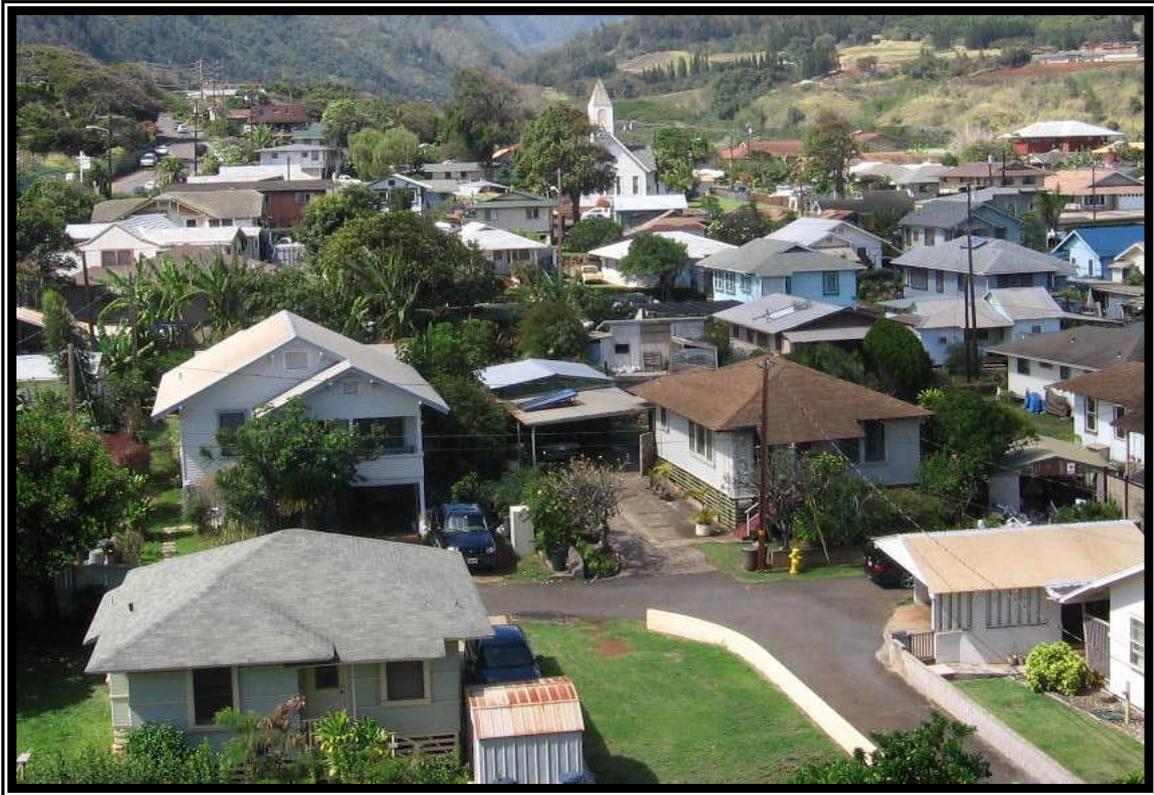


Chapter 5: Housing



Traditional neighborhood. Wailuku, Maui, Hawai`i.

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; unfortunately, it 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. To meet our island's housing needs, we must rethink Maui's paradigm. We can do many

Housing

things to promote adequate and permanent supply of affordable and rental needsility and avoid the deleterious effects of sprawl.

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.

Housing

Background Information

The Housing element refers to, and is based on, the following studies and reports created specifically for the Maui Island Plan:

1. *Socio-Economic Forecast, 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.

