies, and to facilitate collaboration between the state and counties on TOD initiatives. As the largest landowner along Honolulu's 20-mile rail transit corridor, owning over 1,900 acres of lands, or 16%, within a half-mile radius of the 21 planned stations, the state has an opportunity to increase mixed-use affordable rental housing on state lands in the TOD corridor. The TOD Council also works to encourage rural and urban neighborhood centers in proximity to public transit on the Neighbor Islands. The SAT coordinates with the TOD Council in its efforts to target affordable housing development on state lands along Honolulu's rail line, as well as near bus lines and main arterials in the counties of Hawai‘i, Kaua‘i, and Maui. The TOD Council's *Strategic Plan for Transit-Oriented Development* (TOD Strategic Plan) submitted to the 2018 legislature identifies potential TOD project sites on state and county lands in Honolulu County and the Neighbor Islands, assesses infrastructure challenges and readiness for development, and provides recommendations to expand financing tools for TOD infrastructure projects.

Affordable housing located in the TOD corridor has the potential to help low-income residents save money, access better jobs, improve health, and reach critical community services. Increased transit access can benefit an entire area's labor market by connecting qualified workers with available jobs, and at the same time improve quality of life by reducing commute times. Well-designed walkable communities in TOD areas can lead to a range of health benefits, including reduced vehicle accidents, reduced exposure to pollution, increased physical activity, reduced financial burdens, and improved mental health. It would also allow seniors who no longer drive to continue to access necessary services, furthering the goal of aging in place.

Despite these benefits, numerous studies have found that proximity to transit increases housing prices, resulting in a strong correlation between development in TOD areas and gentrification and displacement of low-income renters, although the increasing popularity of ride-hailing services may affect this correlation. Pacific Business News writes that home prices are dropping near rail stations on the mainland: "Not here, since our stations are still forthcoming, but this is something that Honolulu city leaders and developers might want to keep an eye on as they push ahead with transit-oriented development." The article cites a Bloomberg.com study that found that prices for San Francisco apartments within five minutes of a transit stop once had a 20% premium, which has dropped to 15% since ride-hailing services entered the market (Napier, 2018). Preserving affordable housing in TOD areas is crucial to maintaining access for low-income people and seniors (Enterprise Community Partners, Inc., 2014), making it essential that transportation and housing planners are aware of markets in TOD areas as rail projects are developed.

4. Preserve the existing rental housing stock. (This issue is addressed in the Ten-Year Plan below).

5. Enhance the market for rental housing relative to fee simple housing.

   Price is the determining factor for the rental market versus the fee simple housing market. Although housing markets are cyclical, the state's affordable rental housing crisis has existed for decades of housing cycles. The market share of rental housing is enhanced by the *relative* unaffordability of fee simple housing—a naturally occurring side effect of housing markets that are literally out of reach of most of the state's residents. As of this writing, Hawai'i has an *existing* deficit of 35,009 rental units for families earning less than 50% AMI (National Low Income Housing Coalition, 2018). By 2025, 70% of the almost 65,000 additional housing units needed will be needed for households earning 80% AMI (Department of Business, Economic Development & Tourism, 2015).

   The SAT anticipates that focus on increasing the number and variety of affordable rental housing units, including mixed-income, high-density rental projects in the TOD corridor, will enhance the attractiveness of affordable rental housing over fee simple housing. High-density housing in TOD areas also offers the opportunity for a broad-based discussion on the concept of "living affordability"—housing plus transportation expenses—rather than looking at housing affordability in isolation (Cortright, 2017).

6. Mitigate community concerns about the development of affordable rental housing projects for low-income families and individuals. (This issue is addressed in the Ten-Year Plan below).

7. Establish performance measures and timelines for developing rental housing for families in the below income groups.

   a. Not more than 30% AMI.

   b. More than 30% AMI, but less than 50% AMI.

   c. More than 50% AMI, but less than 60% AMI.

   d. More than 60% AMI, but less than 80% AMI.

   e. More than 80% AMI, but less than 100% AMI.

   f. More than 100% AMI, but less than 120% AMI.

   g. More than 120% AMI, but less than 140% AMI.

Act 127 defines AMI as the most current median family income for an area as estimated and adjusted for family size by HUD. It defines family as including a family of one individual.

8. Recommend actions to reconcile public interests that compete against and restrict the development of all housing, including:

    a. Regulatory burden associated with developing, managing, and operating subsidized affordable housing projects.

        Land use and zoning regulations are most often instituted to protect perceived public interests, but an unintended consequence is an increase in the cost of providing affording housing. Examples of regulatory burdens restricting the development of affordable rental housing include Disability and Communication Access Board (DCAB) and the State Historic Preservation Division (SHPD) reviews and Department of Education (DOE) impact fees. Each of these are intended to protect a public interest; DCAB in ensuring that access to facilities is adequate for persons with disabilities, SHPD in protecting historic structures for future generations, and DOE impact fees to help build schools necessitated by increased density. SAT members, however, question whether streamlining DCAB and SHPD reviews or exempting affordable housing projects from DOE impact fees would significantly compromise the public good. In fact, some economic policy researchers argue that land use regulation is used to the benefit of high-income communities that "rely on rules such as minimum house sizes and large-lot zoning to exclude less affluent residents from their communities" (Ikeda & Hamilton, 2015).

    b. Preservation of the environment.

        The SAT's recommendations in this report are predicated on preservation of the environment. Properties in Special Management Areas (SMA), Conservation, and Preservation districts, and where existing county zoning prohibits residential development, are not considered suitable for development.

    c. Protection of the life of the surrounding communities.

        Affordable housing developments are often controversial and give rise to claims of alarming consequences for quality of life and property values.

Common perceptions of the detrimental effect of affordable housing projects include decreased property values, related to increased traffic, increased demands on municipal services, stresses on water and sewer systems, environmental degradation, decreased property values, and intangible adverse changes in the character of the community, that may mask underlying biases and racist attitudes. However, sociological and econometric studies have found few negative effects to well-constructed and well-designed affordable housing (Robitaille & Bratt, 2012).The detrimental effect of affordable housing on property values nationwide and in Hawai'i have been debunked by studies conducted from the 1980s through today. In fact, studies in Denver in the 1980s and Baltimore County in the 1990s found that dispersed public housing can have a positive effect on property values depending where it was sited. (Galster, Santiago, Smith, & Tatian, 1999). And, a study of small-scale supportive housing projects in Denver in the early 2000s found that what appeared to be a negative effect on property values was the result of location bias; the housing had been systematically sited in neighborhoods with declining prices compared with other areas in the same census tract (Galster, Tatian, & Pettit, 2004). A 2016 Trulia Research study of low-income housing projects in the 20 least affordable housing markets in the nation, including Honolulu, found no downward effect on the values of properties located near Low-Income Housing Tax Credit (LIHTC) projects over a 10-year period following project completion (Young, 2016). Property values can also serve as proxy for hard to measure quality of life factors, such as access to good schools, jobs, parks, and other amenities (Center for Housing Policy, 2018). Evidence-based studies also demonstrate that the increased economic security, educational opportunities, and health benefits offered to low-income residents by affordable housing developments also provide surrounding neighborhoods with increased local purchasing power, and neighborhood vitality and quality (Enterprise Community Partners, Inc., 2014).

Affordable housing developments are often controversial and give rise to claims of dire consequences for quality of life and property values.

These studies have led the SAT to recommend the development of well-designed, situated, and managed affordable housing projects for the best chance of success to preclude concerns about negative effects on surrounding communities.

d. Devotion of scarce public resources for mixed-use projects that include fee simple, market priced housing.

Mixed-income housing has been the subject of studies since the late 1960s. The hypotheses of many researchers were that higher-income residents would contribute to social improvements for lower-income residents by offering the opportunity to simultaneously address place-based and people-based issues in a non-stigmatizing environment. However, over the past decades, some researchers found that these benefits did not materialize, and that the success of mixed-unit developments across income levels was largely the result of good location, design, and management, rather than the mixing of income groups (Bratt, 2016).

Mixed-income developments are presently at the forefront of affordable housing development in Hawai'i, especially in the Kakaako Community Development District overseen by the HCDA and in the urban core of the TOD corridor. Take, for example, the 690 Pohukaina mixed-use project expected to start construction next year. The first tower will be privately financed and built and will have 234 rental units affordable up to 140% AMI, 156 market rate for sale units, and the first vertical elementary school in Hawai'i. This phase of the project is expected to start in 2019 and be completed in 2021. The second tower will be built by HHFDC with 200 affordable rental units for residents earning no more than 60% AMI. The difference in incomes—140% AMI versus 60% AMI—to be served by rental units in the two towers will demonstrate the potential for successful mixed-income housing in Hawai'i, and in what is, according to the American Community Survey (ACS), one of the most affluent and dense areas on the island. It will help planners to establish best practices in the development of sustainable and livable communities in TOD areas that capitalize on the benefits and avoid the pitfalls of integrating mixed-income and mixed-use projects, with the potential to encourage economic growth, social cohesion, and a positive quality of life for individuals and families of different ages and socioeconomic classes.

e. Reluctance to use more public lands for affordable rental housing development.

The reluctance to use more public lands for affordable housing development is tied to the desire to preserve open space. The SAT recommends that public agencies entrusted with land ownership supply shelter to our community in a way that benefits both social welfare and public finances when considering the transfer of underutilized state lands by Executive Order to HHFDC or another state agency.

f. Preference of most persons for low-density dwelling units.

Throughout the United States, the preference for low-density dwelling units is being challenged by the appeal of urban settings developed in keeping with the principles of Smart Growth[2] and TOD. However, most new urban residents have higher incomes than exiting residents, resulting in higher rents, and often, a precipitous drop in the amount of affordable housing available. Countering this is Fannie Mae, which asserts that a growing body of research challenges the popular perception that millennials are trending toward high-density urban living. "Today's young adults, like their predecessors, have a strong preference for single family homes" (Simmons, 2015).

As the HHPS 2016 notes, "a preference for ownership does not always translate into reality in the marketplace." Price is the most significant factor for both renters and buyers who choose higher density dwelling units. Statewide, over 75% of households cite lack of financial resources to purchase a home as the primary reason they plan to rent their next home.

[2] Smart Growth refers to land use policies that result in more compact, mixed-use, and accessible communities.

DEVELOPMENT OF TEN-YEAR PLAN: IDENTIFICATION OF LANDS SUITABLE FOR AFFORDABLE RENTAL HOUSING

To meet the goal in Act 127 of developing or vesting of 22,500 affordable rental units by December 31, 2026, the SAT identified several broad areas in which to make recommendations to guide state and county decision makers on statewide suitable and available lands to focus resources to meet production targets.

Projections to Meet the Production Goal

The SAT used the DBEDT Housing Demand Study and the HHPS 2016 work in concert to project the needed units statewide and by county and AMI classification. The DBEDT Housing Demand Study projects a statewide demand for 64,693 housing units over the ten-year period of 2015-2025. It used two methodologies under three scenarios for its calculations and based its conclusion on the most conservative of the six possible projections. The HHPS 2016 overlays projections from the DBEDT Housing Demand Study to project housing demand by HUD income groups. The total housing demand by county is shown in Table 1 below.

The table uses the county percentages and AMI classifications calculated in the HHPS 2016 from the DBEDT Housing Demand Study's projection of 64,693 units, shown in Table 3, to determine the county percentages and AMI classifications for the Act 127 goal of 22,500 new affordable rental units from 2016 through 2026.

Table 1 – Act 127 Goal by County and AMI, 2016-2026

AMI		< 30%	30% – 50%	50% - 60%	60% - 80%	80% - 100%	100% - 120%	120% - 140%	Total
TOTAL UNITS		5,400	4,350	2,210	3,290	2,884	1,870	2,503	22,505
40%	Honolulu	2,160	1,740	884	1,316	1,154	748	1,001	9,002
22%	Maui	1,188	957	486	724	634	411	551	4,951
30%	Hawai'i	1,620	1,305	663	987	865	561	751	6,752
8%	Kaua'i	432	348	177	263	231	150	200	1,800

Source: DBEDT Housing Demand Study and HHPS 2016

Illustrating the statewide total of 64,693 units by AMI brings the issue into sharper focus.

Table 2 – Housing Demand by County, 2015 - 2025

County	# of Units	Percent of Statewide Total
City and County of Honolulu	25,847	40
County of Hawai'i	19,610	30
Kaua'i County	5,287	8
Maui County	13,949	22
TOTAL	**64,693**	**100**

Source: DBEDT Housing Demand Study

Table 3 – Housing Demand by AMI, 2015 - 2025

AMI	# of Units	Percent of Statewide Total
Less than 80%	43,828	68
80% to 140%	13,669	21
More than 140%	7,196	11
TOTAL	**64,693**	**100**

Source: HHPS 2016

The HHPS 2016 uses base data from the DBEDT Housing Demand Study to project 2015-2025 housing demand by state, county, and AMI classifications.

Table 4 – Housing Demand by Area Median Income, 2015-2025

AMI		< 30%	30 – 50%	50 - 60%	60 - 80%	80 - 120%	120 - 140%	140 - 180%	180%+	Total
TOTAL UNITS		15,511	12,507	6,352	9,458	8,291	5,378	1,695	5,501	64,693
40%	Honolulu	6,105	4,414	2,364	4,115	4,075	2,130	867	1,778	25,848
22%	Maui	2,947	2,775	1,414	2,393	1,626	1,493	500	801	13,949
30%	Hawai'i	4,966	3,917	2,292	2,200	2,193	1,295	122	2,624	19,609
8%	Kaua'i	1,493	1,401	282	750	397	460	206	298	5,287

Suitability Mapping

After determining the projection targets within each county by AMI, the SAT needed to identify property suitable and available for affordable housing development, as mandated by Act 127.

The first major initiative undertaken by the SAT was an analysis and mapping project by the Statewide GIS Program, with the collaboration of county housing and planning agencies, to develop maps identifying all state, county, and private parcels sorted into tiers of development suitability and readiness, in accordance with the goals of Act 127 and the Governor's August 2016 *State of Hawai'i Housing Plan*, using the below criteria determined by the SAT.

Minimum parcel size. Although all public lands were compatible, the SAT concluded that 0.23 acres (10,000 square feet) was the smallest parcel on which an affordable rental project, such as micro-units, could be built. In some cases, this criterion necessitated dividing TMK parcels. For example, if a portion of a parcel was in the SMA, a criterion for exclusion, but at least 0.23 acres were not, the parcel was divided so that all the land available for affordable housing development was accurately represented.

Land ownership. The Ten-Year Plan includes both public and private lands. The amount of private lands in all counties exceed the public lands available for housing development. Although the influence of government on the decisions about the use of private lands is limited, the state or counties might be able to offer shared infrastructure or other benefits to lower the cost of housing development of private property adjacent to government lands. However, the state cannot dictate how land private lands will be used.

State and county designation of lands. All state, county, and private lands represented in the Ten-Year Plan are in Urban, Agricultural, or Rural State Land Use Districts (SLUD) and existing county zoning districts that allow for residential development.

Infrastructure capacity. The Ten-Year Plan identifies and quantifies, based on available data, parcels of land within one-half mile and one-half to one mile of the basic infrastructure needed to develop affordable housing. The Statewide GIS Program worked with each county to obtain the most current residential zoning districts, rail routes and stations, bus routes and stops, major roads and arterials, and water and sewer main data for analysis. However, the presence of water and sewer mains does not guarantee carrying capacity, which generally requires details about the number of units and residents to be served by a housing project.

Excluded lands. Parcels excluded from the inventory analysis include:

- Less than 0.23 acre (10,000 square feet)
- Located in a Conservation State Land Use District (SLUD);
- Located in a county zoning district that prohibits residential development; and
- Located in a Special Management Area (SMA).

The decision to exclude SMA, Conservation districts, and county properties not zoned for residential development was based on two considerations: first, the increased costs and extended time necessary to obtain approvals for development on these lands; and second, the SAT's interest in mitigating environmental concerns that might act to restrict the development of affordable rental housing on public lands (see § 7(d)(5) of Act 127.

Properties with existing structures were not excluded because of the possibility that a significant portion of the parcel might be vacant or the visible structures might be suitable for acquisition and rehabilitation. The Statewide GIS Program limited its ground cover analysis to the use of aerial maps and Google Earth to make a cursory identification of parcels that appeared to have permanent structures or land features making them unsuitable for development.

