

Chapter 5: Housing



Traditional neighborhood, Wailuku.

Housing is one of our most basic human needs. It is one of the fundamental building blocks in our communities and it is where our families gather and find shelter. All segments of our island have particular needs, whether it is the first home or apartment for young adults, or to accommodate the specified needs that come with age. Housing is not always treated as a human right. When adequate or appropriate housing is unattainable to a large portion of the population, it negatively impacts the entire community and decreases overall quality of life. We can do many things to promote an adequate and permanent supply of affordable for-sale and rental housing to meet resident needs. To meet our island's housing needs, we must rethink Maui's paradigm. Due to numerous factors, Maui's housing prices have escalated dramatically in the last decade. With some of the highest housing prices in the nation, many Maui residents are struggling to afford housing on the island.

Background Information

The Housing chapter refers to, and is based on, the following studies and reports created specifically for the MIP:

1. Socio-Economic Forecast: The Economic Projections for the Maui County General Plan 2030, June 2006;
2. Land Use Forecast, November 2006; and
3. Maui Island Housing Issue Paper, December 2006.

The Maui housing market has been volatile in recent years, as illustrated in Figure 5-1.¹ There were significant variations in the price of new and existing single-family homes and condominiums on Maui between 1979 and 1999, but nothing like the swings that occurred after 1999. More recently, the real estate market on Maui has tended to stabilize but housing prices still remain significantly higher than housing prices in the 1990s.

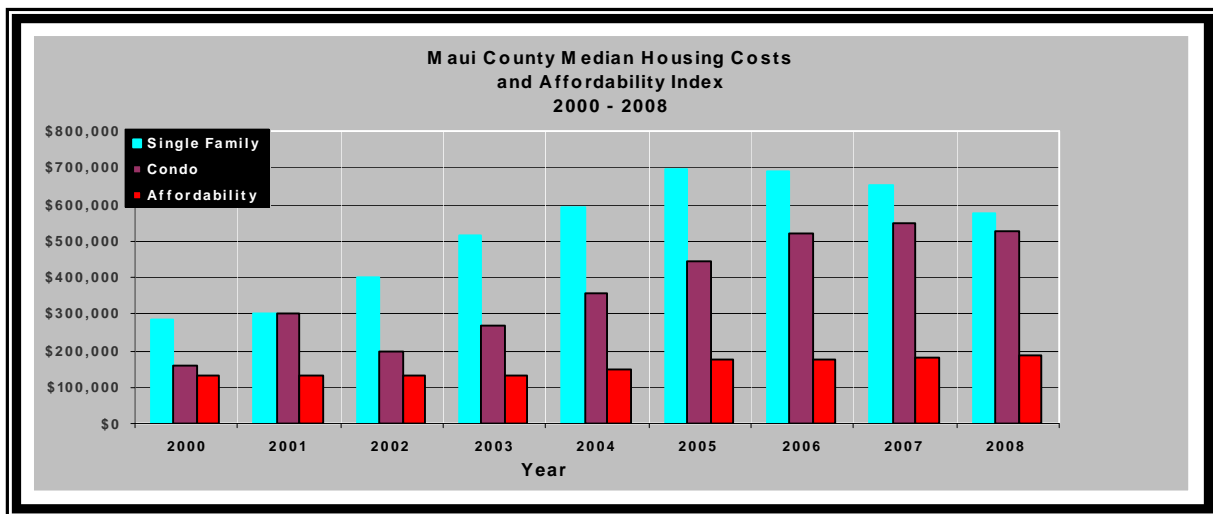


Figure 5 - 1. Maui Median Home Prices, Current Dollars.

Maui residents, by almost any measure, face a critical housing situation:

- They spend a higher percentage of their income on housing than almost anyone else in the United States;
- The cost of housing on Maui makes home ownership very unaffordable, as compared to the national average;
- The median price for single-family homes and condos, whether new or existing units, has been exceedingly above what people can afford, in recent years; and
- The home ownership rate for Maui is significantly lower than for the rest of the United States.

