

Chasm widens between rent, median wages - Hawaii News - Honolulu Star-Advertiser

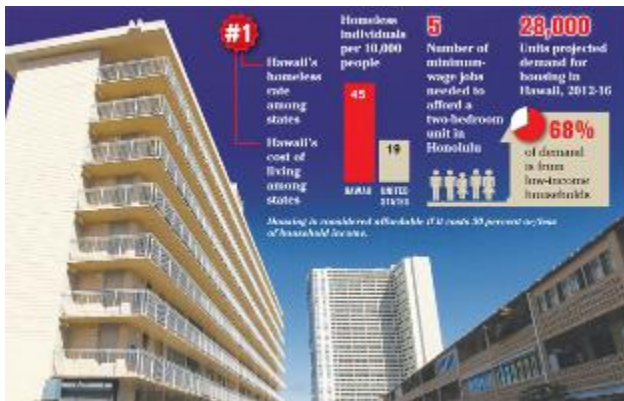
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Chasm widens between rent, median wages

Paychecks for many Oahu residents fall short of "fair market" costs, data show

By Susan Essoyan

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Monthly sales reports from the Hono-lulu Board of Realtors tout soaring housing prices, which just hit a record \$700,000 for the median single-family home, but the rental market gets little attention.

"We all know it's expensive, expensive, expensive," said Jenny Lee, staff attorney for the Hawaii Appleseed Center for Law and Economic Justice. "Well, how bad is it? We want to shift the focus to renters."

While Honolulu has always been a pricey city, rents have taken off in recent years, far outpacing growth in median wages or even the rate of inflation, according to new research by the center, a nonprofit law firm that advocates for low-income people.

"One of the things that Appleseed does is try to put together information in a clear, concise way so people can really see that tangible squeeze, that we are indeed facing astronomical prices," Lee said.

The "fair market rent" for a two-bedroom apartment in Hono-lulu County has shot up nearly 70 percent to \$1,833 per month in 2013 from a base of \$1,087 in 2005, Housing and Urban Development Department figures show.

Meanwhile, median wages rose 22 percent to \$18.18 per hour, according to the Bureau of Labor Statistics, and the Consumer Price Index rose by 28 percent in Hono-lulu over that time period.

The biggest jump in rents came in the run-up to the recession, but after a brief pause, the gap between wage increases and rental hikes has continued to widen.

It's a gap that weighs on local residents like Matthew Lutte, who has been looking hard for a studio to share with his girlfriend in the Hono-lulu or Wai-kiki area, where both have retail jobs paying less than \$10 an hour.

"I work at Ala Moana and my girlfriend works in Wai-kiki," said Lutte, who grew up in Wai-anae. "Even with our paychecks combined, it's frustrating trying to find a place. It's ridiculous. We have one of the lowest wages in the country."

So far they haven't been able to find anything in their price range, about \$800 a month, so they are staying at his father's apartment in Wai-kiki for now but have to move soon.

It takes five minimum-wage jobs, at \$7.25 an hour, to afford the median two-bedroom apartment in Hono--lulu, using the conventional measure of affordability that pegs housing costs at 30 percent of household income. More than half of Hawaii's renters pay above that threshold, according to the Appleseed Center.

"The market really heated up two years or so ago, and it was displacing a lot of our people," said Peter Mattoon, housing placement services coordinator for Catho-lic Charities Hawaii. "We saw an influx of clientele because it was a hot time to go ahead and sell your unit. It really beat up the inventory for the rental market."

He and his staff work to find landlords for a wide range of clients, from families torn apart by domestic violence to households that can't make rent after a job loss or medical emergency.

The government projected that 28,000 housing units would be needed statewide between 2012 and 2016, more than two-thirds of them for low-income households. But little is being built for people who earn less than median income, especially rentals. In Hawaii, 43 percent of households are renters.

After attending a briefing at the Capitol last week on affordable housing, Sen. Laura Thielen (D, Hawaii Kai-Wai-ma-nalo-Kai-lua) said policymakers need to ensure that local needs are met.