Tier Ranking System

Public and private lands were divided into tiers of development suitability using tier scoring criteria and a point-based three-tier ranking system developed by the Statewide GIS Program:

1. Tier 1 public lands are those most suitable for near-term development based on factors including proximity to infrastructure and SLUD Urban designation, excluding any parcels owned by the Department of Hawaiian Homelands (DHHL);
2. Tier 2 public lands are those less suitable for near-term development due to factors such as distance to infrastructure, but, like Tier 1, include only SLUD Urban lands not owned by DHHL; and
3. Tier 3 public lands are the least suitable for near-term development, including those classified as SLUD Agricultural or Rural lands and parcels owned by DHHL.

   The tier ranking system for private lands is the same as that for public lands, absent any consideration of DHHL ownership.

Exhibit B, Tier Criteria and Scoring, outlines the scoring and ranking criteria for each county, developed by the Statewide GIS Program for the SAT. Examples include sources of data; zoning districts; points assigned for differing infrastructure elements (for example, proximity to rail, bus, or main arterials); and the number of points required to be placed in Tiers 1, 2, or 3.

The total acreage of public and private lands in Tiers, 1, 2, and 3 for each county are shown in the below tables.

Table 5 - Summary of Hawaiʻi County Public and Private Lands Acreage

Land Owner	Tier 1 Acres	Tier 2 Acres	Tier 3 Acres
State	557	1,200	301,238
County	96	164	4,344
Private	3,558	11,010	687,945
Total Acres	**4211**	**12374**	**993527**

Table 6 – Summary of Honolulu County Public and Private Lands Acreage

Land Owner	Tier 1 Acres	Tier 2 Acres	Tier 3 Acres
State	1,548	2,741	13,104
County	446	1,708	1,104
Private	1,863	2,110	80,695
Total Acres	**3,888**	**6,566**	**94,885**

Table 7 – Summary of Kaua'i County Public and Private Lands Acreage

Land Owner	Tier 1 Acres	Tier 2 Acres	Tier 3 Acres
State	149	236	20,283
County	88	115	265
Private	398	2,586	39,508
Total Acres	**635**	**2937**	**60056**

Table 8 – Summary of Maui County Public and Private Lands Acreage

Land Owner	Tier 1 Acres	Tier 2 Acres	Tier 3 Acres
State	539	516	57,112
County	257	15	1,597
Private	1,189	4,439	248,054
Total Acres	**1985**	**4970**	**306763**

The Tier Maps for each county, produced by the Statewide GIS Program for the SAT, are described below.

- Maps identifying Tiers 1, 2, and 3 of state, county, and private lands suitable for the development of affordable rental units.
- Tables of Tier 1 public lands, delineating TMKs, ownership, acreage, land cover, and notations of the visible structures on the parcels.

Tier Maps for each county are included in Appendix C and Tables of Tier 1 Public Lands for each county, as of June 30, 2018, are included as Appendix D.

Affordable Rental Housing Inventories

The second major initiative was the development of baseline Affordable Rental Housing Inventories for each county, capturing all known affordable rental projects that are planned or are under construction as of June 30, 2018. The first step in developing the inventories was to record the affordable rental units projected for occupancy by 2020 in the Governor's August 2016 *State of Hawai'i Housing Plan* (Governor's Housing Plan). The second step was to supplement the inventories with information from SAT members, public sources, and a review of business, construction, and local news publications.

The development of the baseline Affordable Rental Housing Inventories is a critical step in formulating recommendations to meet the goal of 22,500 new affordable rental housing units by December 31, 2026. The lack of precise and reliable information about projected affordable housing projects and the estimated numbers of rental units anticipated to be served in the AMI classifications enumerated in Act 127 has been an impediment to establishing effective performance measures. In collecting this information, we expect it be a valuable tool to measure the effectiveness of the SAT's recommendations toward meeting the goal established in Act 127. The inventories will be updated as we learn about projects in the pipeline, affordable rental units by AMI classification, and issuance of building permits and certificates of occupancy.

The Affordable Rental Housing Inventories for each county, as of June 30, 2018, are included as Appendix E.

County Assessment of Public Parcels

After the SAT considered the maps, tier tables, and inventories, county staff conducted a rigorous parcel analysis. **Each county formed teams to assess Tier 1 public parcels to develop short lists of the parcels with the most potential to produce the greatest number of affordable rental units in the shortest amount of time.**

The teams found that, depending on the county and the methodology employed, limiting the assessments to Tier 1 properties did not necessarily result in identifying parcels with the greatest development potential, so the teams modified their methodology as necessary. For example, Hawai'i County chose not to limit its analysis to Tier 1 public parcels; it identified properties in areas of the island emphasized by Mayor Harry Kim that share a pressing need for housing and property suitable for development. Honolulu County focused on aligning properties in all tiers with the priority properties identified by Mayor Kirk Caldwell in his February 16, 2017 "State of the City" address. Kauaʻi County started its assessment with the data produced by the Statewide GIS Program, followed by additional due diligence. Maui County analyzed its Tier 1 parcels of at least one acre, were vacant, and close enough to infrastructure to make development feasible; however, finding none, it turned its attention to private projects for analysis.

Unifying sub-tasks in each team's assessment were an evaluation of the criteria used in the initial tier ranking system and research on encumbrances restricting the suitability of parcels for development.

The resulting projections of the development of affordable rental units on selected parcels, although based on systematic methods and practices, should be considered preliminary, and do not represent commitments by any government agencies, developers, or lenders to undertaking development on the parcels.

County of Hawaiʻi

A team made up of representatives of the Office of Housing and Community Development, Planning Department, Mayor's Office, and the Hawaiʻi Island Community Development Corporation (HICDC) used the county's GIS to identify parcels that could potentially be used for affordable rental housing. Of the 10 parcels identified, nine are owned by the state or county and one parcel is privately owned by HICDC. The Statewide GIS Program assisted the county by researching encumbrances on the properties.

The team's considerations included the County of Hawaiʻi General Plan, the presence or lack of infrastructure, SLUD designation, flood prone areas, existing and proposed uses, neighborhood setting, and government ownership. No federal lands were included. The HHFDC lands under development at Keahuolū in North Kona (Kamakana Village project) were not included because of delays in negotiating a master agreement and development agreement with a new developer. Infrastructure issues, especially water, also make the site unsuitable for development, but it remains a potential for affordable housing outside of the parameter for completion established in Act 127.

The county's short list of properties is shown in Table 9 below, followed by a brief description of each parcel. Because the potential number of units for most of the projects is unknown, the acreage available may serve as a first-order proxy.

Table 9 – Hawai'i County Priority Projects (Public Properties)

TMK	Owner	Project	Area	Acres	Min	Max
2-4-1:24	State of Hawai'i	Kapi'olani Street Extension	South Hilo	26.17		
2-4-1:122	State of Hawai'i	UH Hilo	South Hilo	32.65		
2-4-1:158	State of Hawai'i	Adjacent to County Park and Res. Areas	South Hilo	3.70		
2-4-1:184	County of Hawai'i/HICDC	Mohouli Phase 3	South Hilo	6.72	92	92
2-4-57:30	State of Hawai'i	West Kāwili Street Senior Project	South Hilo	5.57	70	75
6-8-42:22	County of Hawai'i	Kamakoa Project	South Kohala	10.32		
6-8-42:47	HPHA	Adjacent to Kekumu Ekolu	South Kohala	6.30		
7-4-21:19	HPHA	Kealakehe Area	North Kona	4.16		
7-4-20:4	State of Hawai'i/HHFDC	Village 9, Laiopua	North Kona	10.77		
7-3-09:060	HICDC	Kaloko Heights	North Kona	10.75	80	80
Total				**117.11**	**242**	**247**

The total projected minimum and maximum capacity for affordable rental units suitable to be developed on public lands provides a snapshot of progress toward producing 30% (6,572 units) of the goal established in Act 127.

<u>South Hilo</u>

TMK 2-4-1:24. 26.17 acres; fee owner, State of Hawai'i. This site has recently been made accessible by the extension of Kapi'olani Street. It is bordered on two sides by a long established residential community. Neighborhood issues will be a significant consideration.

TMK 2-4-1:122. 32.65 acres; fee owner, State of Hawai'i. This site is under the jurisdiction of the University of Hawai'i at Hilo and is shown on the Long Rang Master Plan as a Sports Complex. The site is adjacent to the Mohouli Street extension and has the necessary infrastructure for residential development. It is currently within the SLU Agricultural district. Established residential communities are located mauka but most of the site is away from developed areas. Community issues are less likely at this location. The most significant difficulty is the University of Hawai'i's reluctance to transfer lands to any other entity to produce affordable rental housing units.

TMK 2-4-1:158. 3.70 acres; Fee owner: State of Hawaiʻi. This site is located adjacent to a county park and two established residential areas. The site has the necessary infrastructure; however, community opposition is likely due to proximity and prevalence of single family residential lots in this area.

TMK 7-3-09:060. 6.72 acres; Fee owner, County of Hawaiʻi; Lessee, HICDC. The Mohouli Senior Phase 3 project will be developed on this site starting in late 2018. The project will include 92 senior rental units, anticipated to be ready for occupancy by the end of 2020.

TMK 2-4-57:30. 5.57 acres; Fee owner, State of Hawaiʻi. The West Kāwili Street Senior project and Veteran's Center will be developed on this site. The senior complex will have 70 to 75 rental units.

South Kohala

TMK 6-8-42:22. 10.62 acres; Fee owner: County of Hawaiʻi. This site is a portion of the County of Hawaiʻi Kamakoa project. It has all necessary infrastructure and entitlements, and the county expects to receive soon a Letter of No Further Action from the Hawaiʻi State Department of Health regarding the issue of Formerly Used Defense Sites, clearing the way for it to receive federal funding for the project. The development of this multifamily rental project is a priority of Hawaiʻi County Mayor Harry Kim, and the Office of Housing and Community Development expects it to be ready for occupancy in late 2022.

TMK 6-8-42:27. 6.50 acres; Fee owner: HPHA. HPHA controls this site and it is adjacent to an existing HPHA family housing site (Kekumu Ekolu). Access and topographic issues need to be investigated to determine the feasibility of this site. The property would have to be transferred to another entity to construct affordable rental units.

North Kona

TMK 7-4-21:19. 4.16 acres; Fee owner, HPHA. Located in the Kealakehe area, this site has the potential for development. Water availability and topographic issues need to be investigated to determine feasibility and the property would have to be transferred to another entity to construct affordable rental units.

TMK 7-4-20:4. 10.77 acres (35.77 minus up to 25 acres for homeless site); Fee owner, State of Hawaiʻi. Village 9 of the Villages of Laiopua, a master planned community by HHFDC. The project is a potential multifamily rental development site. A proposed homeless site will occupy 20-25 acres of this site; however, a portion has the size to accommodate further development. The development of this project is a priority of Hawai‘i County Mayor Harry Kim.

TMK 7-3-09:060. 10.75 acres; Fee owner, HICDC. The Kaloko Heights project is a potential multifamily rental development site for 80 affordable rental units in a very early planning stage. The Office of Housing and Community Development has started to see encouraging signs of activity and will facilitate the process.

City and County of Honolulu

Short lists of parcels located in the City and County of Honolulu were produced by two separate teams. The City and County team included members from departments and agencies in the City's Executive Branch and concentrated on city-owned properties. The team assessing state property was coordinated by OP and included representatives of the state's housing agencies, HHFDC, HPHA, and HCDA, and members of the TOD Council. Both teams emphasized properties in the TOD corridor.

City-Owned Properties

The City team identified 11 properties on its short list, which highlights the City's top priority parcels with high potential for development using bold type in Table 11 below. HHFDC and the Statewide GIS Program assisted in the identification of encumbrances on potential properties. The team's analysis included evaluating all city-owned properties of an unidentified "certain size," with each property assessed for affordable housing development suitability.

Table 10 – City and County of Honolulu Priority Projects (City-Owned Properties)

TMK	Project	Total Area (acres)	Zoning	Approx #of Units		Years to Completion	Notes
				Min	Max		
1-7-27:2	ʻAʻala Park	3.049	P-2	700	700	5.75	
23039016 to 17	Ala Moana Transit Hub	0.860	Not stated	500	500	5.75	
2-1-17:8	Alii Place	0.440	BMX-4	500	500	4.5	
9-9-78: 6 to 14	**ʻAiea Sugar Mill**	6.846	I-2	400	400	5	
9-1-160:18	**City Lands in Kapolei (all)**	38.300	BMX-3	1125	1125	5.75 to 7.75	
9-1-160:18 (portion)	**City Lands in Kapolei (Lot 7 only)**	4.230	BMX-3	130	130	5.75 to 7.75	
9-1-17:111	ʻEwa Villages Golf Course Surplus Lands	176.000	AG-1 6-12 dwelling units per acre	36	69	5.75	Portion of total acreage
9-4-8: 27 to 30	**Okada Trucking Waipahu**	**18.581**	**A-2**	**375**	**375**	**5.75**	
9-8-9: 5, 14-17	Pearlridge Transit Center	2.600	I-2	300	300	5.5	
9-1-122: 2, 4, 6, 7	**West Loch, Final Phase**	11.400	AG-1	280	280	5.75	
9-1-17:113	**Varona Village**	26.359	AG-1	93	93	4.25	46 rehab 47 new
Total City-owned Land		**288.665**		**4439**	**4472**		

<u>State-Owned Properties</u>

The TOD Council's Strategic Plan for Transit-Oriented Development (TOD Strategic Plan) TOD identifies projects that include affordable rental units on state-owned properties along the rail line, cross-referenced against the Governor's Housing Plan, to show those with the highest development potential.

Table 11 – County of Honolulu Priority Projects (State-Owned Properties)

TMK	Agency	Project	Acres	Approx # of Units		Estimated Start
				Min	Max	
9-1-017:109 (portion)	HHFDC	Keahumoa Place	32.600	319	319	FY 2020
2-1-051:041	HHFDC	690 Pohukaina Phases 1 and 2	2.170	434	434	Late 2021
2-3-007:026 2-3-007:109	HCDA	Hale Kewalo	0.734	128	128	January 2018
2-1-051:014	HCDA	Nohona Hale	0.240	105	105	April 2028
2-3-003:040	HCDA	Ola Ka Ilima Artspace Lofts	0.690	84	84	August 2017
2-3-012:019	HHFDC	Alder Street Affordable Rentals	1.450	180	180	Late 2021
9-7-094:025	HPHA	Hale Laulima Homes	3.960	664	964	CY 2023
9-9-003:056	HPHA	Puuwai Momi Homes	11.500	340	930	CY 2021
1-5-001:001	HPHA	Kamehameha Homes	16.400	779	1279	CY 2022
1-5-024:021	HPHA	Ka'ahumanu Homes	7.350	348	648	CY 2022
9-4-039:019 9-4-039:076	HPHA	Waipahu I & II and Hoolua & Kamala	4.450	740	740	CY 2023
1-6-009:003	HPHA	School Street Administrative Offices Redevelopment	12.480	300	800	CY 2020
1-7-029:003	HPHA	Mayor Wright Homes Phases 1-4	15.000	867	867	2020 - 2024
1-7-026:006	HPHA	Kalanihuia Homes	1.900	349	349	CY 2022
2-3-019:004	HPHA	Kalakaua & Makua Alii & Paoakalani Homes	9.200	338	638	CY 2025
Total State-owned Lands			**120.124**	**5975**	**8465**	
Total City-owned Land (Table 11 above)			*240.248*	*11950*	*16930*	
TOTAL COUNTY OF HONOLULU			408.789	10414	12937	

The snapshot of the projected minimum and maximum capacity for affordable rental units to be developed on public lands captures an excess of units needed to produce 40% (9002 units) of the statewide goal established by Act 127, although the minimum and maximum projections are not broken down by AMI. It is important to realize that the snapshot is as of June 30, 2018, and represents the best possible outcome for each project without regard to development obstacles that might occur during the planning and construction phases of a project.

County of Kauaʻi

The County of Kauaʻi team identified five properties, three owned by the state and two owned by the county, as available and suitable for the development of affordable housing. The team was made up of representatives of the Kauaʻi County Housing Agency and the Kauaʻi County SAT Representative.