The dynamics of housing production and pricing are extremely complex. Many key drivers are far beyond the control of local government, including:

¹ (1) Median Single-Family and Condominium sales data from the Maui Board of Realtors, 2009; (2) Housing Affordability Index based on a two-wage household (Maui County Databook, 2000 - 2008) each earning the average wage and applying common loan eligibility standards.

- National and international economic cycles;
- Federal Housing policies such as the reduced federal income tax for the well-to-do and mortgage interest deductions on second homes;
- Low interest rates that contribute to rising prices;
- Consumers' willingness to accept higher levels of household debt through "creative financing" mechanisms;
- Overall cost of construction;
- Offshore demand;
- High levels of speculation in some economic cycles; and
- The geographic and land constraints inherent with an island environment.²

These points suggest that relatively high prices are longstanding and will probably continue to be high as long as the State and Maui remain desirable and accessible to large offshore markets.

Maui County relies primarily on inclusionary zoning to increase the supply of affordable housing. Simply put, inclusionary zoning requires a developer of new housing to build a specified number of affordable dwelling units.

There is no one policy that by itself can lead to an adequate supply of affordable housing. Policies that may work well during times of economic growth may not be well suited to periods of financial downturn. Strategies that are focused on local residential use may not function well unless the vacation home and transient vacation rental markets are taken into consideration. Programs that are ideal when applied to large developments may be counterproductive when imposed on homeowners or small-scale builders.

CHALLENGES AND OPPORTUNITIES

Need for Improved Economic Housing Cycle Monitoring

There are some significant gaps in data currently available to county planners addressing affordable housing issues, especially as it relates to the interrelation between housing production and the economic cycle. Furthermore, the current reporting system needs to distinguish between housing used for the tourism and second-home markets and housing used by Maui residents. In addition, data on new housing sales are not as readily available as resale data. There is also a need for data exploring the use of offshore investment homes that remain unoccupied.³

A reduction in the supply of housing available for long-term residential use occurs when any owner – offshore or local – converts residential housing stock into non-residential uses. Non-residential uses can include vacation homes or transient vacation rentals (TVRs). The supply problem is compounded because many TVRs are also part-time vacation homes, with owners defraying mortgage costs by TVR use, thereby driving up housing costs.⁴

Competition From the "Offshore"

The presence of affluent, non-resident buyers influences the housing market in several ways, all of which put upward pressure on prices. First, non-residents seeking a second home can typically outbid residents for houses and apartments being resold. Second, in a

² Knox, John M. and Tom Dinell (December 2006). *Maui Island Housing Issue Paper: A Discussion Paper for the Maui County General Plan Update, Summary of Recommendations.*

³ Id.

⁴ Id.

HOUSING

Market”

strong market, developing higher-priced units generally produces greater profit per unit. Therefore, a relatively large proportion of new residential units and lots are being developed for upper-end buyers. Finally, when the building industry is focused on the upper-end market there are fewer resources for affordable housing.

Property taxation may be one tool to mitigate the impact of non-resident demand on Maui’s housing prices. Property tax rates in Maui County and throughout the State are low compared to rates and supplementary fees charged by mainland municipalities, school districts, and public facility districts. Relatively low property taxes for single-family and multifamily residences make Maui properties more attractive to the offshore buyer. Property taxes can be made more progressive by increasing property tax rates and simultaneously increasing the home exemption to neutralize the rise in the tax for resident property owners and including a similar offset for owners of rental properties leasing to residents.⁵



Sand Hills, Wailuku.

Maintaining the Stock of Affordable Housing

The conveyance tax can also be used to fund the development of affordable housing. Through the enactment of State enabling legislation, Maui County could impose a surcharge on the conveyance tax with the proceeds to be deposited in the County’s Affordable Housing Fund. Such legislation could permit the County to utilize a graduated scale so that the sellers of multi-million dollar homes pay a higher percentage surcharge than do those conveying more modest or affordable dwellings.

