

HOUSING HAWAII PLATFORM STATEMENTS



INTRODUCTION

Funding, development, and preservation of existing and future stock are the key elements to developing a plan that successfully addresses affordable housing in the State of Hawaii. Housing Hawaii is a broad coalition of public, private, and nonprofit organizations dedicated to creating, preserving, and supporting accessible affordable housing for all through advocacy, education, and development. Housing Hawaii recognizes affordable housing as a public resource, and declares it the priority of the State of Hawaii.

Housing Hawaii has adopted 12 platform statements that convey the position of the coalition on various issues that affect affordable housing development. These platform statements are equally important, and are not mutually exclusive of each other.

Although funding is the starting point for any increase in our affordable housing supply, Housing Hawaii agrees that other actions must occur simultaneously to effectuate true, systemic change which will ultimately manifest in the form of more affordable housing units. These changes are outlined and discussed in Housing Hawaii's platforms.

MAKE LAND AVAILABLE

There are approximately 4 million acres of land in the State of Hawaii: 48% of our land is zoned conservation, 47% is zoned agricultural, 5% is zoned urban, and less than 1% is zoned rural. A recent study by the State Office of Planning has determined that 1% of Hawaii's urban land is developable. These figures demonstrate that we are an island state with a finite supply of available, developable land. Because of this limitation, the cost of land is exorbitant.

To counter this shortage, the State, Counties, and private landowners must identify available land and parcels that are suitable for the development of affordable housing, including ceded lands. Following the identification of these lands, there must be a plan to utilize the land for the development of affordable housing units. The plan must begin with a process for the transfer, lease, or donation of the land to organizations proposing affordable housing development projects.

The State and Counties should make their land available to private developers, non-profit organizations, including self-help organizations, and community land trusts for the development of affordable housing. These lands should be deed restricted, and leased for a nominal fee, for example \$1 per year in perpetuity. Incentives such as tax deductions, tax credits, and development density should be offered to private landowners who donate land for affordable housing projects. Developers who are required to provide a minimum number of affordable units in their mixed income or market rate projects should be allowed to donate land with restrictive covenants to other organizations, such as self help corporations and non-profits, who could build the units on the donated land in order to satisfy the developer's affordable housing requirements. Transfer development rights programs should also be used as a tool to target and shape growth.

STREAMLINE THE REGULATORY PROCESS

Compressing and streamlining the entitlement and permitting processes of the State and Counties would encourage and enable a greater number of developers to build more affordable housing. Hawaii's two-tier system of State and County approvals is redundant, duplicative, and unpredictable. Some State and County approvals could be obtained concurrently.

Developers assert the redundancies are in the excess of "conditions" the Land Use Commission (LUC) puts on projects - conditions that are often required at the County level, as well. Currently, the LUC conducts a 25-point condition review of proposed projects. The County review covers 23 of those conditions and an additional 13 conditions not covered by the LUC review. This process proves time consuming and costly for the non-profit, for-profit, and self-help development community. Streamlining the entitlement and permitting process is a key element to solving the housing crisis. Projects of 50 acres or less that meet a defined affordable housing criteria should be exempt from the LUC approval process and subject only to County approval. The function of the LUC should change from a project specific zoning agency to a policy oriented body overseeing State land use designations; the Counties have the expertise to handle district boundary amendments today.

Due to the shortage of staff in the permitting area, State and County agencies should establish permit fee programs that allow developers to receive an expedited review by private consultants retained by the State or County. Simultaneously, affordable housing applications should be granted a priority review status by all State and County agencies. A single point of contact, or housing expediter, may be identified to steer affordable housing projects through the entitlement and permitting process.

Development standards including building codes, inclusionary zoning requirements, and items benefiting the public such as schools and transportation should be established so there is predictability in the development process.

CREATE FUNDING SOURCES

Consistent, permanent funding sources must be identified and earmarked for affordable for sale and rental housing development. The sources of funding include taxes and bonds, and funding sources are just one element in the toolbox for funding support.