Criteria used by the team to screen parcels included government ownership and a minimum parcel size of one acre. Its analysis also considered the presence or lack of infrastructure, SLUD, county zoning, existing and proposed uses, and flood hazard and tsunami evacuation zones. Its first step was a review of parcels owned by the state or county, one acre or more in size, regardless of tier, displayed on a web map prepared by the Statewide GIS Program. Its next step was to ground-truth large parcels to determine if portions could be developable. All properties on Kauaʻi County's short-list are classified as SLUD Urban, and are in Flood Hazard Zone X (less than 1% chance of annual flooding, and flood insurance not required).

The team's short-list of parcels is delineated in Table 13 below, followed by brief descriptions of the properties. Many of the potential affordable rental units listed in the table are dependent on a Project Development Use Permit (PDU), which would allow increased density for rentals to households earning 80% or less AMI.

Table 12 – Kauaʻi County Priority Projects (Public Properties)

TMK	Owner	Project	Developable Acres		Potential Units	
			Min	Max	Min	Max
4-5-015:030	State of Hawaiʻi Lessee: Richard Abigania	Hauaala Road (Kapaʻa)	1.00	2.00	4	6
4-6-014:030	State of Hawaiʻi	Hundley Heights	1.50	1.50	20	30
3-6-002:005	State of Hawaiʻi	Līhuʻe Old Police Station	1.01	1.01	20	20
3-8-005:028/29	County of Kauaʻi	Pua Loke (Līhuʻe)	1.47	1.47	40	50
2-1-001:054	County of Kauaʻi	Lima Ola Phases 1 and 2	46.00	46.00	217	217
Total			**50.98**	**51.98**	**301**	**323**

The total projected minimum and maximum capacity for affordable rental units to be developed on public lands provides a snapshot of progress toward producing 8% (1,800 units) of the goal set in Act 127.

Hauaala Road Parcel (Kapa'a). TMK 4-5-015:030. Roughly one to two acres, out of a total parcel area of 4.67 acres, are developable. The property is leased by the state to Richard Abigania for agricultural purposes. The lessee has indicated his willingness to transfer the developable acreage to the county. The property is situated in density zoning district R-4, which permits four dwellings per acre; therefor, the team estimates that four to six affordable rental units could be developed. Part of the parcel is in the tsunami evacuation zone.

Hundley Heights (Kapa'a, part of the Mahelona Medical Center site). TMK 4-6-014:030. The parcel is owned by the state and contains approximately 1.5 acres of developable lands. It is zoned R-1/ST-P (one residential dwelling/special treatment district for public facilities), but a PDU permit for the R-20 density zone would give it the potential for 20-30 affordable rental units. Part of the parcel is in the tsunami evacuation zone.

Līhu'e Old Police Station. TMK 3-6-002:005. The parcel is owned by the state and contains approximately 1.01 acres of developable lands. It is zoned R-1/ST-P, but a PDU permit for the R-20 density zone would give it the potential for 20 affordable rental units. Part of the parcel is in the tsunami evacuation zone.

Pua Loke Affordable Housing Development (Līhu'e). TMKs 3-8-005:028 and 3-8-005:029. The parcel is owned by the County of Kaua'i and contains approximately 1.47 acres of developable lands. It is zoned R-1/ST-P, but a PDU permit for the R-20 density zone would give it the potential for 40-50 affordable rental units. Part of the parcel is in the tsunami evacuation zone.

Lima Ola Workforce Housing Development ('Ele'ele). TMK2-1-001-054. The parcel is 75 acres and owned by the County of Kaua'i. It is a subdivision zoned with a residential community mix of R-1, R-6, and project district (R-20+). 217 multifamily units, expected to be 100% rentals, are expected to be built on 46 acres by 2026 during phases 1 and 2 of the project. An additional 195 multifamily rental units are expected to be built on approximately 28 acres during phases 3 and 4, to be completed by 2033.

County of Maui

The Maui County team included representatives of the Department of Housing and Human Concerns and Planning Department. The first step the team took was to modify the criteria for parcels from a minimum size of 0.23 acres to a minimum of one acre. Next, with the assistance of the Statewide GIS Program, it researched encumbrances that would restrict development on the remaining properties. This process resulted in the elimination of all previously identified Tier 1 public parcels.

In lieu of public parcels, Maui County identified five ongoing private projects in progress that will include affordable rental units as required by the county's Residential Workforce Housing Policy, Ordinance No. 4177, adopted by the Maui County Council on December 22, 2014. All projects are expected to start construction in 2018 or 2019 with a two-year schedule for occupancy.

The five private projects are shown in Table 14 below, followed by brief descriptions of each project.

Table 13 – Maui County Priority Projects (Private Properties)

TMK	Owner	Project	SLUD	County Zoning	Acres	Total Units	Total Affordable
3-9-01:157 3-9-01:158	Pacific West Communities	Kenolio Apartments	U	R-1 & A-1	8.27	184	184
3-5-01:064	Legacy Wailuku LLC	Wailuku Apartments	Ag	Ag	14.40	324	195
3-7-05:003	Catholic Charities	Kahului Lani Senior Rental	U	B-2 & R-3	3.11	164	164
4-3-01:082 4-3-01:083	Maui Oceanview LP (Paul Cheng)	Pulelehua	U	R-1	304.26	900	280
3-8-04:028	Ikaika Ohana	Kaiwahine Subdivision	Ag	Ag	9.29	120	120
Total					**339.33**	**1692**	**943**

The total projected minimum and maximum capacity for affordable rental units to be developed on public or private lands provides a snapshot of progress toward producing 22% (4,951 units) of the goal established in Act 127.

Kenolio Apartments. TMKs 3-9-01:157 and 3-9-01-158. Pacific West Communities, Inc. (Developer), is developing the Kenolio Apartments on two parcels of land in Kihei). The project will consist of 184 apartments for households earning up to 60% AMI, to remain affordable for 55 years. The HRS 201H project was approved by Resolution 15-129 of the Maui County Council, adopted on October 16, 2016. At the time of this writing, the Developer and the DHHC were finalizing a Residential Workforce Housing Agreement. The project is in the State Land Use Urban District, with county zoning of R-1 Residential and A-1 Apartment District, and is in the SMA. A SMA Use Permit was approved by the Maui Planning Commission on February 9, 2016. A building permit is expected to be issued in the fall of 2018, with construction to start shortly thereafter, and the apartments ready for occupancy by early 2020.

Wailuku Apartment Rental Housing Project. TMK 3-5-01:064. Legacy Wailuku LLC (Developer) is developing a 201H project on Waialae Road, Wailuku. The proposed project will consist of 324 units, with 60% (195 units) to be affordable: 55 units for low income households earning 80% to 100% AMI, 55 units for below-moderate income households earning 101% to 120% AMI, and 85 units for moderate income households earning 121% to 140% AMI. HHFDC submitted a Draft Environmental Assessment (EA) on behalf of the Developer on September 13, 2017. The Draft EA was subsequently withdrawn on January 19, 2018, to address comments received during the required 30-day comment period. A new Draft EA is being prepared. The property is in the State Land Use Agricultural District; therefore, the 201H application includes a request that the Maui County Council approve a SLUD amendment from Agricultural to Urban. It is anticipated that the 201H application will be heard by the Maui County Council Land Use Committee in September of 2018.

Kahului Lani Senior Rentals. TMK 3-7-05:003. On June 15, 2017, the Maui County Council approved a SMA Use Permit for the 164-unit affordable senior housing project targeted to seniors age 55 or older earning up to 60% AMI. The property has recently been acquired by the Catholic Charities Housing Development Corp. from A&B Kane LLC. Construction is expected to begin after all entitlements are received and span 32-months in two phases: Phase 1 with 81 units and Phase 2 with 83 units. The anticipated start of construction is slated for the third quarter of 2018 with Phase I completed by end of 2019.

Pulelehua. TMKs: 4-3-01:082 and 4-3-01:083. Maui Oceanview LP (Developer) is petitioning the Land Use Commission (LUC) to amend its 2006 Decision and Order (Docket No. A04-751) to clarify that its Pulelehua project workforce housing requirement of 25% affordable units. In addition, LUC Docket No A03-741 (for Kapalua Mauka) requires 125 affordable units to be built at Pulelehua. At the time of this writing, the Developer and DHHC were negotiating a Residential Workforce Housing Agreement that will require 280 of the total 900 Pulelehua to be affordable rentals.

Kaiwahine. TMK 3-8-04:028. The Kaiwahine Subdivision received 201H approval from the Maui County Council (Resolution 11-23) on March 19, 2011, with a deadline to begin construction of a 120-unit for-sale condominium project within five years or no later than March 18, 2016. In 2016, the project received an additional two-year extension (Resolution 16-32) to begin construction by March 18, 2018, with no further time extensions. In 2016, Akaike Ohana, took over the project as Developer and secured funding from various sources, including federal and state Low-Income Housing Tax Credits (LIHTC), Rental Housing Revolving Fund (RHRF), HOME Investment Partnerships Program (HOME) funds, and National Housing Trust funds. The project changed from for-sale to rental units; from 1, 2, and 3-bedroom units to all 2 and 3 bedroom units; from targeting 60-80% AMI to 60% AMI and below; and from a 30-year to a 60-year affordability period. As the changes were deemed substantial deviations from the original plans and specifications presented to the Maui County Council, DHHC introduced a Resolution outlining the project modifications on February 14, 2018, to the Council's Land Use Committee. During the meeting, the Developer requested a six-month extension which was granted by the Committee. The measure was adopted by the full Council on March 9, 2018.

In February 2018, the Maui county's Office of Council Services released Requests for Proposals for an Affordable Policy Analysis and Affordable Housing Implementation Plan to develop policy recommendations to address barriers to affordable housing and an implementation plan to provide more affordable housing in the county. The implementation plan will include an inventory of government-owned parcels available for affordable housing and a review of current public and private affordable housing inventory. The final reports under the RFPs are due July 31, 2018, so additional parcels for Maui County may be identified at that time.

The SAT's recommendations can be used to guide state and county decision makers to select priority areas to focus resources to move forward toward meeting the Act 127 goal of 22,500 affordable rental units by the end of 2026. The SAT has produced a statewide inventory of 3,680 acres of Tier 1 public lands, and 10,688 units of combined Tier 1 public and private lands, potentially available and suitable for affordable housing development or redevelopment statewide. The SAT recognizes that there are other tiers of properties that pose significant challenges but may be suitable for development in the long term. For initial short-term development, the counties screened the most likely properties to produce the greatest number of affordable rental units in the shortest amount of time. The total acreage of the county short lists of parcels ready for near term development is 970 acres (Hawai‘i County, 117 acres; Honolulu County, 409 acres; Kaua‘i County, 51 acres; and Maui County, 393 acres). In the course of identifying these parcels, the counties recognized that further assessment is needed to facilitate readiness for the identified projects to be shovel ready and for them to continue to identify suitable parcels for the long term.

DEVELOPMENT OF TEN-YEAR PLAN: IDENTIFICATION OF BARRIERS AND RECOMMENDED ACTIONS

To meet the goal in Act 127 of developing or vesting of 22,500 affordable rental units by December 31, 2026, the SAT identified several broad areas in which to make recommendations to guide state and county decision makers on statewide suitable and available lands to focus resources to meet production targets.

The SAT considered state and county policies, administrative procedures, and legislative measures in making its recommendations for actions to be taken to meet Act 127's goal. The SAT's recommendations were formulated based on roundtable discussions at its regular monthly meetings and at issue forums, a review of recommendations made in previous reports to state and county leaders, and comprehensive research and analysis of best practices in affordable housing development and financing. Its recommendations include actions to be taken and promising legislative measures with the potential to constructively influence affordable housing policy at the state and county levels.

USE OF PUBLIC LANDS

Discussion and Findings

More public lands need to be made available for the development of affordable housing. The SAT took the ownership status and suitability for affordable housing development of state and county lands into consideration as it developed the criteria used by the Statewide GIS Program to develop the suitability maps, tier ranking system, and tier tables discussed above.

For this Ten-Year Plan, however, the SAT chose not to consider whether parcels appeared to be vacant or to have existing structures on them. Parcels that appear to be vacant might not be in a promising location or require extensive infrastructure investment, while those that appear to have structures located on them might have a significant portion of vacant lands or have structures suitable for acquisition and rehabilitation.

The TOD Strategic Plan (Office of Planning and Hawaii Housing Finance and Development Corporation, 2017) includes assessments of state and county parcels with the potential to create affordable housing in TOD areas.

HPHA's mission is to promote adequate and affordable housing, economic opportunity, and a suitable living environment for low-income families and individuals, free from discrimination. Fulfilling its mission is made difficult by a backlog of repairs and deteriorating housing stock nearing the end of its useful life. It has proposed an ambitious ten-year plan to rehabilitate or replace existing units and expand the availability of affordable and market rate rental units in the TOD corridor, with the potential to yield as many as 10,000 units: one-third public housing, one-third rental units affordable for households earning up to 120% AMI, and one-third market rate rentals. The success of HPHA's redevelopment plans will rest on the scope, timing, and budget of the individual projects that comprise its plan; factors influenced by legislative funding and the construction and housing markets over the ten years of the plan.

To facilitate its redevelopment plan, HPHA proposed legislation (HB2358 HD1 SD2), which failed during the 2018 session, to amend HRS Section 171-2 to exclude lands set aside by the governor to HPHA and lands to which HPHA in its corporate capacity holds title, from the definition of "public lands" and are therefore under the jurisdiction of DLNR. This jurisdictional issue was discovered when Section 14 of Act 180 (SLH 2006) directed the Legislative Reference Bureau (LRB) to amend sections of the HRS to implement the separation and division of the Housing and Community Development Corporation (previously codified as Chapter 201G, HRS) into the present agencies, HPHA and HHFDC. Exemption from the definition of "public lands" under HRS Section 171-2 would have allowed HPHA to proceed with its redevelopment plans without the delay of Board of Land and Natural Resources review and action on land leases for "public lands." In addition, it would have given HPHA the discretion to enter into 99-year leases, unencumbered by the 65-year restriction in HRS Section 171-2. The failure of the proposed legislation may lengthen HPHA's redevelopment timeline for occupancy of the planned units.

Options to increase the use of public lands that have been considered by the SAT but have not yet been extensively researched are community land trusts (CLT), land banking, and master leases, which have been used successfully in other jurisdictions, and in the case of master leases, in Hawaiʻi.

Recommended Actions

1. For Tier 1 public lands held for non-residential purposes, evaluate the current revenue vs. future revenue potential to encourage more use of public lands for affordable housing;[3] transfer underutilized state lands by Executive Order to the HHFDC as the state's housing arm; and explore the possibility of other mixed-use residential developments similar to the rental housing/juvenile shelter and service facility planned for development at the site of the former detention home at Alder Street.
2. Coordinate efforts with the TOD Council, established under Act 130 (SLH 2016), charged with facilitating the acquisition and funding of state and county affordable rental TOD projects on state and county lands. This collaboration offers a significant opportunity for the development of affordable rental rehabilitation projects, new construction, and high-density infill projects.
3. Support the re-introduction of legislation in the 2019 session, similar to HB 2358 HD1 SD2, introduced in the 2018 session but failed in conference committee, which would have exempted lands set aside by the governor to HPHA and lands to which HPHA holds title from the definition of "public lands" in Section 171-2, HRS.
4. Support the policy in HHFDC's February 2017 SHFP regarding the coordination of housing-related information systems which are currently maintained by individual public and private agencies, by:
    a. Conducting a statewide survey of agencies who provide, plan, develop, construct, finance, sell, lease, or manage housing to ascertain the scope of housing data maintained by them; and
    b. Maintaining a schedule of planned and completed housing projects to be used to track housing goals and update housing plans and policies (i.e., 10,000 housing units by 2020 and 22,500 affordable rental housing units by 2026) (Hawaii Housing Finance and Development Corporation, 2017).

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[3] An example of current revenue is lease rent on DLNR lands. Potential future revenue could include increased rents from commercial activities generated from mixed-use projects developed by a public-private consortium, including affordable housing, in which DLNR participates.