A great deal of affordable housing has been built in Hawai’i over the years. Much of it has slipped back into the market housing stock in relatively short periods of time, as the original buyers resell at market prices. Preserving affordable housing in perpetuity will be extremely important to help increase and maintain the supply of affordable housing units and reduce housing prices for Maui residents.

Compact, Mixed-

At the island and regional scale, increasing the density of housing is a more efficient use of land. It also saves on linear miles of roads, water lines, and other utilities that need to be

⁵ Ibid., II-18.

Income Communities with Expanded Housing Choices

built and maintained. Increasing the density of housing also preserves more land for agriculture and open space. At the project scale, increased density can reduce land and building costs and thereby result in more affordable sale and rental prices. There are two general ways to increase density: (1) to develop a multifamily housing type rather than a single-family housing type; and (2) to increase the number of units per acre in either category.⁶

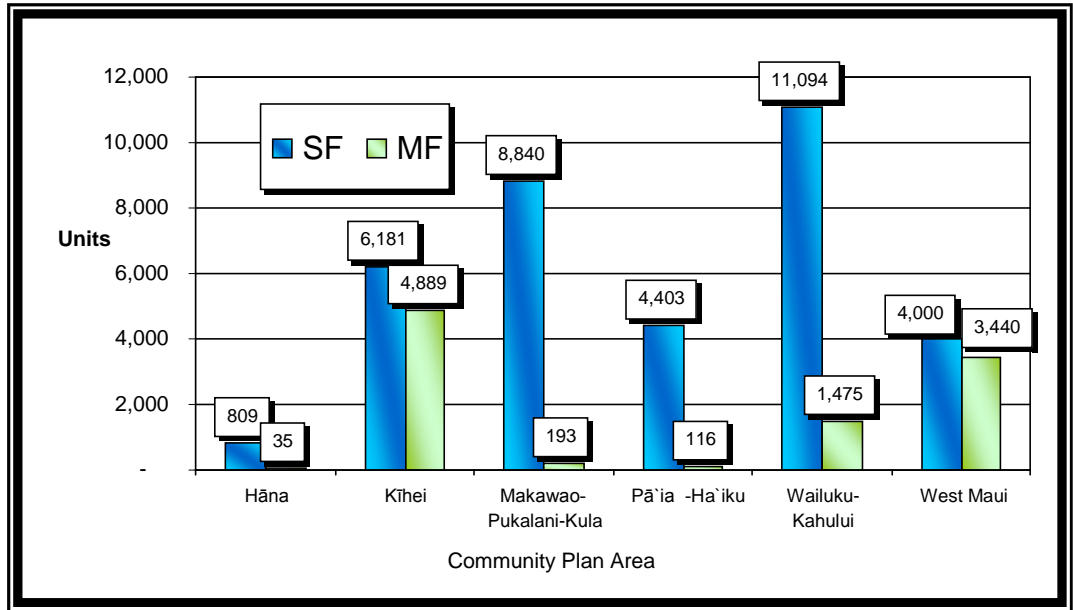


Figure 5 – 2. 2005 Single-Family and Multifamily Dwelling Units by Maui Island Community Plan Area. Source: Existing Land Use Database, 2005.

In 2005, single-family dwellings comprised 78 percent of the total housing stock on Maui.⁷ Multifamily dwellings are typically less expensive than single-family dwellings and are often attractive to seniors and young adults. The limited supply of multifamily units has constrained consumer choice and exacerbated housing prices. Figure 5-2 illustrates the mix of single-family and multifamily dwellings in Maui’s community plan areas. The Makawao-Pukalani-Kula, Pā`ia-Ha`ikū, and Wailuku-Kahului community plan areas offer limited multifamily housing opportunities.