In 2006, the Hawaii State Legislature increased the amount of conveyance tax proceeds deposited into the Rental Housing Trust Fund to 50% of revenues collected. However this increase is only for one year. The Rental Housing Trust Fund should be permanently funded by 65% of the revenues from conveyance tax collections. This change would provide predictability in the amount of funds available in the trust fund on an on-going yearly basis. In addition to conveyance tax proceeds, GET revenue collections on residential rents should also be deposited into the Rental Housing Trust Fund. This funding source also provides predictability and an additional \$80 million infusion per year into the trust fund. Real estate and property taxes are also a source for funding affordable housing, as well as a new surcharge on the conveyance tax for investor and speculative purchasers. Bonds are another source of funding that may be issued for the construction, rehabilitation, and preservation of affordable housing, emergency shelters, homeless facilities, infrastructure financing, and to provide down-payment assistance for first time homebuyers. California's Proposition 46 provided a \$2.1 billion dollar bond for housing programs and development. General obligation bonds, special purpose revenue bonds, and tax exempt bonds are a few of the bond options available in Hawaii for the State, Counties, and developers to utilize. Other funding sources to consider include community facilities districts, tax exempt financing, and a new special fund exclusively dedicated to affordable housing infrastructure funded with capital improvement project (CIP) monies.

INFRASTRUCTURE FINANCING

Roads, sewage lines, water lines, electrical, gas, storm water drains, curbs, gutters, and sidewalks are some of the infrastructure needs that must be provided for any residential development.

The cost of infrastructure financing is a significant challenge in any development. The limited amount of infrastructure financing options available in Hawaii makes this challenge even more daunting, and provides a disincentive to developers who are contemplating residential projects where a considerable amount of onsite and offsite infrastructure work may be needed or required.

When offsite infrastructure is required of a development, and the improvement will be a benefit to the greater community in which the development is located, the cost of financing the infrastructure, and who bears that cost must be carefully evaluated. In conjunction with developer contributions, government resources such as: general funds, capital improvement project funds, general obligation bonds, community facilities districts, tax increment financing, Community Development Block Grant funds, USDA Rural Development programs, and HOME funds can be leveraged to share a burden of the cost of infrastructure, which means less infrastructure costs passed on to the consumer through higher housing prices.

Infrastructure financing should be approached with integrated long term-planning concepts coordinated by the State and Counties. Other infrastructure financing tools available include: tax credits, impact fees, tax exempt bond financing, improvement districts, real property tax exemptions, and a dedicated affordable housing infrastructure fund.

DEVELOPMENT INCENTIVES

With so many challenges and obstacles to housing development in the State of Hawaii, there is a need for targeted, concrete incentives to engage more affordable housing development in the State. These incentives may take the form of tax exemptions, expedited permit reviews, project based incentives, and policies that provide more predictability in the field of housing development. There is a State/County GET exemption program offered to affordable housing projects that meet a certain criteria established in statute, known as “201H.” Similar GET tax exemptions could be offered to privately sponsored affordable housing developments who do not utilize the 201H process or funding sources. GET exemptions could also be offered to developers who provide more than the required amount of affordable units required of them by the County for a mixed income, market rate, or mixed-use project. Tax deductions together with tax credits and development density bonuses could be offered as incentives for the private donation of land for affordable housing.

Project based incentives in exchange for affordable housing development include: density bonuses, height bonuses/waivers, cluster zoning, waiving sewer and water connection fees, tax credits, reduction of parking requirements, an expedited permit review, greater design flexibility, procurement exemptions, waiving State wage requirements, and targeted infrastructure financing.

Provide developers flexibility to meet their affordable housing requirements by allowing them to dedicate or donate land with restrictive covenants to satisfy their affordable housing requirement. Developers should be allowed to meet their requirement on offsite locations, including State and County lands identified as developable for affordable housing. Finally, developers deserve predictability. Impact fees, items benefiting the public including schools and transportation, need some uniform standard and process for assessment and need to benefit the community in which the project exists. In-lieu fees and other exactions cannot be deposited into State and County general funds to be spent on areas unrelated to affordable housing.

LEVERAGE FINANCING SOURCES

Leveraging financing sources for an affordable housing development is an art. Typically, affordable housing projects utilize multiple sources of financing that are leveraged with each other. Together, the multiple sources balance to reach the “bottom line” and make a project pencil out. For example, a project may be financed using Federal or State tax credits, bond financing, monies from the US Department of Housing and Urban Development, and the Rental Housing Trust Fund. Each of these funding mechanisms carries their own affordable housing requirements and it is the developer’s responsibility to meet those requirements.