5. Examine the feasibility of multi-agency, multi-parcel RFPs for the delivery of infrastructure and affordable rental housing units on public lands. If permitted under state procurement laws, encourage and direct housing agencies to conduct trial programs using packaged RFPs and to monitor their effectiveness in producing more units in a shorter amount of time than standard single-parcel, single-agency RFPs.
6. Encourage state and county housing agencies to explore the potential or expanded use of development and holding mechanisms such as CLTs, land banks, and master leases, to preserve public lands under long-term leases or in perpetuity for affordable rental housing.

Potential Development and Holding Mechanisms

Community Land Trusts (CLTs) are non-profit organizations that acquire or develop affordable housing by separating the land value from the value of the housing, whether for sale or rental units. CLTs take land out of the speculative market and provide perpetually affordable housing. The State and counties could develop permanent affordable rental housing on lands acquired by donation or purchase for which they would also act as permanent stewards of the property, or they could cede public lands to nonprofit organizations to be preserved in perpetuity for affordable housing, and in exchange, the nonprofit organizations would provide stewardship over the lands in perpetuity. CLTs are also frequently formed as a means of land conservation. In fact, the CLTs in Hawaii, on Oahu and Maui islands, have been established to acquire land to conserve and protect land from development, rather than to acquire land for the purpose of developing affordable housing, although this is an option worth further exploration.

Land banks are governmental entities or nonprofit organizations that are focused on the conversion of vacant, abandoned, and tax delinquent properties into productive uses. Land banks respond to the growing trend of vacant and abandoned properties by strategically acquire these properties, turning liabilities into assets. They acquire title to these "problem" properties, eliminate the liabilities, and then transfer the properties to new, responsible owners that intend to use the properties in a manner consistent with community-based plans. Land banking is a method to resolve difficult barriers and return land to productive use, including the development of affordable housing. Land banks are able to accomplish these purposes because they are granted special powers under state enabling legislation. These powers differ between states but generally allow land banks to 1) obtain property at low or no cost through the tax foreclosure process; 2) hold land tax free; 3) clear title and/or extinguish back taxes; 4) lease properties for temporary uses; and 5) negotiate sales that most closely align with community needs, including affordable housing.

Master leases. U.S. Vets successfully uses master leases to house homeless veterans and their families on Oahu, Kauai, and Hawaii islands. The nonprofit, nationwide organization has learned from experience that it is impossible to compete in tight housing markets such as Hawaii, so it has adopted the use of master leases so that landlords and property managers always receive their rent, and it assumes responsibility for paying its clients' rent and for any property damage, filling vacancies, and dealing with problem tenants. The master lease concept relies on an organization's willingness to take financial and legal responsibility for properties instead of trying to convince landlords to accept their clients. The concept could easily be transferred to other nonprofit organizations and government entities working to place low-income residents, including Section 8 voucher holders, throughout the state into rental housing. Landlord summits held by HPHA and by each county have had limited success in recruiting landlords to accept voucher holders as tenants. Master leases may offer a solution, especially in Hawaii's high-priced rental market with a great deal of competition for rental units at all price points.

INFRASTRUCTURE

The Hawai'i 2050 Sustainability Task Force emphasized the importance of maintaining the State's infrastructure to meet sustainability goals, especially regarding affordable housing in the face of overwhelming backlogs.

Discussion and Findings

The 2006 *Final Report & Recommendations of the Mayor's Affordable Housing Advisory Committee* (Affordable Housing Advisory Committee, 2006) noted that the infrastructure capacity was a significant barrier to providing more housing units in the urban core of Honolulu. The 2008 Report of the Joint Legislative Housing and Homeless Task Force encouraged creative, innovative, and cost-effective ways such as tax increment financing (TIF) districts, the establishment of improvement districts (IDs), and the appropriation of capital improvement project (CIP) funds to finance the construction of offsite infrastructure (Joint Legislative Housing and Homeless Task Force, 2006).[4] The Hawai'i 2050 Sustainability Task Force also emphasized the importance of maintaining the state's infrastructure to meet sustainability goals, especially regarding affordable housing. The report stressed the need for consistent, significant public expenditures to plan for infrastructure to manage and accommodate "smart growth" in the face of overwhelming backlogs (Hawai'i 2050 Sustainability Task Force, 2008). The SAT recognizes that infrastructure challenges need to be addressed by the developer during the due diligence phase, which often involves looking at a public investment strategy. The primary state and county funding sources for infrastructure are CIP funds issued under the state's General Obligation Bond Cap, together with developer contributions. The state or counties might also have capital investments underway directed to areas where growth is planned. For example, Honolulu County is making large investments for infrastructure in TOD areas and is developing a Master Plan to assess needs, costs, phasing, and financial tools for the Iwilei-Kapālama area. These investments are examples of infrastructure development that can make increased density and height incentives more feasible, as well as being a planning issue for mixed-use development that includes market-rate units in high density areas such as the TOD corridor.

The TOD Strategic Plan includes an action item to assess regional infrastructure requirements for state TOD projects on O'ahu.

[4] *Report of the Joint Legislative Housing and Homeless Task Force pursuant to Act 196, Session Laws of Hawai'i 2005*, was prepared by staff of the Senate Majority Office, with contributions from the House Majority Staff Office.

Recommended Actions

1. Coordinate with the TOD Council in the assessment of infrastructure requirements for state TOD projects.
2. Leverage private, federal, state, and county funds for infrastructure capacity building in the urban core areas and areas identified for future growth, including TIF districts and community facility district (CFD) bonds.
3. Utilize IDs, TIFs, CFDs, and/or other infrastructure financing mechanisms (Hawaii Housing Finance and Development Corporation, 2017).[5]
4. As part of due diligence, monitor sea level rise modeling to determine if and when it could pose an infrastructure challenge related to groundwater.

FUNDING

Discussion and Findings

Hawai'i has had an affordable housing crisis for decades. Report after report has been commissioned by various administrations over the decades. Each report identified major impediments to the development of housing in Hawai'i, including the lack of "reasonably priced" developable lands, lack of major off-site infrastructure, high development costs, government regulations, community opposition, growing environmental requirements, and suggestions to increase funding as the major component of the solution to the crisis. The April 2006 *Final Report & Recommendations of the Mayor's Affordable Housing Advisory Committee* noted that infrastructure capacity was a significant barrier to providing more housing units in the urban core of Honolulu (Affordable Housing Advisory Committee, 2006). All forms of public infrastructure were in dire need of maintenance, upgrade and new installation, and that roads, sewer, water, drainage, and new schools that had historically been the responsibility of government had been passed on to developers, adding to the price of housing. The January 2006 Report of the Joint Legislative Housing and Homeless Task Force submitted to the Hawai'i State Legislature encouraged the use of creative, innovative, and cost-effective funding, such as TIF and ID financing for offsite infrastructure, in addition to the appropriation of CIP funds (Joint Legislative Housing and Homeless Task Force, 2006).

[5] *State Housing Functional Plan*, Policy C(2)(b).

The SAT advocates addressing the need for state funding of affordable rental development with significant infusions of moneys into the HHFDC's Rental Housing Revolving Fund (RHRF) and Dwelling Unit Revolving Fund (DURF). Act 39 (SLH 2018), a measure intended to increase production of statewide affordable housing, was signed into law on June 8, 2018. It appropriates $200 million to the RHRF and $10 million to the DURF in fiscal year 2017-2018. It also extends the general excise tax (GET) exemption for certain affordable housing programs and increases the cap on GET exemptions from $7 million per year to $30 million per year through June 30, 2030. Act 65 (SLH 2018), enacted on June 29, 2018, makes technical and housekeeping amendments to Act 159 (SLH 2017) that allows qualified nonprofit housing trusts to purchase for-sale homes and condominium units if HHFDC relinquishes its right of first refusal, by clarifying that any HHFDC-assisted projects developed or sold prior to Act 159's enactment are grandfathered in. This will allow HHFDC to avoid burdensome fiscal and administrative notifications to HHFDC homebuyers still subject to the buyback restriction.

Public-private partnerships (P3) are one of the procurement mechanisms being explored by the state and counties for the delivery of infrastructure and affordable rental housing units. A P3 is a contractual agreement between a public agency and a private entity that allows for greater private sector participation in the delivery and financing of a project and spreads the risk between government and the private sector. Although the specific contractual and funding arrangements vary by project, in general the public agency retains ownership and substantial control but transfers responsibility to its private partner under a single, often long-term, contract. The objective of a P3 is to provide the best value and performance in the delivery of assets and services for the benefit of the public.

DBEDT's recent analysis of real property tax in Hawai'i found that the average effective residential tax rate for in-state owners statewide is 0.43, compared with 0.83 for out-of-state owners, among the lowest in the country (Department of Business, Economic Development & Tourism, 2017). (The effective tax rate is the average amount of residential property tax paid, expressed as a percentage of home value.) The report goes on to note that the "high percentage of out-of-state owners presents a housing affordability challenge for Hawai'i residents. In addition to housing costs, properties owned by out-of-state residents are often vacant and this reduces supply available to local residents." From 2008-2015, almost 30% of all housing units sold in Hawai'i were purchased by out-of-state residents and were significantly more expensive than units purchased by state residents. Homes bought by foreign buyers were 65% more expensive than those bought by local buyers (Department of Business, Economic Development & Tourism, 2016). This has resulted in putting more and more affordable housing units – both rental and fee simple – out of reach of Hawai'i residents (Department of Business, Economic Development & Tourism, 2016). In addition, according to the HHPS 2016, 51,120 units of the state's housing stock in 2015 were vacant units not available to residents, an increase of 19.9 percent since 2010. Most of these (35,197) were units held for seasonal, recreational, or occasional use (up 9.0 percent since 2010). The state and counties face the challenge of crafting legislation to strictly regulate and enforce transient vacation rentals (TVR), to tax real property purchased by buyers from out-of-state at higher levels than local buyers and under the appropriate classifications, and enacting other regulations designed to support more affordable rentals for residents of Hawai'i. Act 122 (SLH 2018), amending the taxes withheld on the amount realized by nonresidents from 5% to 7.25% from the disposition of real property occurring on or after September 15, 2018, was enacted by the Governor on July 10, 2018.

Act 211 (SLH 2018), requiring online travel brokers to register with the Department of Taxation and to collect TAT, beginning with taxable years after December 31, 2018, was enacted by the Governor on July 10, 2018. A related bill, SB2699 SD2 HD1 CD1, making additional resort fees included in gross rental proceeds subject to the TAT was vetoed by the Governor on July 10, 2018.

The LIHTC program, established under the Tax Reform Act of 1986, is a major financing tool for nonprofit and for-profit developers to construct or rehabilitate affordable rental housing. The state has a matching LIHTC program equal to 50% of the federal amount. Affordable housing developers generate project equity financing for their projects when the tax credits are packaged by syndicators and sold to investors who offset their federal tax liabilities on a dollar to dollar basis. There are two types of LIHTC: Volume Cap (or 9%) LIHTCs and Non-Volume Cap (or 4%) LIHTCs. The 9% LIHTCs are issued by the federal government to the state for affordable housing purposes based on the state's population, adjusted annually (the "volume cap"). The award of 9% LIHTCs is extremely competitive; they offer greater returns to investors and increased equity financing to developers. And, because of the limited number available, applications are taken by the HHFDC only once each year. Applications for the 4% LIHTCs, on the other hand, are accepted year-round, but their value is less and their issuance must be accompanied by state private activity bonds (PAB), limited by the state affordable housing bond volume cap.

Under existing law, the state LIHTC is difficult for Hawai'i taxpayers to use, other than large corporations or financial institutions. This lowers demand, and, therefore, the equity that can be generated, for each dollar of state LIHTC that is issued (for example, in 2016 federal LIHTCs were generating 95% of their face value, but state LIHTCs only approximately 50 cents on the dollar). Act 129 (SLH 2016) addressed one aspect of this issue by accelerating the time span that investors could offset their tax liability from ten to five years, making the state LIHTC more competitive and increasing its value to investors. In an attempt to expand on the competitive value of state LIHTCs, SB2759 was introduced, but did not pass, in the 2018 session. The bill called for the elimination of the applicability of federal at-risk and passive activity loss rules to the state LIHTC, with the intention of increasing demand for the state tax credits and adding to the value of the equity of the tax credits.

The "Tax Cuts and Jobs Act" (H.R.1) signed into law by President Trump on December 22, 2017, maintained the tax-exempt status of PABs and shielded the related 4% LIHTC program, consequently preserving approximately 5,000 4% LIHTC units currently in the state's planning pipeline that otherwise would have been eliminated. Another aspect of the Tax Cuts and Jobs Act did, however, reduce the corporate tax rate from 35% to 21% as of January 1, 2018, an action widely expected to reduce the value of LIHTCs, and consequently, the amount of equity capital raised to invest in affordable housing. However, at the time of this writing, the outcome in terms of dollar value on the tax credit and tax-exempt bond markets is unknown, but will continue to be monitored by the SAT. A final measure supported by the SAT that did not pass during the 2018 session, SB2415 SD 1 HD 1, would have raised the conveyance tax rate for residential investment properties valued at $2 million or more, with an exemption for affordable housing.

Recommended Actions

The SAT supports the following amendments to current statutes to reduce funding delays for affordable rental projects.

1. Re-introduce legislation during the 2019 session to amend Act 54 (SLH 2017) to lift the $38 million cap on the 50% allotment of conveyance taxes to the RHRF and extend Act 127's sunset date out to ten years.

2. Re-introduce legislation during the 2019 session similar to SB2759, that failed in the 2018 session, to waive the at-risk and passive activity loss rules for the state LIHTC. The measure could increase demand for the state LIHTC by Hawaiʻi investors, and increase the equity value of affordable rental housing projects being developed.
3. Encourage increased participation from private developers and state entities to develop rental housing and mixed-use developments that include affordable rental housing through public-private partnerships and development agreements (Hawaii Housing Finance and Development Corporation, 2017)[6].
4. Efficiently utilize existing federal, state and county financing programs, including LIHTC, Hula Mae Multifamily Revenue Bonds, and RHRF programs, to facilitate the development of permanent affordable rental housing projects in areas suitable for development (i.e., urban areas, proximity to infrastructure, etc.) (Hawaii Housing Finance and Development Corporation, 2017)[7].
5. Encourage the legislature to commit to an appropriation of $100 million for the RHRF and $10 million for the DURF, every year for the next ten years, beginning with FY 2018-2019. The assurance of consistent funding would increase developer interest in affordable rental projects.
6. Explore the feasibility of innovative financing mechanisms, including CLTs, TIFs, IDs, CFDs, federal grant programs, private grants and donations, and public land equity programs. Clouding of the constitutionality of TIFs may affect their immediate use by the counties.
7. Evaluate the effectiveness of in-lieu cash and land fee requirements based on the SAT's research indicating that the effect of such policies through inclusionary zoning laws has been insignificant.
8. Examine the feasibility of encouraging the counties to increase their use of the state's allocation of PABs for multifamily housing. The state allots funds for county issuance of PABs annually, and any unspent money at the end of each year comes back to HHFDC, which uses it for Mortgage Credit Certificates (MCC), tax credit certificates that allow taxpayers to claim an interest credit for some portion of mortgage interest paid during a given tax year. Investigate the effect on the ability of HHFDC to issue MCCs if the counties reduce or eliminate the return of their unspent PAB allotments.

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[6] *State Housing Functional Plan*, Policy A(2)(a) and (b).
[7] *State Housing Functional Plan*, Policy A(1)(a).

9. Encourage the counties to consider combining GET and real property tax (RPT) exemptions for moderate rehabilitation of privately-owned rental housing stock that would benefit efforts to preserve existing housing stock.

REGULATION AND PERMITTING

Discussion

Government regulations have been identified in studies over the decades as a major barrier to housing production in Hawai'i. Almost a decade ago, the Governor's 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, concluded that *"in the context of building homes that are affordable, government regulations often work against the goal of delivering more affordable housing…the unintended consequence is often that these regulations add to the cost of building affordable homes"* (Affordable Housing Regulatory Barriers Task Force, 2008).

Government regulations attempt to provide affordable housing in the face of rising demand for luxury units, despite that the lion's share of units are needed for the lowest income levels.