"In this global economy you have a large number of people internationally who are bringing their resources to desirable cities and investing in real estate as a safe place to put their money," she said in an interview. "You see this in London, in New York, and I think you see it in Hono-lulu.

"Cities like London have seen a lot of their residents pushed out of the city and into other areas because of this buildup of pressure. The problem we have in Hawaii is, How far out can we be pushed? We're on an island."

She noted that developers in Kaka-ako are "beneficiaries of a state subsidy" given the tremendous amount of money — on the order of \$200 million — invested in infrastructure in that small area. But much of the new high-rise construction is for wealthy buyers, and even the "workforce housing" is geared to people well above median income and can be resold in five years at market rates, she said.

"The market is not building for local residents, for the most part; it's building for international buyers," she said. "I'm disturbed that we're not addressing that fact when we're dealing with the shortage of housing supply for local residents."

Recent reports from the Appleseed Center, including "Hawaii's Affordable Housing Crisis," paint a sobering picture of the situation but also point toward possible solutions. The center, part of the national Appleseed Network of public-interest justice centers, is funded by attorneys' fees, foundation grants and individual donors.

Proposals to help tackle the shortage of affordable housing include the development of "micro units," small efficiency apartments that measure 350 square feet or less, as has been done in cities such as Portland, Ore., and Seattle. These urban units can work well for young people, empty-nesters or seniors who no longer need a large place. Almost 1 in 4 households in Hawaii comprises a single person.

Another possibility is encouraging creation of "accessory dwelling units," small separate living areas added to single family lots, either attached or next to the main house, depending on lot size. Such units allow homeowners to generate income and increase the rental stock with little impact on infrastructure or taxpayer cost.

Tax policy could be another tool to help renters, although it is skewed toward homeowners. More than half of federal housing expenditures — including tax subsidies and direct spending — helps households with incomes above \$100,000, according to the Center on Budget and Policy Priorities, a nonpartisan research institute. That's because homebuyers deduct mortgage interest and property tax from their income tax returns, a huge subsidy, most of which goes to folks who could afford a home without help.

Hawaii has a small tax credit for low-income renters, but it has been left behind by the explosion in housing prices. The \$50 rental tax credit for people earning up to \$30,000 annually has stayed the same since 1981, despite soaring rents. A push to raise it failed in the last legislative session.

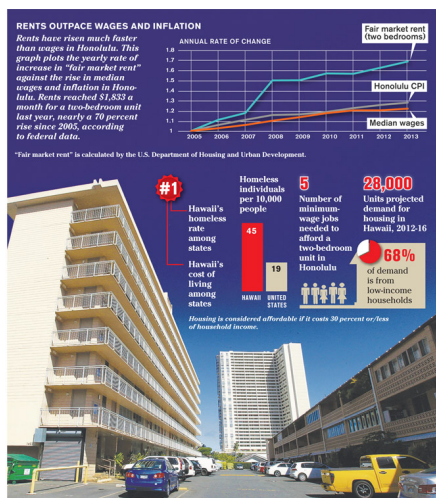
"If you adjusted for inflation, the credit amount would be \$146 per exemption," Lee said. "We want to make things more equitable for renters."

While the Legislature didn't take action on the rental tax credit, it did restore the fraction of the state's conveyance tax that goes to the Rental Housing Trust Fund, which is expected to generate more than \$33 million in this fiscal year. The fund provides low-interest loans or grants to owners and developers of affordable housing, including construction, preservation and substantial rehabilitation of rental housing.

The governor also recently signed legislation to raise the minimum wage to \$7.75 an hour in January and gradually increase it to \$10.10 an hour by January 2018.

Meanwhile, Lutte and some other would-be renters contemplate relocating to the mainland to find cheaper housing — but even that poses a financial hurdle.

"We still have to save up thousands of dollars to even move to the mainland," he said. "A lot of people I've known have left Hawaii because they can't afford rent here."



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