Accessory or `ohana dwellings can also play a significant role in increasing the affordable housing stock on Maui, whether such units are used to house family or become long-term rental units.

The dangers of concentrating people with few economic resources and limited educational skills in a single project are well known. The placement of rental housing projects in the same areas as for-sale housing provides for more diverse communities. The desired outcome is mixed income communities, which in turn contribute to the social well-being of the larger community.

With the number of people over age 65 growing in the coming decades, there is a need

⁶ PlanPacific, Inc. (November 2006). *Land Use Forecast, Island of Maui, Maui County General Plan 2030, Technical Resource Study.*

⁷ Id.

HOUSING

Housing for Seniors and Those with Special Needs

to work with the State, Federal government, community groups, landowners and others to find ways to provide affordable housing to senior citizens and those with special needs.

Hawai'i is the only state in the nation to have both State and County level zoning. Developers understand that it takes years to get all the necessary permits for a major project and that it will involve multiple jurisdictions. Getting through the regulatory process takes time and money. County policy can state that projects that provide for a specified percentage of affordable for-sale or rental housing units shall be fast tracked.

Reduce Developers' Cost to Build Affordable Housing

Lack of adequate infrastructure is frequently an impediment to the development of affordable housing. The County can play a proactive role in resolving infrastructure bottlenecks by working with developers to coordinate the planning and development of infrastructure within the Urban Growth Boundaries. The County can also adopt minimum and desirable infrastructure level-of-service standards so that the development process is more predictable and transparent.

GOAL, OBJECTIVES, POLICIES, AND ACTIONS

Goal:

- 5.1** Maui will have safe, decent, appropriate, and affordable housing for all residents developed in a way that contributes to strong neighborhoods and a thriving island community.

Objective:

- 5.1.1** More livable communities that provide for a mix of housing types, land uses, income levels, and age.

Policies:

- 5.1.1.a** Promote livable communities (compact/walkable/bikeable, access to transit) that provide for a mix of housing types and land uses, including parks, open space, and recreational areas.
- 5.1.1.b** Promote planning approaches that provide a mix of multifamily and single-family housing units to expand housing choices.
- 5.1.1.c** Discourage gated communities.
- 5.1.1.d** Provide incentives for the rehabilitation or adaptive reuse of historic structures to facilitate more housing choices.
- 5.1.1.e** Use planning and regulatory approaches to provide higher housing densities.

Implementing Actions:

- 5.1.1-Action 1** Amend development codes to facilitate different types of housing, including mixed use, mixed housing types, clustering, and conservation subdivisions.

HOUSING

- 5.1.1-Action 2** Do a study to determine optimum permit processing times on affordable housing development approvals while ensuring that community and environmental standards are addressed.
- 5.1.1-Action 3** Establish the rules and mechanisms to establish a Maui “master list” of affordable housing projects and land entitled for affordable housing so that residents will be able to obtain an affordable unit in a fair and expeditious manner.
- 5.1.1-Action 4** Study successful models of affordable housing projects/units and adopt appropriate minimum design standards that satisfy the needs of Maui’s residents.
- 5.1.1-Action 5** Amend zoning and historic preservation ordinances/rules to support adaptive reuse opportunities.
- 5.1.1-Action 6** Develop incentives to promote projects that achieve the Leadership in Energy and Environmental Design (LEED) Silver or Gold certification.

Objective:

- 5.1.2** Better monitoring, evaluation, and refinement of affordable housing policy in conjunction with the economic cycle.

Policies:

- 5.1.2.a** Improve data on resident and nonresident housing.
- 5.1.2.b** Utilize the following approaches to promote resident housing and to minimize off-shore market impacts:
- (1) Ensure that the future housing stock is composed of a mix of housing types (multifamily, small lots, ohana units, co-housing, cottage houses, etc.);
 - (2) Encourage new housing in proximity to jobs and services, in places that are conducive/affordable to island residents; and
 - (3) Explore taxation alternatives and building fee structures.

