



HAWAI'I COMMUNITY FOUNDATION
Amplify the Power of Giving

To: Maui County Affordable Housing Committee
Gabe Johnson, Chair
Michael Molina, Vice Chair

From: Micah Kāne, Chief Executive Officer & President
Hawai'i Community Foundation

Re: Testimony for Maui Comprehensive Affordable Housing Plan

Date: Monday, July 19, 2021

Time: 1:30 P.M.

Dear Chair Johnson, Vice-Chair Molina and Committee Members,

My name is Micah Kāne, CEO & President of the Hawai'i Community Foundation ("HCF"). I am submitting this testimony on the Comprehensive Affordable Housing Plan (the "Plan"). First, I want to thank the Council, along with the Mayor and his administration, for their collective effort to put a focus on Maui's housing needs. The community needs your leadership. It is with that focus and everyone's willingness to work together that we can fix broken systems, capitalize on the resources and expertise, and find true housing solutions. The cornerstone of our testimony today is to commit to you that HCF, through our House Maui Initiative,¹ is willing to provide resources, be a resource, and serve as an objective, community convener in working with the County on housing solutions.

My second thank you goes to the Council for commissioning the Plan and to the hard work of Hawai'i Community Assets and the many parties that came together to create the Plan. The Plan is a great piece of the puzzle we are all putting together to solve housing issues. It provides key data to guide our decisions and many ideas that will help bring housing solutions. We support these items that focus on reducing impact and aligning resources:

- Policy Priority 3 (Streamline planning and permitting process) is a much-needed need effort for housing solutions. This has been a talked about for a long time as a way to solve a broken system that must be properly implemented to bring about housing solutions by reducing time, risk, and cost to the development process.
- Policy Priority 1 (Update the county zoning code) can similarly be a key factor in bringing housing solutions, provided it is done properly.
- Goal 5 seeking to reduce and/or eliminate inclusionary zoning and other similar regulatory requirements is vital to future success, again allowing housing to be developed with reduced risk, time and cost.

¹ HCF's House Maui is built on three key pillars, with a goal of bringing all levels of government, elected leaders, nonprofits, home-builders and the community together to create 11,000 additional housing units for working families on Maui: i) Align new and existing resources; ii) Educate and advocate; and iii) organize and engage. For more information: www.housemaui.com

- Calling for the system (government) to invest in off-site (regional) infrastructure (page 6) is key to keep housing affordable at all levels. As the Plan identifies, regional infrastructure is identified as a major cost that increases home prices. Success of this government-led model is highlighted in the attached OpEd piece that ran in the Star-Advertiser yesterday.

But we recognize that the Plan is not perfect. We are functioning on high fragility in the housing arena, and no one part of the community can take the hit in order to fix the system. It is why we advocate to better align our existing limited resources before impacting portions of housing development as a solution. With that in mind, in our preview, the Plan makes some recommendations that may harm housing solutions, reduce housing production and cause higher housing prices. Therefore, we would oppose:

- Goal 3 (Require developers to dedicate 20% of their land to affordable development) is a dangerous blanket requirement that goes against the reducing requirement housing development and risks slowing and/or stopping housing development. We need to let developers, both for-profit and non-profit, develop housing without unnecessarily infusing government into the process by requiring a land dedication. Adding the “cost” of having to develop a 20% portion of land (as opposed to developing 20% of the units as affordable) could make the development infeasible. When you factor in other impacts and dedications required of developments, this additional burden could push many developments (especially those with smaller footprints) over the edge. Furthermore, if implemented, government is likely to end up with undevelopable lands or, due to government rules, spend more time and money developing what the private sector can do more efficiently.
- Blanketly mandating “duplexes on all corner lots” (page 24) also goes against reducing requirements on housing development. It seems to be a somewhat random idea that may or may not be feasible for the road plan of a development. While we would support finding ways to increase density of development (using a smaller footprint and fewer infrastructure need for more homes), simply mandating duplexes on all corner lots will not work.
- Calling for market housing to pay for most or all of regional infrastructure (page 28) is the type of burden that stops housing development, extending the lack of supply that the County is currently struggling with, and reducing the number of affordable homes being available. Comprehensive housing solutions rely on market housing development that creates new affordable housing. Aligning government resources at all levels has proven successful. Continue that effort. This recommendation too narrowly attempts to relieve impact on homes for residents under 120% AMI, while ignoring the significant number of Maui residents in the workforce who need a home, but earn more than 120% of the AMI. Collective government dedication can solve this regional infrastructure issue for all residents. Do not put the burden back on home development – that is exactly what increases the cost of homes for Maui residents.

Finally, we note that asking to spend \$1.169 billion (page 10) must come with a number of caveats. As just noted, we cannot impose new penalties, burdens and extractions on stakeholders that are barely getting by when we are currently doing a poor job at allocating substantial resources we currently have. We, and specifically government in this case, must determine how

to spend money efficiently before we can ask anyone to dedicate that magnitude of dollar commitment.