However, the HHPS 2016 notes that "Housing planning and regulation came into being and continue to be implemented…as a means of providing affordable housing in the face of rising demand for luxury accommodations" although the "lion's share of the needed units, is concentrated at the lowest HUD income levels," suggesting that the market is the most effective in producing high-end units (SMS Research & Marketing Services, Inc., 2016).

The SAT supports SHFP Policy (C)(3) addressing regulatory barriers, including the land 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, and its implementing actions: 1) the reduction of redundancies in the land use entitlement process (Hawaii Housing Finance and Development Corporation, 2017);[8]

[8] *State Housing Functional Plan*, Policy C(3)(a).

2) the promotion of predictability and reliance in land use matters by supporting existing residential zoning and approved housing projects (Hawaii Housing Finance and Development Corporation, 2017);[9] and 3) the examination of 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 (Hawaii Housing Finance and Development Corporation, 2017)[10].

Solutions to regulatory barriers discussed by the SAT include examining the feasibility of amendments to DCAB and SHPD administrative reviews to streamline these processes, and amendments to LUC regulations that would minimize duplication, streamline development, and reduce the cost of affordable rental housing.

Section 103-50(b), HRS requires DCAB review of all state and county agencies subject to § 103-50(a), HRS, of the plans and specifications for all public buildings, facilities, and sites, and to seek advice and recommendations from DCAB prior to commencing construction which requires DCAB review. The SAT is discussing the amendment of §103-50(b) to exempt any housing project developed by an eligible developer and subject to exemption from statutes, ordinances, charter provisions, and rules pursuant to section 201H-38, including housing projects for which the eligible developer has received state or county grants, subsidies, grants-in-aid, tax credits, or any other state or county funds for the construction of the project. HHFDC is continuing to work towards ensuring that all buildings, facilities, and sites remain accessible to and usable by persons with disabilities in accordance with the Americans with Disabilities Act Accessibility Guidelines, Title 36 Code of Federal Regulations Part 1191, and the Federal Fair Housing Amendments Act of 1998, Title 24 Code of Federal Regulations Part 100, Subpart D, as adopted and amended by DCAB under Chapter 348F, HRS. Possible legislation to reduce duplication and streamline regulations and the permitting process is being reviewed by the SAT, including the possibility of allowing both state and county agencies to utilize third-party review of plans required to be submitted for DCAB review under Section 103-50(b), as well as for reviews required by any of the counties in connection with applications for building permits. To address concerns about the potential liability by accepting third party reviews, the SAT recommends that the state and counties explore the feasibility of creating a special fund to provide them with insurance coverage.

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[9] *State Housing Functional Plan*, Policy C(3)(b).
[10] *State Housing Functional Plan*, Policy C(3)(c).

SHPD recently introduced an online application system to reduce processing time and address its severe backlog. It is also considering amending its administrative rules to increase the trigger requiring Chapter 343 HRS review of a historic property from 50 years to a longer period; however, the Attorney General's office has expressed concerns which are presently under discussion. SHPD is also being encouraged by the state administration to consider allowing third-party reviews, similar to the City and County of Honolulu's Department of Planning and Permitting third-party review process, to cut down on staff time spent on incomplete applications. SHPD will confirm that third-party reviews are allowed under its administrative reviews and state law. It estimates that the process of amending its administrative rules could take up to two years. The SAT supports any actions that can be taken to reduce the lengthy review time.

The SAT has also discussed several proposed changes to LUC policies and boundary amendment regulations that could result in barriers to affordable housing development and be duplicative of county processes. Specific recommendations that have been discussed include: 1) amending Chapter 205, HRS to change the function, structure, duties, and responsibilities of the LUC from quasi-judicial to quasi-legislative; 2) amending Sections 205-3.1 (a), (b), and (c), and Section 205-4, HRS to replace the statutory language reading "land areas greater than fifteen acres" to "land areas greater than 30 acres"; and 3) amending HRS Chapter 201H-38 to allow county legislative bodies to approve boundary amendments for parcels less than 15 acres that are certified as HRS Chapter 201H projects; and 4) amending HRS Chapter 201H-38 to include a 45-day fast track review for HCDA workforce or affordable housing projects that are certified 201H projects.

<u>Recommended Actions</u>

Recommendations to address regulatory burdens at the state level include:

1. Evaluate the impact of actions taken by DCAB and SHPD, as of the date of this writing, to streamline review of affordable housing projects. Continue to urge and support further actions to streamline review.
2. Evaluate the formula for computing transportation impact fees for roadway improvement and construction.
3. Research the possibility of reduction or elimination of DOE impact fees for affordable housing.

4. Encourage collaboration among HHFDC, housing stakeholders, and other state and county agencies to update RHRF program policies and procedures.
5. Encourage consideration by HHFDC for reinstatement of its predevelopment loan program indefinitely suspended in June 2003.
6. Pursuant to SCR145 SD1 (SLH 2017), evaluate the progress of the development of a collaborative plan to leverage state and county funds to build affordable housing projects and examine the potential of a unified affordable housing approval process to streamline regulatory requirements for building affordable housing on all islands
7. Pursuant to SCR145 SD1 (SLH 2017), evaluate the outcome of the exploration of the feasibility of transferring a parcel of land located at 153 W. Ka'ahumanu Ave. in Kahului, Maui to HHFDC.

Recommendations to address regulatory burdens at the county level include:

1. Reduce the requirements for parking spaces.
2. Proactive upzoning of public lands.
3. Align inclusionary zoning regulations with state agencies.
4. Adopt uniform policies among the counties, as possible and reasonable, regulating TVRs, and strengthen compliance and enforcement of regulations.
5. Encourage all departments to consider the effect on the cost of construction of affordable housing when considering the amendment or implementation of new policies, such as building codes, impact and dedication fees, and other exactions.
6. 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 (Hawaii Housing Finance and Development Corporation, 2017).[11]
7. Analyze county housing policies, infrastructure availability, affordable housing requirements on new developments, and potentially burdensome regulatory and

[11] *State Housing Functional Plan*, Policy C(3)(b).

permitting requirements. While recognizing that the characteristics, needs, and lifestyles differ among the counties, the SAT recommends that counties collaborate to work toward developing more uniform policies to reduce regulations and permitting requirements that are duplicative of state policies, with a focus on replicating successful practices that have already been implemented by one or more counties.

PRESERVATION OF EXISTING STOCK OF AFFORDABLE HOUSING

Discussion

The SAT has researched best practices to preserve Hawai'i's stock of public and affordable housing at risk of loss to sustain a long-term supply of rental housing, through the renovation or redevelopment of public housing facilities and the acquisition and rehabilitation of existing rental housing projects. Its efforts in this area are enhanced by the addition of the Executive Directors of HPHA and HCDA to the SAT, as of July 1, 2017, pursuant to Act 96 (SLH 2017).

Many affordable housing contracts between the federal government and private owners will expire soon, allowing owners the option to exit the government program and convert their properties to non-affordable use.

Maui County's loss of affordable rentals for up to 300 residents living in the 142-unit Front Street Apartments in Lahaina is a case in point. The apartments were built in 2001 with state financing and tax credits, and were expected to remain affordable for 50 years. In 2016, the leasehold fee owners exercised an option under the Internal Revenue Code to remove the property from the affordability requirements tied to the property. SB1266 SD2, introduced during the 2017 legislative session, directed HHFDC to enter negotiations for the purchase of the Front Street Apartments, or failing that, to acquire the property through eminent domain proceedings. The measure did not pass during the session, but was addressed again during the 2018 session. Act 150 (SLH 2018), enacted by the Governor on July 7, 2018, requires HHFDC to institute proceedings to condemn the ground lease for the project, contingent on Maui County providing $250,000 in Fiscal Year 2018-2019 matching funds for the costs of the condemnation, but eliminates the language in SB1266 SD2 (SLH 2017) requiring HHFDC to negotiate for the purchase of the apartments. Act 150 (SLH 2018) also appropriates $30 million to the RHRF for Fiscal Year 2018-2019 to expedite and complete construction of the West Maui Leialii affordable housing project by 2021.

HHFDC incentivizes waiving the option to request a Qualified Contract (QC), used by owners of affordable properties can be released from the affordability requirements tied to state and federal funding of projects. It is also analyzing its LIHTC portfolio to determine any other properties that may be subject to a QC in the future, and its Board is addressing the preservation of existing housing stock through the establishment of a Strategic Housing Preservation Subcommittee to investigate and recommend policies to efficiently preserve and sustain the supply of workforce and affordable housing, while prioritizing the development of new housing stock.

Rehabilitating an existing affordable apartment can cost one-third to one-half less than building a new apartment. Many affordable housing contracts between the federal government and private owners are expiring or soon to expire, allowing owners the option to exit the government program and convert their properties to non-affordable use. Preserving affordable housing is more cost-effective and easier than new construction.

Rehabilitating an existing affordable apartment can cost one-third to one-half less than building a new apartment. Without preserving existing affordable housing, we fall two steps back for every step we take forward.
~ National Housing Trust

These findings are echoed on the national scale by the JCHS:

After more than a decade of broad-based growth, renter households are increasingly likely to have higher incomes, be older, and have children. The market has responded to this shift in demand with an expanded supply of high-end apartments and single-family homes, but with little new housing affordable to low- and moderate-income renters. As a result, part of the new normal emerging in the rental market is that nearly half of rental households are cost burdened (Joint Center for Housing Studies, 2017).

Therefore, in addition to policies to preserve specific housing units, policies to protect tenants from displacement – good cause eviction policies, condominium conversion protections, and rent stabilization – also need to be considered (ChangeLab Solutions, 2015).

The expiration of HUD compliance periods for programs subsidizing the construction and preservation of public and affordable housing is a significant factor leading to the loss of affordable rental units, nationally and in Hawai'i. The LIHTC program is the primary source of financing for both construction and preservation of affordable rental housing. In 2012, HUD cautioned that more than a million LIHTC units (layered with other HUD funding sources) were in danger of being lost by 2020 (Office of Policy Development and Research, 2012). The JCHS projected that declining subsidies and increasing construction costs could cause the loss of up to 2.2 million assisted units by 2025 (Joint Center for Housing Studies, 2017). Of these, up to 1.2 million units financed with LIHTC and operated with Section 8 Project Based Subsidies are at-risk because their 30-year compliance periods are set to end by 2025 (Joint Center for Housing Studies, 2017). A June 14, 2017, search of Hawai'i projects in the National Housing Preservation Database (NHPD) identified 4,596 units, in 56 projects, whose LIHTC compliance periods will expire before December 31, 2026 (Public and Affordable Housing Research Corporation, National low Income Housing Coalition, 2011). Some of these projects, owned by nonprofit organizations, have used other government assistance to preserve their affordability after their LIHTC compliance period ends.

Recommended Actions

1. Support the coordination of HPHA's internal tracking system of federal funding contracts, compliance, and expiration with the efforts to develop a statewide housing information system for preservation of affordable rental units.
2. To prevent the loss of affordable housing, the SAT recommends that it be provided with the funding necessary to explore the cost effectiveness of acquisition and rehabilitation in comparison with new construction.
3. The SAT recommends that it be provided with the funding necessary to examine the impact of condominium conversions of rental units on the deficit of affordable rental units.

RECOMMENDATIONS AND TEN-YEAR PLAN

The SAT recommends the following production goals, implementing actions, and measures of effectiveness to guide achievement of the affordable rental housing goals for families in the AMIs designated in Act 127. The Ten-Year Plan incorporates ongoing use and refinement of the parcel and housing unit inventories prepared to-date to support this work. The Ten-Year Plan contains an overall work schedule for continued SAT follow-up and ongoing implementation of Ten-Year Plan actions.

GOALS for Affordable Rental Housing Unit Production, 2026

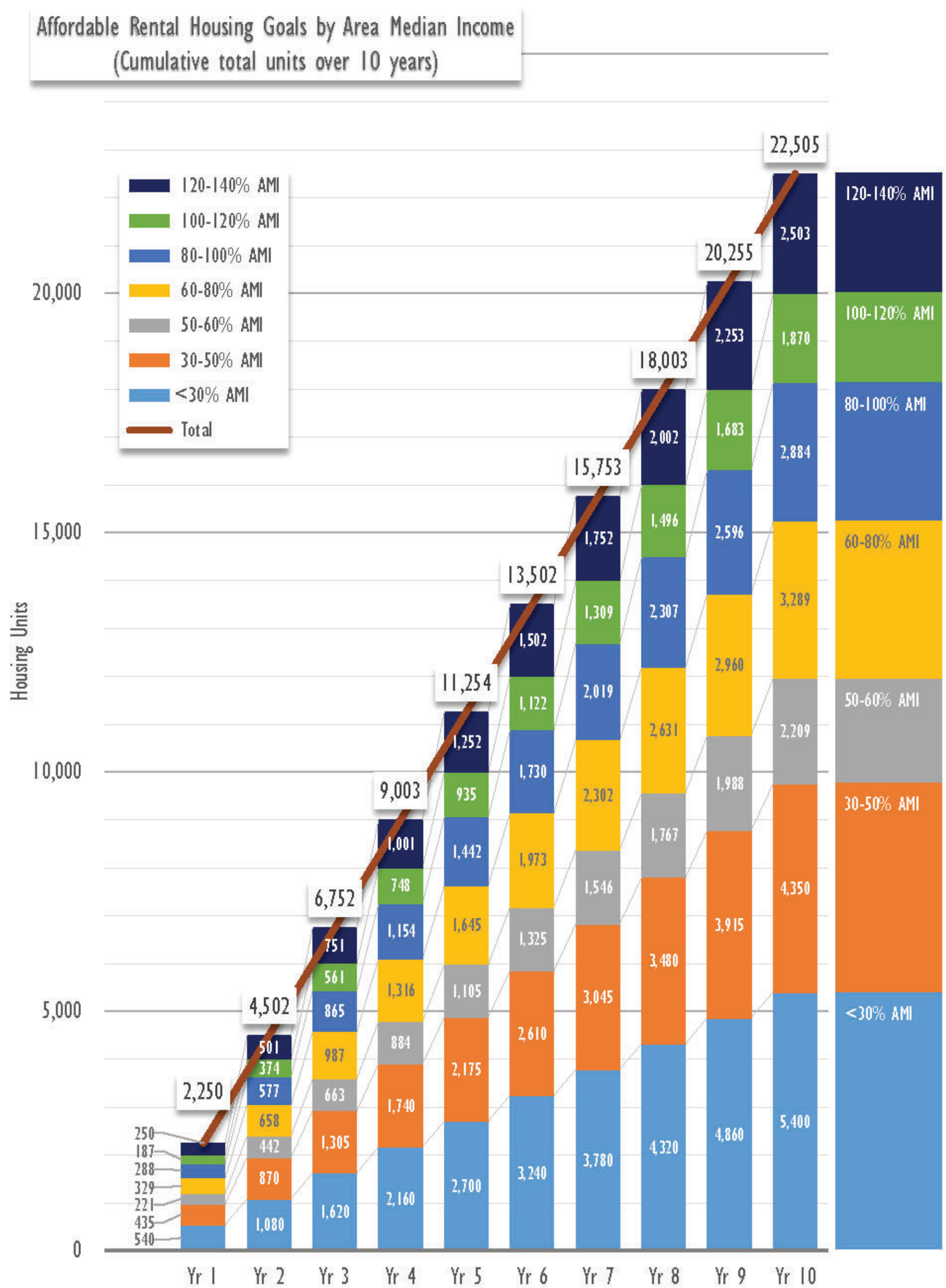
The SAT established the following housing unit production goals for 2026 for each of the AMI target groups statewide.

Targeted Area Median Income Group	Units
30% or less AMI	5,400
More than 30% but less than 50% AMI	4,350
More than 50% but less than 60% AMI	2,209
More than 60% but less than 80% AMI	3,289
More than 80% but less than 100% AMI	2,884
More than 100% but less than 120% AMI	1,870
More than 120% but less than 140% AMI	2,50

The total number of units within each county to meet the total statewide goal is 9,002 units for the City and County of Honolulu, 4,951 for Maui County, 6,752 for

Hawai‘i County, and 1,800 for Kaua‘i County. A breakdown of the cumulative production goals by county and AMI are provided in Table A-1.

