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Shortage keeps growing

The city's proposals to ease burgeoning demand include working with developers and addressing zoning codes

By Allison Schaefer

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Oahu's affordable-housing crisis is much worse than estimated just a few years ago, with city officials recently concluding that targets for adding new units by 2016 won't be reached until 2029 — and that's the best-case scenario.

In 2011, a state report projected that more than 24,500 units would be needed to meet Oahu's affordable-housing shortage through 2016. Yet the number of affordable units built since then combined with what's in the pipeline through next year equals just 1,608 units, less than 7 percent of the projected need.

Mayor Kirk Caldwell's Islandwide Housing Strategy, which was introduced in September and is making its way into bills and rule changes, takes aim at the deficit through housing programs for the homeless, accessory dwelling units, development along the rail line and other plans. In calculating delivery rates for the new strategy late last year, administration officials determined that it would be 2029 before Oahu meets that estimated 2016 affordable-housing demand if all goes to plan and with help from the state.

"It took decades to build up the deficit, so it will take time to address the pent-up demand," said Harrison Rue, administrator of the city's transit-oriented development program.

Rue estimated about 8,000 more affordable housing units, split between the city and state, could be made available on Oahu every five years if the government and private sector adopt the strategy crafted by Caldwell's administration. He also said the coming rail system will spur growth but will take decades to deliver.

Craig K. Hirai, executive director of the Hawaii Housing Finance and Development Corp., said the state will work with the city to develop affordable housing along the rail line. Hirai said the state delivered 940 units statewide last year and will add 6,628 more over the next five years. However, he noted, the market isn't ready to meet the full demand.

WHAT IS AFFORDABLE HOUSING?

Affordable, or workforce, housing is broadly defined as rental or for-sale units priced for individuals or families who make less than 140 percent of the area median income, which is currently \$134,140 for a family of four.

However, according to the city's estimates, 75 percent of the affordable housing needed on Oahu should be designated for families who make below 80 percent of the area median income, or \$76,650 currently. Nearly 44 percent of the housing is needed for families earning less than \$28,750.

ISLANDWIDE HOUSING STRATEGY

Elements of Mayor Kirk Caldwell's plan to tackle Oahu's affordable-housing crisis:

- >> Capitalize on transit-oriented development opportunities on state and city lands by creating financial and zoning incentives and changing building requirements to encourage developers to build more affordable housing, especially near rail stations.
- >> Developer incentives could include expedited permitting for affordable projects and discounted land and sewer and water hookup fees.
- >> Change affordable-housing requirements for developers to prioritize affordable rental housing for lower-income households while extending the requirement to keep these units affordable up to 60 years.
- >> Increase rentals by updating zoning codes to allow accessory dwelling units to be added on existing single-family lots.
- >> Encourage more public-private partnerships, mixed-use development and new ideas like housing homeless people in micro-units and modified storage containers.
- >> Increase homeless housing options through programs like Housing First, which seeks to place Oahu's most vulnerable homeless residents in dwellings.

Source: Caldwell administration

"Zoned land, water, sewer, willing developers, financing, labor need to be in place," he said. "The housing market also is cyclical and tied to economic growth, which can be unpredictable."

Making matters worse, one recent estimate has the affordable housing hole only getting deeper.

Oahu-based real estate consultant Ricky Cassidy, who recently updated the 2011 Hawai'i Housing Planning Study for the state, says Oahu's housing need could be as high as 33,100 affordable units through 2029.

"Regardless of whose numbers you use, we are significantly behind where we need to be in terms of providing affordable housing to Oahu residents," Cassidy said. "This latest update shows that problems get worse if they aren't addressed effectively."

The city and state are nowhere close to where they need to be, agreed state Rep. Jo Jordan (D, Wai-anae-Makaha), vice chairwoman of the housing committee.

"We need more affordable housing for lower-income people and workers," she said. "It's sad. We have construction workers building \$2 million homes ... They'd like to build something where they could live."

Jordan said turning the tide requires more creative approaches and more public-private partnerships than what has been done before.

Caldwell said the problem isn't that past city and state administrations ignored Oahu's housing needs; it's that their actions, which included leasehold to fee-simple conversions, failed to solve the crisis.