GET exemptions, Community Development Block Grants, USDA Rural Development programs, Temporary Assistance to Needy Families funds, and a new State low-income housing tax credit are examples of financing sources that could be leveraged to fund affordable housing projects.

State or County funded programs must be granted utmost flexibility in the use of public and trust funds to maximize the use and production of housing units that result from a fund.

Another way to leverage financing sources is within the development itself. Mixed use projects provide a unique opportunity to utilize funding sources for commercial or industrial projects and require an affordable housing element for the project.

FINANCING STRATEGIES

Financing strategies that successfully empower the development of affordable housing are those that maximize resources, tools, and options, while simultaneously providing flexibility in the use of funds. The funding sources and leveraging strategies identified in other Housing Hawaii platform statements map out the overall funding strategy for a successful affordable housing development atmosphere.

GET tax exemptions should be offered as a development incentive and used as a financing strategy to encourage the development of affordable units. Other private development incentives that may simultaneously serve as a funding strategy are: ensuring in-lieu fees are used for maintenance, preservation, or construction of affordable housing, not other general fund expenditures; granting affordable housing projects special density provisions to allow more units in the same amount of space; reduce parking requirements for affordable housing developments, thereby reducing costs to the developer and creating additional space for more units.

Another key strategy is the integrated, long-term planning that must occur to address infrastructure needs in the State. Counties should identify targeted growth areas in their communities and work with the State to identify infrastructure needs and direct capital improvement projects funds to those areas for infrastructure improvements. Counties should then partner with affordable housing developers (non-profit, for-profit, and self-help) who are willing to undertake a project in the targeted growth area with the infrastructure needs identified and give those projects priority funding and permit review. This is another area where transfer development rights programs would play an effective part in the process. There must be communication and coordination of where State and County dollars for affordable housing development are flowing and the identification of how one may assist the other.

APPROPRIATING ADDITIONAL FUNDS FOR TRANSITIONAL HOUSING, SHELTERS, AND SERVICES

2007 is the Year of the House. Affordable housing must be the priority of the State. A lack of affordable housing affects the economy, socio-economic behaviors, workforce development, and crime. Significant funding must be provided to address the housing crisis.

The Legislature and Governor must increase funding for transitional housing, emergency shelters, homeless facilities, affordable rental housing, affordable for sale housing, homebuyer education services, outreach services, special needs housing and accessibility, the repair, maintenance, and modernization of Federal and State public housing and vacant units in public housing projects, and infrastructure for affordable housing developments.

In fiscal year 2006-2007, Hawaii enjoyed a \$600 million dollar surplus in general revenue collections. Even at the level of crisis that affordable housing and homelessness has reached in our State, the Legislature saw fit to only appropriate \$51 million dollars for affordable housing and homelessness. Of this appropriation, \$14 million was earmarked for specific organizations in the form of “grants-in-aid.” Grants-in-aid are an inappropriate means of funding projects or organizations because there is no competitive process to award the funds. Neither is there any accountability after funds are released to show that the organization effectively and efficiently used the money for the intended purpose.

COORDINATION OF FEDERAL, STATE, AND COUNTY PROGRAMS

There are Federal, State, and County programs that assist with the development of affordable housing and homelessness. However, for the most part, these programs operate independent of each other and without coordination. This creates a housing system with multiple layers and numerous points of entrance which can be difficult to navigate and often works against the ultimate goal of building units.

A single point of contact or clearinghouse for housing development would provide a single access point for information and referral on Federal, State, and County programs. Housing expediter positions could also be created to guide and steer affordable housing projects through the various steps in the development process, ensuring that projects receive timely or priority reviews so as not to jeopardize any of the funding sources for the project. The times of Notices of Funds Available for USDA, USHUD, HHFDC, HOME, CDBG, and County funds are staggered at different times throughout the year and have different application periods. These programs should work together, not separate and apart from each other. This is another reason why it is important to have some predictability in the amount of funds available in the State Rental Housing Trust Fund. These agencies should meet and work to address coordination issues and get their programs to work together rather than independent from each other. As mentioned in other Housing Hawaii platform statements, these funding sources can be coordinated and leveraged with private developer funding to provide critical units to alleviate our affordable housing shortage, or needed infrastructure to support affordable housing development.