Implementing Actions:

- 5.1.2-Action 1** Develop appropriate incentives to encourage the production of required affordable housing during the different stages of an economic cycle.
- 5.1.2-Action 2** Develop and maintain a reporting system/database and related maps for the following:
- (1) Existing/newly constructed housing units that are affordable to very low-, low-, and moderate-income households;
 - (2) The location and quantity of housing that is used by visitors/second home; and
 - (3) Property tax information, including property land use designations, tax rates, acquisition price, and market value assessments.
- 5.1.2-Action 3** Explore the benefits and costs of revising the County’s property tax rates to make them more responsive to the needs of the citizens in the area of affordable housing.

HOUSING

5.1.2-Action 4 Develop incentives for locating new workforce housing in proximity to jobs and services.

Objective:

5.1.3 Provide affordable housing, rental or in fee, to the broad spectrum of our island community.

Policies:

5.1.3.a Consider regulations that can help keep affordable housing available at affordable rents.

5.1.3.b Seek to have ownership of affordable for-sale and rental housing vested in a non-profit community land trust, or other qualified housing provider, committed to keeping such housing affordable in perpetuity.

5.1.3.c Facilitate the use of public lands in urban areas that are suitable for affordable housing.

5.1.3.d Develop or support partnerships and initiatives that provide housing-related education/outreach.

5.1.3.e Support the continuing efforts of the County and its community partners to:

- (1) Disseminate information on different housing/financial assistance programs (loans, grants, etc.) including information on housing rehabilitation/restoration/adaptive reuse;
- (2) Provide housing-related counseling including budget, credit, and financial planning assistance; and
- (3) Create and maintain a comprehensive/master list of available affordable housing to help residents secure a unit that satisfies their need.

Implementing Actions:

5.1.3-Action 1 Consider the following actions in housing-related code amendments:

- (1) Give a higher priority to the construction of actual units and a lower priority to the provision of land, over the current alternative in-lieu fee payment;
- (2) Require recordation of a covenant to ensure that the required affordable units in a project remain affordable for perpetuity;
- (3) Consider that affordable houses be developed and available concurrently with market units;
- (4) Encourage the development of affordable “for-sale” and rental housing through incentives;
- (5) Consider a rent stabilization program to ensure that rental housing remains affordable;
- (6) For the sale prices of required affordable housing units, evenly distribute prices over the range of the subject income category; and
- (7) Expedite permitting for affordable housing projects approved pursuant to the residential workforce housing ordinance.

HOUSING

- 5.1.3-Action 2** Support/help in the creation of Community Development Corporations to facilitate the development and maintenance of affordable housing.
- 5.1.3-Action 3** Enhance our existing affordable housing financing program to include the following elements:
- (1) An affordable housing assessment on commercial and residential properties.
 - (2) A real estate transfer tax imposed on visitor units, TVRs, and residential housing that is not affordable for residents with household incomes of up to 200 percent of the island median household income.
- 5.1.3-Action 4** Explore flexible funding for the affordable housing fund/program based on County tax revenues.
- 5.1.3-Action 5** Actively pursue appropriate Federal, State, County, and private grants/subsidies to facilitate affordable housing projects.

Objective:

- 5.1.4** Provide infrastructure in a more timely manner to support the development of affordable housing.

Policies:

- 5.1.4.a** Prioritize the development of infrastructure that supports the development of affordable housing.
- 5.1.4.b** Utilize appropriate financing approaches and assistance tools to encourage the development of infrastructure and public facilities.
- 5.1.4.c** Tailor infrastructure requirements to correspond with appropriate level-of-service standards to help control housing costs and to maintain safety.

Implementing Actions:

- 5.1.4-Action 1** Prioritize Capital Improvement Projects that commit to building appropriately planned affordable housing-related projects.