With so much ground to make up, Caldwell and administration officials say it's critical that the city Planning Commission, the City Council and the state move on their strategies.

"We don't control what the planning commission does and we don't control the Council. We'll lobby and argue for our tools. It's up to the planning director and the Council. We're also reaching out to the state so

that there's uniformity and synergy," Caldwell said.

Rue said a key component of the housing strategy is to mandate much longer periods of affordability, which will require developer cooperation. The city wants developers to keep their housing at affordable prices for at least 30 years instead of 10 years, with a 60-year commitment if public land or funding is provided.

"So instead of the affordable housing becoming market-rate and unaffordable after 10 years or less, it would continue to build a steadily increasing supply of affordable housing each year," Rue said. "We are also suggesting that the policies and affordable housing requirements be reviewed and adjusted every few years to make sure they are meeting goals."

City officials acknowledge that their plan is not a panacea, but contend that it's the best means to address Oahu's growing housing crisis, which contributes to a host of social ills from homelessness to health concerns related to overcrowding and the stress of living beyond one's means.

Service providers and advocates for the poor are seeing those ill effects firsthand.

"Affordable housing is a very real struggle," said Wendy Burkholder, executive director of Consumer Credit Counseling Service of Hawaii. "It scares me that about 35 percent of our clients are facing homelessness. It's not unusual for us to see families who are spending 50 percent or more of their household income on rent or mortgages."

Jenny Lee, of the Hawai'i Appleseed Center for Law and Economic Justice, said a worker in Honolulu must earn more than \$5,400 a month to pay the fair market price for a two-bedroom rental, which at \$1,640 is 67 percent higher than the national rate.

Lee said many locals live in crowded homes or spend more than 45 percent on housing and transportation. Such conditions have put one in four families at risk of homelessness, she said.

"We have one of the worst affordable-housing problems in the nation. Part of the reason is that we have far less flexibility than other high-cost jurisdictions like New York and San Francisco, which can build farther out due to public transportation networks," Lee said. "It's going to take a variety of solutions ... but in other places strong public transportation is the great equalizer."

Pupukea resident Ashley Petschow said the issue isn't as much about creating housing as it is about making sure the inventory stays affordable. She said lawmakers must scrutinize illegal vacation rentals and second-home activity, which drive up housing costs. They also should revamp rules that make it difficult to build multiple homes on family land, she said.

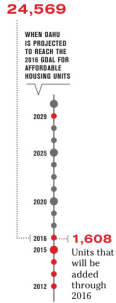
"The plan when we moved back to Hawaii was to build a simple home on my husband's family's land. But without expensive subdividing and permitting, city restrictions only allowed for two attached homes on an acre of land," Petschow said. "That many people living together would lead to conflict so we decided to rent."

Finding an affordable family-sized rental was nearly impossible for the couple, who work in food service and maintenance. It took them six months to find their current rental, which is priced at a budget-stretching \$2,300 a month.

"I have two small children who I want to be spending time doing mommy things with, but I have to work five or six nights a week to make rent," she said. "Somebody has to do something fast. I know people who have

moved off island or are crammed in with their families. And homeless people are everywhere."

NOT BUILDING FAST ENOUGH
Oahu's affordable housing needs are still outpacing demand. Here's what the island will require by 2016 and when the city and state working together can meet the target.
Number of affordable housing units needed between 2012 and 2016:



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Ashley Petschow in the Pupukea rental she shares with her husband, J.R., and their children Peyton and Maddison. The Petschows' original plan was to build a home on J.R.'s family's land, but city rules made it difficult to do so, according to Ashley Petschow. It took six months for the couple to find this house, for which the monthly rent is \$2,300. "I have two small children who I want to be spending time doing mommy

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but I have
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Petschow
said.

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Mayor Kirk
Caldwell,
right,
hosted a
panel
discussion
on
affordable
housing
Jan. 15 at
Honolulu
Hale. He
was joined
by city
Planning
Director
Ember
Shinn,
center, and
Art
Hallacomb,
deputy
director of
the
Department
of Planning
and
Permitting.
The state
also must
be involved
in
addressing
affordable
housing,
Caldwell
says.

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