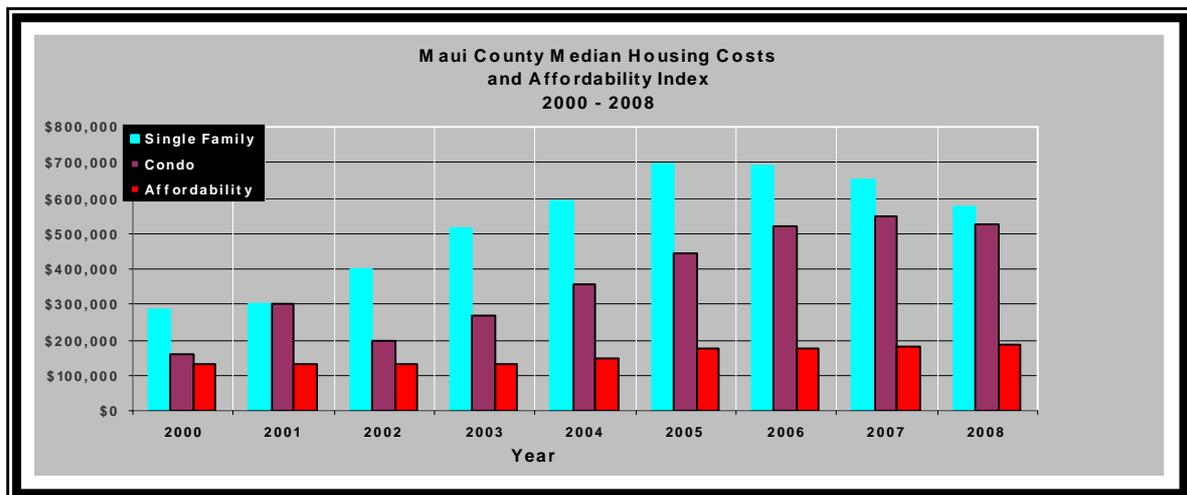


Figure 5 - 1. Maui Median Home Prices, Current Dollars.

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;
- Maui has an extremely high housing *unaffordability index*;
- 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.
- The home ownership rate for Maui is significantly lower than for the rest of the United States.

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.

Housing

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

- 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 counter-productive when imposed on homeowners or small-scale builders.

CHALLENGES AND OPPORTUNITIES

Improved Economic Housing Cycle Monitoring

There are some significant gaps in data currently available to county planners addressing affordable housing issues, especially as such data relate 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: (1) vacation homes; or (2) 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

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 John M. Knox & Associates, Inc. Maui Island Housing Issue Paper. II-1.

³ Ibid., 3.

⁴ John M. Knox & Associates, Inc.; Maui Island Housing Issue Paper. Pg. II-2.

Housing

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.

Competition From the “Offshore Market”

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 multi-family 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, Maui, Hawai`i.

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.

⁵ Ibid., II-18.

Housing

Compact, Mixed-Income Communities with Expanded Housing Choices

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 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 multi-family housing type rather than single family housing type; and (2) to increase the number of units per acre in either category.⁶

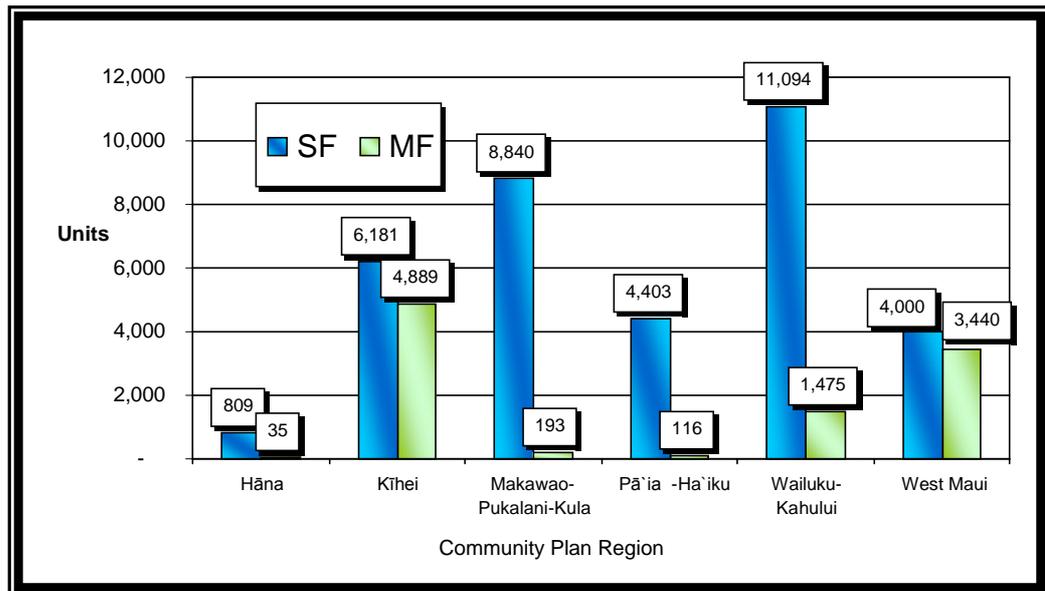


Figure 5 – 2. 2005 Single Family and Multi-Family Dwelling Units by Maui Island Community Plan Region. Source: Existing Land Use Database, 2005.

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

Accessory or 'ohana dwellings can also play a significant role in increasing the affordable housing stock on Maui Island, 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.

⁶ PlanPacific, Inc.: Land Use Forecast, Island of Maui, Maui County General Plan 2030, Technical Resource Study. p. 3-12

⁷ Ibid., 3-1

Housing

Housing for Seniors and Those with Special Needs

With the number of people over age 65 growing in coming decades, there is a need to work with the State, federal government, community groups, land owners 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 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 pro-active 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, AND POLICIES

See matrix.