The chart that follows illustrates the cumulative number of housing units over time that would be necessary to meet the affordable rental housing goal for each AMI target group established in Act 127. The chart distributes production evenly within each county over the 10-year period; thus, the numbers are not intended to be hard annual production targets.



BASELINE of affordable rental units currently under development

As discussed in the Affordable Rental Housing Report, approximately 187 affordable rental units are in the pipeline, based on information compiled on projects known to have been issued building permits after January 1, 2017 (see Table 5) through June 30, 2018. Units that are ready for occupancy by December 31, 2026 will be counted toward Act 127's goal of 22,500 units.

IMPLEMENTING ACTIONS to Achieve Rental Housing Goals

A.1. Achievement of Production Goals

This will require continued, coordinated efforts of State and county agencies to develop housing on parcels identified as suitable for near-term development, as well as ongoing review and refinement of the parcel inventory and development of a robust rental housing inventory to monitor unit production. The following actions provide necessary supports for the achievement of production goals.

Implementing Actions

A.2. Pursue rental housing development on high-priority parcels identified by the county teams in Table A-1.

A. Lead Organizations: HHFDC, counties
B. Assisting Organizations: SAT, HPHA, HCDA
C. Start Date: Ongoing
D. Measures of Effectiveness: Number of rental housing projects initiated in plan period; Number of planned units

A.3. Continue to assess Tier 1 public parcels as needed with attention to underutilized parcels and the potential for mixed-use development with affordable rental housing on public lands currently held for non-residential purposes; continue to refine parcel inventory of public lands suitable for rental housing development.

A. Lead Organizations: SAT, HHFDC, counties
B. Assisting Organizations: SAT
C. Start Date: Through December 2018; ongoing
D. Measures of Effectiveness:

A.4. Support development and maintenance of a coordinated, statewide housing information system to track and preserve affordable rental housing inventory, to include information on planned and completed housing projects.

A. Lead Organizations: HHFDC, counties
B. Assisting Organizations: SAT
C. Start Date: Ongoing
D. Measures of Effectiveness:

A.5. Update rental housing demand as needed to reflect HUD AMI adjustments

A. Lead Organizations: DBEDT/READ, SMS, Inc.
B. Assisting Organizations: SAT
C. Start Date: 2018
D. Measures of Effectiveness:

B. ACTIONs to address impediments to rental housing

The following actions are intended to address critical issues identified by the SAT in terms of use of public lands for rental housing, infrastructure needs, funding, regulation and permitting, and preservation of the existing stock of affordable housing.

B.1. Increase the Use of Public Lands for Rental Housing

A key strategy for rental housing development is the use of state and county lands for mixed-use and mixed-income housing development, with a focus on rental housing.

Implementing Actions

B.1.1. Facilitate development of rental housing on state lands in TOD areas in conjunction with state and county TOD efforts, to enhance affordability of units.

A. Lead Organizations: HHFDC, TOD Council
B. Assisting Organizations: HPHA, HCDA, counties
C. Start Date: Ongoing
D. Measures of Effectiveness: Number of rental units developed or vested meeting Act 127 parameters in TOD areas

B.1.2. Encourage increased participation from state and county entities to develop rental housing on state lands.

A.	Lead Organizations:	HHFDC, HPHA, counties
B.	Assisting Organizations:	HCDA, DLNR, DHHL, Department of Accounting and General Services (DAGS), state landowners.
C.	Start Date:	Ongoing.
D.	Measures of Effectiveness:	Number of rental units developed or vested under the parameters of Act 127.

B.1.3. Encourage public-private partnerships and master developer agreements for mixed-use development that includes rental housing on state lands.

A.	Lead Organizations:	HHFDC, TOD Council, counties
B.	Assisting Organizations:	HCDA, HPHA, DLNR, DHHL, DAGS, and other state agencies under whose jurisdiction the lands fall.
C.	Start Date:	Ongoing.
D.	Measures of Effectiveness:	Number of rental units developed or vested under the parameters of Act 127 in mixed-use developments.

B.1.4. Align policies in support of state agency efforts to develop or redevelop affordable rental housing on state lands, including exemption of public lands held or acquired by state housing agencies from HRS Chapter 171.

A.	Lead Organizations:	HPHA, other state agencies under whose jurisdiction the lands fall.
B.	Assisting Organizations:	SAT, HHFDC
C.	Start Date:	
D.	Measures of Effectiveness:	Number of rental units developed or vested under the parameters of Act 127 in mixed-use developments.

B.2. Address Infrastructure Challenges

To build more affordable rental housing, the state needs to leverage funding for development of off-site infrastructure improvements. Methods to increase infrastructure funding include the expansion of public-private partnerships and coordination among state, counties, and private developers to share regional infrastructure investments.

Implementing Actions

B.2.1. Facilitate investment by private entities in the financing of regional infrastructure improvements in areas of planned growth, such as county transit corridors or centers.

A. Lead Organizations:	HHFDC, DAGS, counties
B. Assisting Organizations:	TOD Council, DOT, counties, state legislature
C. Start Date:	2019
D. Measures of Effectiveness:	Number of financing agreements (e.g., public-private partnership and joint development agreements) leading to increased infrastructure capacity, as determined by the TOD Council; Number of residential units developed under the parameters of Act 127 resulting from increased infrastructure investment and improvements, as determined by HHFDC.

B.2.2. Utilize Improvement Districts, Tax Increment Financing, and/or other infrastructure financing mechanisms, such as community facilities districts.

A. Lead Organizations:	Counties
B. Assisting Organizations:	Private developers, HHFDC, Budget and Finance, other state and county agencies
C. Start Date:	2021
D. Measures of Effectiveness:	Number of financing agreements; increased infrastructure capacity; number of rental units developed or vested under the parameters of Act 127 resulting from these financing agreements.

B.2.3. Increase Funding for the Development of Affordable Housing

To build more affordable rental housing, the state needs to increase the funding for development of affordable housing. Methods to leverage funding involve expanding and preserving the supply of affordable rental housing units through joint public-private efforts.

Implementing Actions

B.2.4. Direct federal, state, and county resources toward the financing and development of permanent affordable rental housing projects in areas suitable for development, including the potential for reinstatement of HHFDC's predevelopment loan program.

A.	Lead organizations:	HHFDC, HPHA
B.	Assisting organizations:	HCDA, HUD, USDA
C.	Start date:	Ongoing
D.	Measures of effectiveness:	Increased number of rental units developed or vested under the parameters of Act 127 in projects resulting from this action; Value of and percent increase in project funding; Amount of private funds leveraged; Number of units leveraged by public funds.

B.2.5. Increase state annual funding for affordable rental housing development and seek new sources of financing to increase the supply of permanent rental housing units in collaboration with legislators, including eliminating the cap on conveyance tax allotments to the RHRF.

A.	Lead Organizations:	HHFDC, HPHA, counties
B.	Assisting Organizations:	HCDA, state legislature
C.	Start Date:	Summer 2018; ongoing
D.	Measures of Effectiveness:	Percent increase in affordable housing appropriations; Development of new financing sources or programs; Number of rental units developed or vested under the parameters of Act 127 in projects financed by new sources of financing.

B.2.6. Create incentives for the development of rental housing for extremely-low-income households (≤ 30% AMI), including exempting affordable rental housing gross rents and construction costs from GET, waiving at-risk and passive activity losses for the state LIHTC.

A.	Lead Organizations:	HPHA, HHFDC
B.	Assisting Organizations:	Counties, for-profit and non-profit housing developers, affordable housing advocates, HUD, state legislature
C.	Start Date:	2019
D.	Measures of Effectiveness:	Number of rental units developed or vested under the parameters of Act 127 in projects developed for extremely-low-income households.

B.2.7. Support the development of permanent supportive housing for special need groups including persons with disabilities, frail elderly, and the chronically homeless.

A.	Lead Organizations:	HHFDC, HPHA, counties
B.	Assisting Organizations:	HUD, VA, DOH, DHS, service providers, non-profit developers, private sector
C.	Start Date:	2019
D.	Measures of Effectiveness:	Number of rental units and accessible rental units developed or vested under the parameters of Act 127 in projects developed with these resources.

B.2.8. Examine and monitor impacts of federal tax and funding legislation on financing for affordable housing, e.g., 2018 federal tax reform impacts on the use of affordable housing tax credits.

A.	Lead Organizations:	SAT, HHFDC
B.	Assisting Organizations:	Counties
C.	Start Date:	2018
D.	Measures of Effectiveness:	

B.2.9. Examine actions at the county level that have the potential for facilitating affordable rental housing development, including county use of state PABs for multifamily housing, county real property tax exemptions for rehabilitation of affordable rental housing stock.

A. Lead Organizations: SAT, HHFDC
B. Assisting Organizations: Counties
C. Start Date: 2018
D. Measures of Effectiveness:

B.3. Streamline and Eliminate Duplication of Regulation and Permitting for Affordable Rental Housing

To streamline and eliminate duplication, 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 Actions

B.3.1. Research redundant regulations and permitting requirements among state agencies and regulatory and permitting requirements among the state and counties.

A. Lead Organizations: SAT, counties
B. Assisting Organizations: HHFDC, private for-profit and non-profit developers
C. Start Date: Summer 2018
D. Measures of Effectiveness: Reduction in redundant permits; Reduction in processing time; Number of rental units developed or vested under the parameters of Act 127 resulting from streamlining.

B.3.2. Streamline government procedures and reduce processing time for affordable housing production, particularly rental housing, including facilitation of DCAB and SHPD reviews.

A.	Lead Organizations:	HHFDC
B.	Assisting Organizations:	County housing agencies, private for-profit and non-profit developers, unions
C.	Start Date:	2019
D.	Measures of Effectiveness:	Reduction in processing time; Alignment of state agency policies and procedures; increased efficiency/effectiveness of financing programs; reduction in time to complete housing projects. Number of rental units developed or vested under the parameters of Act 127 resulting from streamlining government procedures.

B.3.3. Examine the potential of establishing a consolidated affordable housing application and approval process to fast-track affordable rental housing production.

A.	Lead Organizations:	HHFDC, county housing agencies
B.	Assisting Organizations:	SAT
C.	Start Date:	
D.	Measures of Effectiveness:	Potential reduction in processing time.

B.3.4. Research methods to reduce redundancies or streamline processes in the land use entitlement process for development of affordable housing.

A.	Lead Organizations:	LUC, county planning departments
B.	Assisting Organizations:	OP, HHFDC, county housing agencies
C.	Start Date:	2019
D.	Measures of Effectiveness:	Number of rental units developed or vested under the parameters of Act 127 resulting from a more efficient process.

B.3.5. Encourage research on and potential use of alternative materials, methods, and housing models for building and retaining affordable housing, including innovative construction materials and methods, cooperative and intergenerational housing, etc.

A.	Lead Organizations:	SAT
B.	Assisting Organizations:	HHFDC, county housing agencies
C.	Start Date:	2019
D.	Measures of Effectiveness:	Number of rental units developed or vested under the parameters of Act 127 using alternative methods or models.

B.4. Preservation of Existing Stock of Affordable Housing

Preserving Hawai'i's stock of public and affordable housing at risk of loss, through the renovation or redevelopment of public housing facilities and the acquisition and rehabilitation of existing rental housing projects, is vital to the state's efforts to sustain a supply of affordable rental housing to meet the needs of Hawai'i's residents, now and in the future.

Implementing Actions

B.4.1. Convene a roundtable with housing developers specializing in the acquisition and rehabilitation of existing structures to determine the cost benefits of rehabilitation of existing structures versus construction of new affordable rental housing, the funding sources available, and the costs of infrastructure development and construction under both models.

A.	Lead Organizations:	SAT
B.	Assisting Organizations:	HHFDC, HCDA, HPHA
C.	Start Date:	Fall 2018
D.	Measures of Effectiveness:	Cost savings realized and the number of affordable rental units produced as a result of acquisition and rehabilitation of existing structures.

B.4.2. Increase HHFDC and HPHA's effectiveness in preserving the state's affordable housing stock, including monitoring and preservation of units with expiring affordability compliance periods.

A. Lead Organizations: HHFDC, HPHA
B. Assisting Organizations: HCDA, counties
C. Start Date: January 2019
D. Measures of Effectiveness: Number and percent of units in inventory; Percent increase/decrease in inventory over time; Number of units at risk; Number and percent of units retained in rental inventory.

B.4.3. Renovate and/or redevelop public housing facilities.

A. Lead Organizations: HPHA
B. Assisting Organizations: HHFDC, counties
C. Start Date: January 2020
D. Measures of Effectiveness: Number of public housing units renovated or redeveloped under the parameters of Act 127.

B.4.4. Facilitate the acquisition and/or rehabilitation of rental housing projects.

A. Lead Organizations: HHFDC, private non-profit organizations
B. Assisting Organizations: Counties, private sector
C. Start Date: January 2021
D. Measures of Effectiveness: Number of public housing units renovated or redeveloped under the parameters of Act 127.

B.4.5. Research and develop recommendations to address factors contributing to the loss of affordable rental units and tenant displacement, including condominium conversion.

A. Lead Organizations: HHFDC, private non-profit organizations
B. Assisting Organizations: Counties, private sector
C. Start Date: Ongoing
D. Measures of Effectiveness: Retention of existing rental units over time.

C. Monitoring and Implementation of SAT and TEN-YEAR Plan Recommendations

C.1. Support legislative initiatives to address barriers to the construction of affordable rental housing.

Continue working with various entities on legislative measures to address barriers to the construction of affordable rental housing, including reluctance to the use of public lands not currently designated for affordable housing, streamlining duplicative regulation and permitting requirements, and utilizing innovative methods of financing affordable housing development.

A. Lead Organizations:	SAT
B. Assisting Organizations:	HHFDC, HCDA, HPHA
C. Start Date:	Fall 2018
D. Measures of Effectiveness:	

C.2. Outreach in support of affordable rental housing initiatives

C.2.1. Develop a strategic communication and outreach plan, to include various stakeholders and the public, to address real and perceived barriers to increasing affordable rental housing in urban areas.

A. Lead Organizations:	SAT
B. Assisting Organizations:	HHFDC, HCDA, HPHA
C. Start Date:	Fall 2018
D. Measures of Effectiveness:	

C.3.Monitoring and Reporting on Activities and Outcomes

C.3.1. Annual Reports to the Legislature on SAT activities and initiatives.

A. Lead Organizations:	SAT
B. Assisting Organizations:	HHFDC, HCDA, HPHA
C. Start Date:	Fall 2018; Fall 2019
D. Measures of Effectiveness:	

C.3.2. Monitor and report on progress on progress toward production goals, implementing actions, and performance measures set forth in the Ten-Year Plan, and adjust as necessary.

A.	Lead Organizations:	SAT (2018-2019); HHFDC (2019 on)
B.	Assisting Organizations:	HHFDC, HCDA, HPHA, counties
C.	Start Date:	Fall 2018; ongoing
D.	Measures of Effectiveness:	

Overall Work Plan for implementation

Actions and timeframes for implementation of the Ten-Year Plan are graphically summarized in the following chart.