Federal, State, and County agencies that provide assistance for affordable housing should conduct a minimum of two joint workshops a year with potential applicants for funds to discuss agency programs, interaction, and application processes.

PRESERVATION AND MAINTENANCE

The preservation and maintenance of affordable housing units are vital to providing a meaningful, permanent increase in Hawaii's affordable housing inventory.

It is incumbent on all levels of government to actively engage in maintaining the current stock of affordable housing. The State and Counties should take every available measure to insure that identified affordable properties do not enter the private housing market. In cases where there is no effective alternative, the State or County should purchase the units to preserve their affordability in conjunction with using deed restrictions in perpetuity while privatizing the management and maintenance to non-profit or for profit developers. It should also be a priority of the State and Counties to review their portfolio of public housing to insure an adequate level of affordable rental units. In the event of any property sale, the revenues should be dedicated to reinvesting and maximizing affordable rentals in the market.

Other options include providing incentives to landlords to preserve affordable rentals rather than removing them from the market; legalize and provide funding to support the development of "ohana" units; create disincentives for any type of conversion, including condo-conversion, of an affordable unit that removes that unit from the affordable housing market; amend the condo-conversion law to require affordable units that are targeted for conversion be brought to the same standards and code as new construction; and allow the privatization of Federal and State public housing. Co-operatives, limited equity co-operatives, and community land trusts must be utilized as sustainable affordable housing options. Allow private developers of mixed use, commercial, or mixed income projects that have an affordable housing requirement imposed on them, to fulfill their obligation on State owned land and require affordability in perpetuity.

AFFORDABLE HOUSING INSTITUTIONAL STRUCTURE

The following State and County agencies play a roll in Hawaii's affordable housing institutional structure:

State Department of Hawaiian Homelands

State Department of Business, Economic Development, and Tourism

State Department of Human Services

State Department of Budget and Finance

State Department of the Attorney General

Hawaii Housing Finance and Development Corporation

Hawaii Public Housing Authority

Hawaii Community Development Authority

Department of Planning and Permitting, City and County of Honolulu

Department of Community Services, City and County of Honolulu

Department of Housing and Human Concerns, County of Maui

Kauai County Housing Agency

Office of Housing and Community Development, County of Hawaii

Together with private developers, non-profit developers, self-help corporations, economic opportunity councils, and service providers, these groups comprise the institutional structure for affordable housing in Hawaii. The large amount of participants can fracture the system and create unintended barriers to creating affordable housing.

Hawaii's system as a whole must work together, communicate, and implement broad-based strategies, from financing development to educating first time homebuyers, to dramatically increase the affordable housing inventory in the State.

ADEQUATE RESOURCES: FUNDING, STAFF, EQUIPMENT, AND SUPPLIES

Adequate resources, including funding, staff, equipment, and supplies to State and County agencies that are responsible for reviewing applications for affordable housing projects must be provided. Without adequate staff, agencies find it impossible to improve the amount of time to review and approve or disapprove an application.

As mentioned in other Housing Hawaii platform statements, additional funds must be appropriated for affordable housing. In 2002, the Legislature removed \$25.7 million dollars from the housing funds of the Housing and Community Development Corporation of Hawaii (predecessor agency to the HHFDC) and used the money for non-housing programs. In 2003, the Legislature removed \$23.4 million for non-housing programs. As recent as 2004, the Legislature removed \$10 million from the Dwelling Unit Revolving Fund and placed the money in the Rental Housing Trust Fund. This practice must stop, and the funds must be replenished. This is a major reason for the lack of State funding for affordable housing: \$210 million has been stolen away over the last ten years.

Whether investing general revenues, GET tax collections, GET residential rent collections, property tax collections, or bond financing, a large leap in investment must be made into Hawaii's affordable housing system, and agencies must be given flexibility to use and administer the funds in the ways that maximize the number of affordable housing units produced.