Objective:

- 5.1.5** A wider range of affordable housing options and programs for those with special needs.

Policies:

- 5.1.5.a** Ensure that residents with special needs have access to appropriate housing.
- 5.1.5.b** Encourage housing to be built or rehabilitated to allow the elderly and those with special needs to live in their homes.
- 5.1.5.c** Ensure and facilitate programs to assist those with special needs from becoming homeless.

HOUSING

- 5.1.5.d** Promote programs that stimulate the production of sustainable homeless shelters and alternative housing technologies.
- 5.1.5.e** Support programs that offer home modification counseling on low-interest retrofit loans and grants to those with special needs.

Implementing Actions:

- 5.1.5-Action 1** Develop financing mechanisms to assist low-income elders and other high-risk/disadvantaged patients who need residential and institutional health care to remain in affordable housing that is part of a community development project.
- 5.1.5-Action 2** Create or assist in creating programs that provide affordable housing to seniors, the disabled, and those returning from mental health institutions, correctional institutions, and drug rehabilitation.
- 5.1.5-Action 3** Help in securing/leveraging federal grants, low income housing tax credits, and other resources that support affordable housing for special needs populations.
- 5.1.5-Action 4** Develop and maintain indicators to monitor homelessness.
- 5.1.5-Action 5** Partner with the private sector/nonprofit organizations to develop and maintain an adequate supply of emergency shelters and transitional housing.
- 5.1.5-Action 6** Amend the Zoning/Subdivision Codes to streamline and facilitate the development of elder care/assisted living facilities, as well as housing/facilities that are Americans with Disabilities Act-compliant.
- 5.1.5-Action 7** Waive County review fees to modify dwelling units to accommodate the needs of people with disabilities (reasonable accommodation).
- 5.1.5-Action 8** Explore the adoption of an aging-in-place ordinance.

Objective:

- 5.1.6** Reduce the cost to developers of providing housing that is affordable to families with household incomes 160 percent and below of annual median income.

Policies:

- 5.1.6.a** Support fast-track processing procedures for the following housing-related entitlements: affordable housing projects/units; indigenous Hawaiian housing/units; and special-needs housing units (seniors, disabled, homeless, etc.).
- 5.1.6.b** Require the construction of affordable for-sale and rental housing units as part of the construction of new housing developments.
- 5.1.6.c** Offer extra incentives in boom periods and withdraw incentives during slack periods.

HOUSING

Implementing Actions:

- 5.1.6-Action 1** Develop a comprehensive, flexible system of incentives to develop affordable housing, including:
- (1) Reduction or waiver of impact, assessment, and permit fees;
 - (2) Density bonuses;
 - (3) Exemptions from subdivision and zoning standards;
 - (4) Building code modifications while maintaining health and safety; and
 - (5) Possible use of publicly owned lands.
- 5.1.6-Action 2** Streamline the permitting process as follows:
- (1) Within one year of this plan's adoption, adopt new administrative rules that streamline and clarify the permitting process;
 - (2) Consider using outside consultants (third-party review);
 - (3) Implement a one-stop permitting process; and
 - (4) Adopt a set of standards so permitting is administrative and as ministerial as possible.

Objective:

- 5.1.7** Increased preservation and promotion of indigenous Hawaiian housing and architecture.

Policies:

- 5.1.7.a** Preserve, promote, and give priority to Hawaiian housing/architecture forms to preserve Hawaiian culture.
- 5.1.7.b** Provide for indigenous architecture as an allowable structure for native Hawaiian uses to include hula and lā`au lapa`au.

Implementing Actions:

- 5.1.7-Action 1** Revise regulations to allow for indigenous Hawaiian architectural practices, styles, customs, techniques, and materials, in accordance with Section 46-1.55, Hawai'i Revised Statutes.
- 5.1.7-Action 2** Encourage the use of alternative building materials (e.g., bamboo).