AFFORDABLE RENTAL HOUSING TEN-YEAR PLAN

Implementing Actions	Lead Agency / Assisting Agencies	Year (Calendar Year)								
		2018	2019	2020	2021	2022	2023	2024	2025	2026
A. ACHIEVEMENT OF PRODUCTION GOALS										
A.1 Pursue rental housing development on high-priority parcels identified by SAT	HHFDC, counties / **SAT**, HPHA, HCDA									
A.2 Assess other Tier 1 public parcels and refine parcel inventory to identify public lands suitable for rental housing development	**SAT**, HHFDC, counties									
A.3 Support development of statewide affordable rental housing information system	HHFDC, counties									
A.4 Update rental housing demand as needed to reflect HUD AMI adjustments	DBEDT, SMS / **SAT**									
B. ACTIONS ON IMPEDIMENTS TO RENTAL HOUSING										
B.1 Increase the Use of Public Lands for Rental Housing										
B.1.1 Facilitate development of rental housing on state lands in TOD areas	HHFDC, TOD Council / HPHA, HCDA, counties									
B.1.2 Encourage increased participation from state and county entities to develop rental housing on state lands	HHFDC, HPHA, counties / HCDA, DLNR, DHHL, DAGS, state landowners									
B.1.3 Encourage partnerships and agreements to develop mixed-use developments which include rental housing on state lands	HHFDC, TOD Council, counties / HCDA, HPHA, DLNR, DHHL, DAGS, other agencies									
B.1.4 Align policies in support of state agency efforts to develop/redevelop affordable rental housing on state lands, including exemption of land from HRS Ch 171	HPHA, DLNR, HHFDC, other agencies / state legislature									
B.2 Address Infrastructure Challenges										
B.2.1 Facilitate investment by private entities in the financing of regional infrastructure improvements in areas of planned growth, such as county transit corridors	HHFDC, DAGS, counties / TOD Council, DOT, state legislature									
B.2.2 Utilize Improvement Districts, Tax Increment Financing, and/or other infrastructure financing mechanisms	TOD Council, counties / Developers, HHFDC, B&F									

AFFORDABLE RENTAL HOUSING TEN-YEAR PLAN

Implementing Actions	Lead Agency / Assisting Agencies	2018	2019	2020	2021	2022	2023	2024	2025	2026
B.3 Increase Funding for Affordable Housing										
B.3.1 Direct federal, state, and county resources toward the financing and development of rental housing projects	HHFDC, HPHA / HCDA, HUD, USDA									
B.3.2 Increase state funding and seek new sources of financing to increase the supply of permanent rental housing units in collaboration with legislators	HHFDC, HPHA, counties / HCDA, state legislature									
B.3.3 Create incentives for the development of rental housing for extremely-low-income households (≤ 30% AMI)	HPHA, HHFDC / Counties, for-/non-profit housing developers, affordable housing advocates, HUD, state legislature									
B.3.4 Support the development of permanent supportive housing for special need groups including persons with disabilities, frail elderly, and the chronically homeless	HHFDC, HPHA, counties / HUD, VA, DOH, DHS, service providers, non-profit developers, private sector									
B.3.5 Examine and monitor impacts of federal tax and funding legislation on financing for affordable housing	SAT, HHFDC / Counties									
B.3.6 Examine actions at the county level that can facilitate affordable rental housing development, including impact of county use of state PABs for multifamily housing, real property tax exemptions for rental rehabilitation	SAT, HHFDC / Counties									
B.4 Streamline Regulation and Permitting										
B.4.1 Research redundant regulations and permitting requirements among state agencies and regulatory and permitting requirements among the state and counties	SAT, counties / HHFDC, private, for-profit, non-profit developers									
B.4.2 Streamline government procedures and reduce processing time for affordable housing production, particularly rental housing	HHFDC / County housing agencies, private, for-profit, non-profit developers, unions									

AFFORDABLE RENTAL HOUSING TEN-YEAR PLAN

Implementing Actions	Lead Agency / Assisting Agencies	Year (Calendar Year) 2018	2019	2020	2021	2022	2023	2024	2025	2026
B.4.3 Examine potential for establishing a consolidated affordable housing application and approval process	HHFDC, county housing agencies / SAT									
B.4.4 Research methods to reduce redundancies or streamline processes in the land use entitlement process for development of affordable housing	LUC, county planning departments / OP HHFDC, county housing agencies									
B.4.5 Research alternative materials, methods, and housing models for building and retaining affordable housing	SAT / HHFDC, county housing agencies									
B.5 Preservation of Existing Stock of Affordable Housing										
B.5.1 Convene roundtable to examine the cost benefits of rehabilitation of existing structures versus construction of new affordable rental housing, the funding sources available, and the costs of infrastructure development and construction under both models	SAT / HHFDC, HCDA, HPHA									
B.5.2 Increase HHFDC and HPHA's effectiveness in preserving the state's affordable housing stock	HHFDC, HPHA / HCDA, counties									
B.5.3 Renovate and/or redevelop public housing facilities	HPHA / HHFDC, counties									
B.5.4 Facilitate the acquisition and/or rehabilitation of rental housing projects	HHFDC, private non-profit organizations / Counties, private sector									
C. MONITORING/IMPLEMENTATION OF RECOMMENDATIONS										
C.1 Legislative initiatives to address barriers to the construction of affordable rental housing	SAT / HHFDC, HCDA, HPHA									
C.2 Outreach in support of affordable rental housing										
C.2.1 Develop a strategic communication and outreach plan to address perceived barriers to increasing affordable rental housing in urban areas	SAT / HHFDC, HCDA, HPHA									
C.3 Monitoring and Reporting on Activities/Outcomes										
C.3.1 Annual Reports to the Legislature	SAT / HHFDC, HCDA, HPHA									
C.3.2 Monitor/report on progress on production goals, implementing actions, performance measures in Plan, and adjust as necessary	SAT; HHFDC / HHFDC, HCDA, HPHA, counties									

Table A-1. High-Priority Parcels for Affordable Rental Housing, by County

The high-priority parcels selected by each county, resulting from the counties' analyses of Tier 1 Public parcels are set forth below.

County of Hawaiʻi						
TMK	Owner	Project	Area	Acres	Units	
					Min	Max
2-4-1:24	State of Hawaiʻi	Kapiʻolani Street Extension	South Hilo	26.17		
2-4-1:122	State of Hawaiʻi	UH Hilo	South Hilo	32.65		
2-4-1:158	State of Hawaiʻi	Adjacent to Park and Res. Areas	South Hilo	3.70		
2-4-1:184	County of Hawaiʻi/HICDC	Mohouli Phase 3	South Hilo	6.72	92	92
2-4-57:30	State of Hawaiʻi	West Kāwili Street Senior Project	South Hilo	5.57	70	75
6-8-42:22	County of Hawaiʻi	Kamakoa Project	South Kohala	10.32		
6-8-42:47	HPHA	Adjacent to Kekumu Ekolu	South Kohala	6.30		
7-4-21:19	HPHA	Kealakehe Area	North Kona	4.16		
7-4-20:4	State of Hawaiʻi/HHFDC	Village 9, Laiopua	North Kona	10.77		
7-3-09:060	HICDC	Kaloko Heights	North Kona	10.75	80	80
Total				**117.11**	**242**	**247**

County of Kauaʻi						
TMK	Owner	Project	Developable Acres		Potential Units	
			Min	Max	Min	Max
4-5-015:030	State of Hawaiʻi Lessee: Richard Abigania	Hauaala Road (Kapaʻa)	1.00	2.00	4	6
4-6-014:030	State of Hawaiʻi	Hundley Heights	1.50	1.50	20	30
3-6-002:005	State of Hawaiʻi	Līhuʻe Old Police Station	1.01	1.01	20	20
3-8-005:028/29	County of Kauaʻi	Pua Loke (Līhuʻe)	1.47	1.47	40	50
2-1-001:054	County of Kauaʻi	Lima Ola Phases 1 and 2	46.00	46.00	217	217
Total			**50.98**	**51.98**	**301**	**323**

County of Maui							
TMK	**Owner**	**Project**	**SLUD**	**County Zoning**	**Acres**	**Total Units**	**Total Affordable**
3-9-01:157 3-9-01:158	Pacific West Communities	Kenolio Apartments	U	R-1 and A-1	8.27	184	184
3-5-01:064	Legacy Wailuku LLC	Wailuku Apartments	Ag	Ag	14.40	324	195
3-7-05:003	A&B/ Catholic Charities	Kahului Lani Senior Rental	U	B-2 and R-3	3.11	164	164
4-3-01:082 4-3-01:083	Maui Oceanview LP (Paul Cheng)	Pulelehua	U	R-1	304.26	900	280
3-8-04:028	Ikaika Ohana	Kaiwahine Subdivision	Ag	Ag	9.29	120	120
Total					**339.33**	**1692**	**943**

County of Honolulu (City-owned properties)							
TMK	**Project**	**Total Acres**	**Zoning**	**Approx #of Units**		**Years to Completion**	**Notes**
				Min	**Max**		
1-7-27:2	ʻAʻala Park	3.049	P-2	700	700	5.75	
23039016 to 17	Ala Moana Transit Hub	0.860	Not stated	500	500	5.75	
2-1-17:8	Alii Place	0.440	BMX-4	500	500	4.5	
9-9-78: 6 to 14	ʻAiea Sugar Mill	6.846	I-2	400	400	5	
9-1-160:18	City Lands in Kapolei (all)	38.300	BMX-3	1125	1125	5.75 to 7.75	
9-1-160:18 (portion)	City Lands in Kapolei (Lot 7 only)	4.230	BMX-3	130	130	5.75 to 7.75	
9-1-17:111	ʻEwa Villages Golf Course Surplus Lands	176.000	AG-1 6-12 units per acre	36	69	5.75	Portion of total acreage
9-4-8: 27 to 30	Okada Trucking Waipahu	18.581	A-2	375	375	5.75	
9-8-9: 5, 14-17	Pearlridge Transit Center	2.600	I-2	300	300	5.5	
9-1-122: 2, 4, 6, 7	West Loch, Final Phase	11.400	AG-1	280	280	5.75	
9-1-17:113	Varona Village	26.359	AG-1	93	93	4.25	46 rehab 47 new
Total County Lands		**288.67**		**4439**	**4472**		

County of Honolulu (State-owned properties)						
TMK	**Agency**	**Project**	**Acres**	**Approx # of Units**		**Estimated Construction Start**
				Min	**Max**	
9-1-017:109 (portion)	HHFDC	Keahumoa Place	32.600	319	319	FY 2020
2-1-051:041	HHFDC	690 Pohukaina Phases 1 and 2	2.170	434	434	Late 2021
2-3-007:026 2-3-007:109	HCDA	Hale Kewalo	0.734	128	128	January 2018
2-1-051:014	HCDA	Nohona Hale	0.240	105	105	April 2028
2-3-003:040	HCDA	Ola Ka Ilima Artspace Lofts	0.690	84	84	August 2017
2-3-012:019	HHFDC	Alder Street Affordable Rentals	1.450	180	180	Late 2021
9-7-094:025	HPHA	Hale Laulima Homes	3.960	664	964	CY 2023
9-9-003:056	HPHA	Puuwai Momi Homes	11.500	340	930	CY 2021
1-5-001:001	HPHA	Kamehameha Homes	16.400	779	1279	CY 2022
1-5-024:021	HPHA	Ka'ahumanu Homes	7.350	348	648	CY 2022
9-4-039:019 9-4-039:076	HPHA	Waipahu I & II and Hoolua & Kamala	4.450	740	740	CY 2023
1-6-009:003	HPHA	School Street Administrative Offices Redevelopment	12.480	300	800	CY 2020
1-7-029:003	HPHA	Mayor Wright Homes Phases 1-4	15.000	867	867	2020 - 2024
1-7-026:006	HPHA	Kalanihuia Homes	1.900	349	349	CY 2022
2-3-019:004	HPHA	Kalakaua & Makua Alii & Paoakalani Homes	9.200	338	638	CY 2025
Total (State Lands)			**120.124**	**5975**	**8465**	

Conclusion

The Special Action Team's Affordable Rental Housing Report and Ten-Year Plan examines the growing gap between the majority of the state's residents, especially those families with the lowest incomes, that need affordable rentals to remain housed, and the barriers to the production of affordable rental units. It established production goals and identified the major barriers to the production goal of affordable rental units established in Act 127. The Ten-Year Plan includes an inventory of 3,680 acres of Tier 1 public lands, and 10,688 units of combined Tier 1 public and private lands, potentially available and suitable for affordable housing development or redevelopment statewide.

The SAT developed production goals, implementing actions, and measures of effectiveness to guide achievement of the affordable rental housing goals for families in the AMIs designated in Act 127. The Ten-Year Plan incorporates continuous refinement of the parcel and housing unit inventories prepared to date to support this work. The Ten-Year Plan contains an overall work schedule for continued SAT follow-up and ongoing implementation of Ten-Year Plan action items. The SAT's recommendations can be used to guide state and county decision makers as they select priority areas to focus affordable housing siting and the use of limited financial resources to continue to make progress toward meeting the production goals.

The SAT recognizes that there are other tiers of properties that pose significant challenges, but that may be suitable for development in the long term. For initial short-term development, the counties screened the most likely properties to produce the greatest number of affordable rental units in the shortest amount of time. The total acreage of the county short lists of parcels ready for near term development is 970 acres (Hawai‘i County, 117 acres; Honolulu County, 409 acres; Kaua‘i County, 51 acres; and Maui County, 393 acres). In the course of identifying these parcels, the counties recognized that further assessment is needed to facilitate readiness for the identified projects to be shovel ready and for them to continue to identify suitable parcels for the long term.

Every report commissioned by state officials over the past 50 years identify the same obstacles and offer the same recommendations to solve the deficiency of affordable housing. This *Affordable Rental Housing Report and Ten-Year Plan* doesn't stop there. The Special Action Team understands that the scarcity of safe, sanitary, and affordable rental housing constitutes a crisis for nearly two-thirds of the state's residents. This report urges state and county officials to act on issues that affect the affordability of housing. Examples are: income and wealth inequality; rent stabilization; improved education; economic diversification to support innovative industries; the loss of rental units converted into condominiums; the military's effect on rising housing costs; tourism's depletion of affordable rental units; foreign investment in properties that sit vacant; and the consideration of sea level rise when determining the best siting for development.

These steps supplement and will assist the Special Action Team to use the most current information and employ the best practices to modify, as necessary, its affordable housing production goals, implementing actions, and work plans.

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Appendix A:

Act 127 (Session Laws of Hawaii 2016)

GOV. MSG. NO. 1229

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 29, 2016

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

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

This is to inform you that on June 29, 2016, the following bill was signed into law:

SB2561 SD2 HD1 CD1	RELATING TO RENTAL HOUSING **ACT 127 (16)**

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

Approved by the Governor
on JUN 29 2016
THE SENATE
TWENTY-EIGHTH LEGISLATURE, 2016
STATE OF HAWAII

ACT 127
S.B. NO. 2561 S.D. 2 H.D. 1 C.D. 1

A BILL FOR AN ACT

RELATING TO RENTAL HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to address rental housing.

More specifically, this Act:

(1) Establishes an affordable rental housing goal; and

(2) Establishes a special action team on affordable rental housing, led by the director of the office of planning, to make recommendations on actions to promote rental housing.

SECTION 2. For the period from 2015 to 2025, Hawaii will require an additional 64,700 housing units to meet projected long-term housing demands. Of this amount, 22,247 households of all income levels will require rental units.

The need for affordable rental units is particularly acute for households with low incomes. Approximately ninety-three to ninety-five per cent of rental unit tenants have a household income of less than one hundred forty per cent of the median Hawaii income. According to the Affordable Rental Housing Study

Update, 2014, prepared for the department of community services, city and county of Honolulu:

> The rule of thumb is that renter families generally come from the lower income part of our community, and economists and housing analysts think of this in terms of them making 80% of the area's median income, or AMI, or lower. It bears repeating that those making at or under than [sic] 60% and those at or under 30% of AMI are facing no rental unit availability, meaning crowding up or homelessness.
>
> Relative to what has been supplied, the number of rental units affordable to those making 80% (and 60%, and 50%, and 30% of AMI), the supply/demand imbalance is tremendous, in quantitative terms. During the 10-year period from 2004-2013, just over 4,500 affordable rental units were delivered statewide with government assistance. (Source: HHFDC) To wit, there simply is an insufficient number of them being supplied, either in the affordable, the subsidized or the market-rate rental markets.

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 affordable rental housing, the future social, community, and economic consequences for Hawaii may be dire.

Although many reasons contribute to the lack of affordable rental units for low- and moderate-income households, the primary reason is a poor rate of return for investments in affordable rental housing projects. As the Affordable Rental Housing Study Update, 2014, succinctly states, "Simply put, affordable rental housing is unprofitable, so the market won't address the need by itself." Government regulations that restrict affordable housing development and lengthen the time tenants qualify for affordable rental housing also contribute to the lack of affordable rental housing.

Given these barriers, the legislature finds that the lack of affordable rental housing requires the concentrated attention of state government at the highest level. Thus, the legislature believes that the establishment of an affordable rental housing goal and special action team to make recommendations to achieve the goal are imperative.

SECTION 3. Goal for affordable rental housing units. (a) The legislature establishes the goal for state government, by itself or jointly with other parties, to develop or vest the development of at least 22,500 affordable rental housing units, ready for occupancy between January 1, 2017, and December 31, 2026.

