

Faith Action for



Community Equity

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## **Position Paper on Affordable Housing February 2015**

### **The face of the crisis:**

Our state is suffering from a slow and seemingly inexorable crisis stemming from the failure of the conventional housing market to serve local working families, younger middle class professionals and most especially the poor. This crisis runs through almost every local family – it is like the choking ghost slowly strangling our State’s capacity to have a mixed economic population and a healthy middle class. For the families who attend our churches and temples we have been hearing eerily similar stories for almost a decade:

*“Our children cannot afford to move back to Hawaii because they cannot afford a house”.*

*“We have to choose between staying and raising our children in our own culture or moving away to live a life.”*

*“We’ve been hosting Family Promise homeless working families at our church for 7 years and yet I see more people sleeping in the street every morning.”*

### **Supply and Demand in a Paradise**

The anecdotes we hear in our churches are not the only sign of the times – responsible estimates differ but it is clear that there are at least 20,000 fewer units available than are needed to house the people living on our island. Hawaii’s affordable housing crisis is rooted in very basic economic truths about supply and demand. Supply has fallen far short of demand and thanks to the constant pressure from off island buyers, real estate investment trusts, second home buyers and other investment pools (both from inside and outside of the state) supply can never catch up. With demand far ahead of supply, prices rise.

In this business cycle, average home prices are expected to reach \$1 million – far out of reach from most middle class professionals and beyond the dreams of even the best paid union workers. In a painfully ironic twist our building tradesmen and women are building housing neither they nor their children will live in. This dynamic causes homelessness to increase because the poorest and most marginal people simply cannot compete even for substandard housing as the prices rise. Those among us without strong family ties, or with drug addictions and mental illness end up stuck on the street.

The solution is clear – build more housing with long term affordability, and build it at a depth of affordability that local working family can afford. But the tough reality is that any governmental requirement to do so means less money for the developers, builders and lenders who build our housing, leaving everyone seemingly stuck into different interest camps. That is

the static situation that has so far prevented the state from making even a modest dent in its affordable housing problem.

### **What can we do, both as a State and a people, about this?**

After over 100 interviews with policy makers, developers, bankers, homeless service providers and families, the outline of a long term strategy has become clear to our FACE members. What is needed is a Grand Compromise that leads to a new consensus about how we build housing and who we build it for in our State. This compromise requires the participation of State and County Governments, as well as the cooperation of the builders, developers and lenders. There are many parts to this new consensus and not all of them will be adopted but we think the core elements are clear.

### **Developers, Lenders and Builders can:**

#### **Accept an Inclusionary Zoning law**

The experience of Kakaako is fresh in all our minds – without regulatory compulsion no developer will build with either length or depth of affordability. These are the most powerful interest groups in our state, and taken together are the largest sector of the State's economy. As humble church leaders, we have no illusions about our capacity to compel their cooperation. But we assume they and their staff also have children here who they would like to see grow up in a Hawaii that is more than a playground for wealthy people from far away. Therefore, we propose that developers accept a strong inclusionary zoning law setting aside a significant percentage of new construction at income less than 120% AMI for for-sale products and at less than 80% AMI for rental housing.

Longer affordability terms of up to 30 years for for-sale housing and 65 year5s for rental housing should also be included in order to sustain the inventory of affordable housing.

In exchange for these substantial impacts to their bottom line, developers must see progress on a whole range of other issues that have the potential to balance the restrictions that inclusionary zoning places on maximum profit.

### **County Government is in the driver's seat:**

There are several needed actions on the county side of all of them will require the cooperation of the County Council and the Mayor. FACE is encouraged by the fact that, at least to date, this cooperation seems to be within reach.

1. Pass several reforms
  - a. Inclusionary Zoning (IZ) Law: This is the hardest thing to do. But Civic Leaders must do this if they ever hope to impact the supply side of the problem for people making less than a six figure income.
  - b. Tie IZ law to a set of incentives for developers that meet the thresholds for length and depth of affordability, e.g. relax height limits, parking limits, density, set-backs, etc.

- c. Expand the Ohana zoning regulations to encourage individual homeowners to rent existing units to non-family members and allow new Accessory Dwelling Units to be built and/or garage conversions. This is the easiest thing to do because it does not require new money, nor does it require concessions from developers. And it benefits our kupuna who own homes, providing them with a source of income that would enable them to age in place longer.
2. Increase the direct county subsidy for affordable housing
  - a. Contribute to the cost of infrastructure: The City needs to direct bond spending towards water, sewer and road improvement that are currently left to private developers. This only works if it is done hand in hand with IZ requirements.
  - b. Provide direct subsidy via bonds. Section 108 loans and an increased amount of direct CDBG funds for developers with deeper or longer affordability plans.
3. Expand the City and County's capacity to interact with developers
  - a. Fund the necessary staff to enable the City and County to negotiate from a position of deeper understanding with developers and lenders. This should allow the City and County to become better at using public monies to leverage private funds. These staff should become partners for developers in navigating the State and County processes.
  - b. Speed the process of permits for developments that meet the IZ requirements or exceed them.

### **State Government has the deeper pockets:**

The State largely escapes the need to do harsh rule making, but it must appropriate the money necessary to balance the requirements that IZ places on developers.

1. Direct new subsidies for affordable developments:
  - a. General Obligation Bonds: Senator Suzanne Chun Oakland has suggested raising a large amount of money from GO bonds that would be available for general subsidy and could also support the Housing Authority's redevelopment plans as well as other housing projects.
  - b. Monetize the state conveyance tax: Allow the Hawaii Housing Finance Development Corp (HHFDC) to borrow against future conveyance tax income to generate immediate usable subsidy.
  - c. Create a forgivable predevelopment load fund to encourage the nonprofit development sector.
2. Use the power of the State Commissions to encourage affordable developments which exceed the IZ or other County and State requirements for affordable housing.
  - a. Board of Water Supply: Create strong preferences for developments committed to building beyond the required affordability
  - b. Land Use Commission: Create strong preferences for developments committed to building beyond the required affordability.