It is our collective duty to put together the right pieces, examining the intended and unintended consequences, and make bold decisions to bring greater housing opportunities to Maui residents. We look forward to diving deeper into the Plan with you and finding the solutions that work. As we all commit to working together on solutions, I briefly provide three key points:

Beyond the Headlines – The Devil is in the Details. It is often too easy to follow simple headlines without fully examining the details of what's behind that headline. “Affordable Housing” always sounds nice. But how policies are implemented and the details on how the system is actually working, is what ultimately brings solutions or creates havoc. We must get past things that sound nice and ensure that we are focusing our efforts on creating true solutions.

Our Mission is to Serve the Community - Real Solutions May Make Everyone a Little Uncomfortable. As Hawai'i's only Community Foundation, our mission states: We inspire generosity, advocate for equity, forge connections and invest in community to create a better Hawai'i. Our motivation for House Maui is centered around what the community believes is best for itself. We are not biased by any other motivation. And we hope that our ability to be objective, hear all sides, and make recommendations will be helpful and successful. We expect that everyone, on all sides, will be a little uncomfortable at times. No one perspective is absolutely right. It's going to take everyone “giving a little” for us all to be successful as a community.

We See Solutions. Our House Maui efforts to date have started down paths of success. We are committed to continuing those efforts and expanding on them. Collective efforts between County, State and Federal leadership have put the Waiale Road extension on a path from being a County and Developer financial burden, to potential State and Federal funds and resources lessening that burden. This leads to more affordable housing and reduced overall housing prices. While not highlighted in the Plan, further efforts to align all levels of government, and add philanthropy as a fourth “P” to triple-P (Public Private Partnerships) can be an important factor in housing solutions. Another key solution is the success of Financial Opportunity Center and similar financial counseling centers that help Maui families position themselves for housing opportunities by increasing their credit scores, planning for rent deposits and mortgage down payments. The Plan and the Council's efforts going forward have the opportunity to expand on these successes and bring housing solutions to Maui residents.

Everyone, collectively, will need to make tough decisions, We are excited by the opportunity to be a part of the effort to address the challenge. At this point, we do not pre-suppose any specific outcomes. That must come from collective discussions. We at HCF are ready and willing to commit our time and resources to partner with the County on these efforts. Because we foresee the opportunities for system changes in multiple sectors – from policy to implementation – we believe this effort has the potential to develop models that will create homes for Maui residents and ultimately, a thriving Hawai'i.

Thank you for the opportunity to provide testimony on this matter.

Column: Maui road leads to affordable housing

An opportunity awaits us that could begin the journey of elevating Hawaii's people and place. It's the building of a simple road. And while its construction would lack the glamor of a new stadium or innovative facility and there would be no glitzy groundbreaking, its impact on Maui families could be profound. In fact, this simple road could catalyze affordable housing opportunities for local families at a scale Maui County hasn't seen for decades.

Infrastructure — roads and public utilities that include water, sewer, and electricity — is the foundation of a sustainable housing market. Eliminate any of these and the entire housing ecosystem falters. Over the past 40 years, Maui has not been able to build out this infrastructure and has instead placed the burden of paying for infrastructure on local homebuyers, which has resulted in the staggering home prices we see today.

For years, Hawaii has struggled to provide residents with opportunities for affordable housing. While the state has had some successes, housing costs — even those described as “affordable” — are typically beyond reach for many Hawaii families. It is undisputed that housing costs for Hawaii residents are impacting our families, our economy, and our community at large — and unfairly impacting those who need help the most.

Nowhere is this truer than on Maui, where the median price of single-family homes is the highest in the state at \$1.11 million. Even families that have managed to purchase or rent often struggle. On Maui, 24.2% of residents pay more than 50% of their household income towards housing, compared to 18% statewide.

Local working families are being priced out of Maui, forced to leave simply to survive. It is forecast that nearly 13,000 affordable homes will be needed for families making less than 140% of the area median income in Maui County by 2025. The lack of affordable housing threatens the social and economic fabric of the community.

Maui County, in partnership with the state Department of Transportation, is addressing this critical gap. It is pursuing a federal RAISE grant to help fund the Waiale Road Extension in Central Maui. If built, the extension would connect Waiale Road to Honoapiilani Highway, providing access to land for development and agriculture. Most importantly, it would mitigate development costs and make thousands of affordable housing opportunities available to local families. Eight affordable housing developments already planned adjacent to the Waiale Road Extension would yield 1,453 affordable homes.

The grant opportunity is part of the Biden administration's Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program, which aims to modernize infrastructure across the nation by making \$1 billion in funding available in fiscal year 2021 for transportation

projects. A RAISE grant would provide up to \$25 million of the Waiale Road project's estimated \$35million cost.

Pursuing this grant and building this road have the potential to set Maui on a course for sustainable growth — and provide a real solution to the need for affordable housing — for decades to come.

This isn't pie-in-the-sky thinking. It's already working on Oahu. Kualakai Parkway, which connects H-1 freeway and Kapolei Parkway in Kapolei, was the impetus for the so-called "second city" in West Oahu. Eighty percent federally funded, Kualakai Parkway helped spawn new housing developments (some affordable and some reserved for Department of Hawaiian Home Lands beneficiaries) as well as major institutional infrastructure projects, including University of Hawaii-West Oahu, Ka Makana Ali'i regional shopping center, a new public elementary and middle school, and the Kroc Center.

Real collaboration by the county, state and federal government and the private sector will lead us to lasting solutions to the affordable housing crisis we face today.