(b) For the purpose of measuring progress toward achieving the goal:

(1) Fee simple residential units, rental housing units that are not affordable, and units in resort, commercial, industrial, or other uses on or before December 31, 2016, that are subsequently converted to affordable rental units, shall be counted as having been developed between January 1, 2017, and December 31, 2026; and

(2) Affordable rental housing units that have all entitlements for construction on or before December 31, 2016, but are completed and ready for occupancy after that date, shall not be counted as

having been developed between January 1, 2017, and December 31, 2026.

SECTION 4. Definitions. For the purpose of this Act:

"Affordable rental 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.

The thirty-year period shall be measured from the date of issuance of the certificate of occupancy for the unit or, if no certificate of occupancy was necessary for the unit after

December 31, 2016, the date the unit was first rented to a family in accordance with paragraph (2).

"Affordable rental housing unit" includes a residential unit owned by a federal, state, or county agency for the purpose of rental to a low- or moderate-income family, as may be defined by the agency or law, as applicable.

"Area median income" means the most current median family income for an area as estimated and adjusted for family size by the United States Department of Housing and Urban Development.

"Family" includes a family of one individual.

SECTION 5. Special action team on affordable rental housing; establishment, purpose, termination. (a) There is established for administrative purposes within the office of planning a temporary special action team on affordable rental housing.

(b) The special action team is established for the special purpose of recommending actions to increase the supply of rental housing, particularly rental housing affordable to low- and moderate-income families.

(c) The special action team shall terminate on December 31, 2019; provided that the chair and members of the special action team may represent themselves as the chair or a member after December 31, 2019, when testifying or commenting on actions or recommendations of the team.

SECTION 6. Membership. (a) The special action team shall be composed of the following members:

(1) The director of the office of planning, who shall serve as chair;

(2) The executive director of the Hawaii housing finance and development corporation;

(3) A member of the house of representatives, to be appointed by the speaker of the house of representatives;

(4) A member of the senate, to be appointed by the president of the senate;

(5) A representative from each county, to be appointed by the mayor of the respective county;

(6) A member of the public to represent affordable housing advocacy groups, to be appointed by the governor;

(7) A member of the public to represent non-profit developers with expertise in housing development, to be appointed by the governor; and

(8) A member of the public to represent for-profit developers with expertise in housing development, to be appointed by the governor.

(b) A special action team member may designate another officer or employee of the member's department or agency or member's representative group to attend one or more meetings in place of the member. The special action team member shall make the designation in writing and submit it to the special action team chair before the meeting that the designee is to attend. The designation may apply to more than one meeting or the entire term of the special action team. The designation may be withdrawn at any time by written notice to the special action team chair.

A designee of a special action team member shall have all rights and privileges of the member while serving as a designee.

(c) The special action team shall regularly hold public meetings without regard to chapter 92, Hawaii Revised Statutes.

(d) Members of the special action team shall receive no additional compensation for service on the team beyond their normal compensation.

Members shall be reimbursed for expenses necessarily incurred for service on the team.

(e) The special action team may elect officers from among its members.

SECTION 7. Duties. (a) The special action team shall recommend to the governor, legislature, and other parties, actions to be taken to achieve the affordable rental housing goal set forth in section 3.

(b) To comply with subsection (a), the special action team shall recommend short- and long-term actions to:

(1) Increase the supply of rental housing affordable for low- and moderate-income families;

(2) Increase the supply of rental housing for the remainder of the resident population;

(3) Target rental housing development in transit-oriented development areas as a top priority;

(4) Preserve the existing rental housing stock;

(5) Enhance the attractiveness of and market for rental housing relative to fee simple housing; and

(6) Mitigate community concerns over the development of nearby rental housing projects, particularly

affordable public or private rental housing projects for low-income families and individuals.

(c) The special action team also shall establish performance measures and timelines for the development of affordable rental housing units for the following:

(1) Families with not more than thirty per cent of the area median income;

(2) Families with more than thirty per cent, but not more than fifty per cent, of the area median income;

(3) Families with more than fifty percent, but not more than sixty per cent, of the area median income;

(4) Families with more than sixty per cent, but not more than eighty per cent, of the area median income;

(5) Families with more than eighty per cent, but not more than one hundred per cent, of the area median income;

(6) Families with more than one hundred per cent, but not more than one hundred twenty per cent, of the area median income; and

(7) Families with more than one hundred twenty per cent, but not more than one hundred forty per cent, of the area median income.

The special action team shall also recommend the agency that should monitor and periodically report on the achievement of the performance measures and compliance with the timelines.

(d) The special action team shall also address and make recommendations to reconcile the public interests that may compete against and restrict the development of rental housing. The competing public interests shall include the following:

(1) Regulatory burden associated with developing, managing, and operating subsidized affordable housing projects;

(2) Preservation of the environment;

(3) Protection of the quality of life of the surrounding communities;

(4) Devotion of scarce public resources for mixed-use projects that include fee simple, market-priced housing;

(5) Reluctance to use more public lands for affordable rental housing development; and

(6) Preference of most persons for low-density dwelling units.

(e) The special action team shall also develop a ten-year plan that identifies state, county, and private parcels of land that are suitable for affordable housing units. The ten-year plan shall be incorporated into the state housing plan. In identifying parcels of land, the special action team shall consider:

(1) The estimated number of affordable housing units the parcel of land can sustain;

(2) What infrastructure challenges there are in developing affordable housing units on the parcel of land; and

(3) The estimated cost to develop affordable housing units and address the infrastructure challenges on the parcel of land.

(f) In the performance of its duties, the special action team shall periodically consult with the Hawaii interagency council on homelessness.

SECTION 8. Annual reports. The special action team shall submit reports to the legislature of its findings, recommendations, and progress with the ten-year plan no later than twenty days prior to the convening of the regular sessions of 2017, 2018, and 2019.

SECTION 9. Update to the Hawaii state planning act. The special action team shall submit legislation proposing an update to the Hawaii State Planning Act to include the state housing plan no later than twenty days prior to the convening of the regular session of 2017, in accordance with this Act.

SECTION 10. Appropriation. (a) There is appropriated out of the general revenues of the State of Hawaii the sum of $100,000 or so much thereof as may be necessary for fiscal year 2016-2017 for the administration and operation of the special action team on rental housing, including the establishment and filling of one full-time equivalent (1.0 FTE) temporary planner position, which shall be exempt from chapter 76, Hawaii Revised Statutes, and to propose an update to the Hawaii State Planning Act to include the state housing plan, in accordance with this Act.

The sum appropriated shall be expended by the office of planning for the purposes of this Act.

(b) In addition to the appropriation under subsection (a), the office of planning may use other moneys appropriated to the office of planning for the special action team.

SECTION 11. This Act shall take effect upon its approval; provided that section 10 shall take effect on July 1, 2016.

APPROVED this 29 day of JUN, 2016

GOVERNOR OF THE STATE OF HAWAII

Appendix B:

Tier Criteria and Scoring

<table>
<tr><th colspan="4">County of Hawaii Tier Criteria and Scoring</th></tr>
<tr><td>Zoning Districts</td><td>RS
RD
RM
RA</td><td>FA
A
IA
V</td><td>CN
CG
CV</td></tr>
<tr><td>Tier Scoring Criteria—Public Lands</td><td>Tier 1 = 6 points and no DHHL land and SLUD Urban only. No roads, drainage, or water tanks</td><td>Tier 2 = 4 to 5.5 points and no DHHL lands and SLUD Urban only</td><td>Tier 3 = All other parcels (less than 4 points, DHHL lands, SLUD Ag and Rural)</td></tr>
<tr><td>Tier Scoring Criteria—Private Lands</td><td>Tier 1 = 5 points and SLUD Urban only. No road or drainage parcels</td><td>Tier 2 = 4 to 4.5 points and SLUD Urban only</td><td>Tier 3 = All other parcels (less than 4 points, SLUD Ag and Rural)</td></tr>
<tr><td>Tier Scoring System</td><td colspan="2">Public Lands
1 pt: Non-DHHL State land or County land
0 pt: DHHL State land
1 pt: SLUD Urban
0.5 pt: SLUD Rural
0 pt: SLUD Agricultural
1 pt: within ½ mile of bus route
0.5 pt: within ½ mile to 1 mile of bus route
1 pt: within ½ mile of main arterial
0.5 pt: within ½ to 1 mile of main arterial
1 pt: within ½ mile of sewer main
0.5 pt: within ½ mile to 1 mile of sewer main
1 pt: within ½ mile of water main
0.5 pt: within ½ mile to 1 mile of water main</td><td>Private Lands
1 pt: SLUD Urban
0 pt: SLUD Ag
1 pt: within ½ mile of bus route
0.5 pt: within ½ mile to 1 mile of bus route
1 pt: within ½ mile of main arterial
0.5 pt: within ½ mile to 1 mile of main arterial
1 pt: within ½ mile of sewer main
0.5 pt: within ½ mile to 1 mile of sewer main
1 pt: within ½ mile of water main
0.5 pt: within ½ mile to 1 mile of water main</td></tr>
<tr><td>Data Sources</td><td>Layer
▪ Satellite Aerial Photo
▪ Important Agricultural Land
▪ Hawaii County Sewer Main
▪ Hawaii County Water Main
▪ State Land Use Districts
▪ Hawaii TMK and Ownership
▪ Hawaii County Bus Routes
▪ Hawaii County Main Arterials
▪ Hawaii Zoning</td><td>Source
▪ WV2, USDA NRCS National Geospatial Center of Excellence
▪ State Land Use Commission
▪ Hawaii County
▪ Hawaii County
▪ State Land Use Commission
▪ Hawaii County
▪ Hawaii County
▪ Hawaii County
▪ Hawaii County</td><td>Date
▪ 2015-2016
▪ Oct 2016
▪ Mar 2017
▪ Apr 2017
▪ Feb 2017
▪ Apr 2017
▪ May 2017
▪ Apr 2017
▪ May 2017</td></tr>
</table>

County of Honolulu Tier Criteria and Scoring			
Zoning Districts	AG-1 AG-2 A-1 A-2 A-3 Aloha Apart ApartMix	R-3.5 R-5 R-7.5 R-10 R-20 AMX-1 AMX-2 WI	BMX-3 BMX-4 IMX-1 C MU PU Pub Kak
Tier Scoring Criteria—Public Lands	**Tier 1** = 6 points and no DHHL land and SLUD Urban only. No road or drainage parcels	**Tier 2** = 4 to 5.5 points and no DHHL lands and SLUD Urban only	**Tier 3** = All other parcels (less than 4 points, DHHL lands, SLUD Ag and Rural)
Tier Scoring Criteria—Private Lands	**Tier** 1 = 5 points and SLUD Urban only. No road or drainage parcels	**Tier 2** = 4 to 4.5 points and SLUD Urban only	**Tier 3** = All other parcels (less than 4 points, SLUD Ag and Rural)
Tier Scoring System	**Public Lands** 2 pts: within ½ mile of rail route 1 pt: within ½ mile of sewer main 1 pt: within ½ mile of water main 1 pt: within ½ mile to 1 mile of rail route 0.5 pt: within ½ mile to 1 mile of sewer main 0.5 pt: within ½ mile to 1 mile of water main 1 pt: Non-DHHL State land or County land 1 pt: SLUD Urban 0 pt: DHHL State land	**Private Lands** 2 pts: within ½ mile of rail route 1 pt: within ½ mile of sewer main 1 pt: within ½ mile of water main 1 pt: within ½ mile to 1 mile of rail route 0.5 pt: within ½ mile to 1 mile of sewer main 0.5 pt: within ½ mile to 1 mile of water main 1 pt: SLUD Urban 0 pt: SLUD Ag	
Data Sources	**Layer** – Satellite Aerial Photo – Important Agricultural Land – Oahu Sewer Main – Oahu Water Main – State Land Use Districts – Special Management Area – Oahu TMK and Ownership – Honolulu Rail Transit Line – Honolulu Rail Transit Stations – Oahu Zoning	**Source** – WV2, USDA NRCS National Geospatial Center of Excellence – State Land Use Commission – Honolulu County – Honolulu County – State Land Use Commission – Honolulu County – Honolulu County – Honolulu County – Honolulu County – Honolulu County	**Date** – 2015-2016 – Oct 2016 – Nov 2016 – 2004 – Feb 2017 – 2011 – Mar 2017 – 2017 – 2017 – Mar 2017

County of Kauai Tier Criteria and Scoring			
Zoning Districts	A C-G C-G/ST-P C-N I-L P-D R-1/ST-P	R-10 R-10/P-D R-10/ST-P R-2 R-20 R-4 R-4/ST-P	R-6 R-6/P-D R-6/ST-P R-8 RR-20 SPA-A
Tier Scoring Criteria—Public Lands	Tier 1 = 6 points and no DHHL land and SLUD Urban only. No roads or drainage parcels	Tier 2 = 4 to 5.5 points and no DHHL lands and SLUD Urban only	Tier 3 = All other parcels (less than 4 points, DHHL lands, SLUD Ag and Rural)
Tier Scoring Criteria—Private Lands	Tier 1 = 5 points and SLUD Urban only	Tier 2 = 4 to 4.5 points and SLUD Urban only	Tier 3 = All other parcels (less than 4 points, SLUD Ag and Rural)
Tier Scoring System	**Public Lands** 1 pt: Non-DHHL State land or County land 0 pt: DHHL State land 1 pt: SLUD Urban 0.5 pt: SLUD Rural 0 pt: SLUD Ag 1 pt: within ½ mile of bus stop 0.5 pt: within ½ mile to 1 mile of bus stop 1 pt: within ½ mile of major road (route_type = 3) 0.5 pt: within ½ mile to 1 mile of major road (route_type = 3) 1 pt: within ½ mile of sewer main 0.5 pt: within ½ mile to 1 mile of sewer main 1 pt: within ½ mile of water main 0.5 pt: within ½ mile to 1 mile of water main	**Private Lands** 1 pt: SLUD Urban 0.5 pt: SLUD Rural 0 pt: SLUD Ag 1 pt: within ½ mile of bus stop 0.5 pt: within ½ mile to 1 mile of bus stop 1 pt: within ½ mile of major road (route_type = 3) 0.5 pt: within ½ mile to 1 mile of major road (route_type = 3) 1 pt: within ½ mile of sewer main 0.5 pt: within ½ mile to 1 mile of sewer main 1 pt: within ½ mile of water main 0.5 pt: within ½ mile to 1 mile of water main	
Data Sources	**Layer** ▪ Satellite Aerial Photo ▪ Important Agricultural Land ▪ Kauai County Sewer Main ▪ Kauai County Water Main ▪ State Land Use Districts ▪ Kauai TMK and Ownership ▪ Kauai Bus Stops ▪ Kauai Roads ▪ Kauai Zoning	**Source** ▪ WV2, USDA NRCS National Geospatial Center of Excellence ▪ State Land Use Commission ▪ Kauai County ▪ Kauai County ▪ State Land Use Commission ▪ Kauai County ▪ Kauai County ▪ Kauai County ▪ Kauai County	**Date** ▪ 2015-2016 ▪ Oct 2016 ▪ 2006, 2015 ▪ 2005 ▪ Feb 2017 ▪ Jan 2012 ▪ 2017 ▪ 2008 ▪ 2009

<table>
<tr><th colspan="5">County of Maui Tier Criteria and Scoring</th></tr>
<tr><td>Zoning Districts</td><td>R-0 Residential
R-1 Residential
R-2 Residential
R-3 Residential
D-Duplex
A-1 Apartments
A-2 Apartment</td><td>B-1 Business Neighborhood
B-2 Business Community
B-CT Business Country Town
SBR Service Business
Residential</td><td>Residential MRA
AG Agricultural
R-Rural
RU-0.5 Rural.-.1/2 acre
RU-1.0 Rural.-.1 acre
H-1 Hotel
H-2 Hotel</td><td>M Motel
H Hotel
HD-1 Historic District 1
HD-2 Historic District 2
HD-3 Historic District 3
Kihei Research & Tech
Park District</td></tr>
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▪ Maui County
▪ Maui County
▪ Maui County
▪ Maui County</td><td>Date
▪ 2015-2016

▪ Oct 2016
▪ Feb 2017
▪ Jul 2016
▪ 2016
▪ 2016
▪ 2014</td><td></td></tr>
</table>