J·M·K JOHN M. KNOX & ASSOCIATES, INC.

MOLOKA‘I HOUSING ISSUE PAPER

A Discussion Paper for the Moloka‘i Community Plan Update

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SUMMARY

Chapter 1. Introduction

1. This chapter briefly introduces the report.

Chapter 2. Molokaʻi Housing Situation Analysis

1. The last decennial census data available are from 2000. Future decennial census will not include detailed housing data for small population areas. The required data will be in the U.S. Census Bureau's American Community Survey, which is based on sampling and employs a five-year rolling average.
2. Economic development drives housing production for the local population; housing production is cyclical; the affordable housing problem in Hawaiʻi is statewide; housing affordability is a function of multiple factors; and housing situations need to be closely monitored over time.
3. The cost of buying or renting housing on Molokaʻi (and Lānaʻi) has continually been lower than for Maui County as a whole.
4. Data for 2009-10 active "local" sales points to a large gap between actual sales and what the average Molokaʻi resident can afford.
5. The 2006 Housing Policy Study showed that 27% of Molokaʻi homeowners and 55% of Molokaʻi renters were paying 30% (the HUD benchmark) or more of their household income for housing.
6. According to ULI, housing nationwide "…could stay in critical care well into 2012 or even 2013, until foreclosures and resale product clears."
7. The conclusion to be drawn from the Maui Planning Department's Socio-Economic Forecast (2006) that the vast majority of households on Molokaʻi qualify for affordable rental or affordable for-sale housing, using the HUD median income as a measure, now and into the foreseeable future.
8. The consequences of high housing prices for Molokaʻi residents have included low homeownership rates, small dwelling units, and consequent crowding (by national standards), often due to "doubling up" and multi-generational households.
9. Given the growth of the senior age cohort, the County should consider the special needs of elderly residents, by addressing housing affordability, types of housing that allow aging-in-place, and supportive building code standards.
10. There has been a significant drop in new residential construction on Molokaʻi since the bursting of the housing bubble in 2007; no new construction of multi-family units on Molokaʻi since 2005; and while the number of permits for additions to and alteration of residential structures has decreased from 2005 to the present, the drop has not been near as dramatic as has occurred in permits for new construction. There is at present very little effective demand for new residences.

11. Current plans of he Department of Hawaiian Home Lands call for creating over 350 residential lots. As these lots are created with infrastructure, leases issued, and homes built, this will go a long way to providing Molokaʻi with additional affordable housing.

Chapter 3. Housing Concerns on Molokaʻi

There are a multiplicity of housing concerns on Molokaʻi, particularly those relating to the development and availability of affordable housing:

1. An economic base, which is not strong;
2. Income levels, which are relatively low;
3. A shortage of affordable vacant lots with infrastructure in place;
4. The enduring interim zoning and its consequences for residents;
5. The presence of offshore buyers and the accompanying vacation homes and vacation rentals;
6. Section 8 rental housing and its consequences for low income residents who are not Section 8 qualified;
7. The Residential Workforce Policy Ordinance (also known as inclusionary zoning) and its relevance for Molokaʻi;
8. The aging of the population; and
9. The distant county government

Chapter 4. Housing Alternatives Worth Considering

It is important to understand the nature of affordable housing:

1. Affordable housing almost always has to be subsidized;
2. Affordable housing can either be for-sale housing or for-rent housing;
3. Affordable housing is for the workers who make possible the smooth functioning of our communities;
4. It is almost always preferable to assure mixed-income communities rather than those that are exclusively affordable; and
5. The need is to have a stock of affordable housing over time.

There are multiple means available for increasing the stock of affordable housing including:

1. Encouraging accessory dwellings (also known as ʻohana housing);
2. Establishing development incentives;
3. Having a community land trust, especially linking up with one that already exists;
4. Encouraging public-private partnerships utilizing publicly-owned land;
5. Considering an affordable housing project constructed by the County;
6. Supporting non-governmental organizations (NGO) committed to creating affordable housing; and

7. Supporting the efforts of the Department of Hawaiian Home Lands, the State's number one creator of affordable housing.

One possibility worth considering is a differential property tax structure, which would provide lower rates for affordable housing and residences occupied by local residents, similar to the County of Hawaiʻi approach.

Recognizing Molokaʻi as a special place raises the possibility of reducing the sense of an abyss between Kaunakakai and Wailuku by:

1. Exploring the possibility of some County ordinances being applicable only to Molokaʻi and Lānaʻi and some only to Maui Island while others apply throughout the County; and
2. Considering the construction and operation of a Satellite County Center on Molokaʻi.

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1 INTRODUCTION

This "Housing Issue Paper" is written as supplementary input to the Molokaʻi Community Plan, as part of the Maui County Planning Department's update of that plan in 2010-11.

A similar "Economic Development Issue Paper" is being simultaneously prepared for the Lānaʻi Community Plan update, and some portions of the two papers, particularly Chapter 2, have common contents.

Following this chapter, the remaining chapters reflect the scope of the County's agreement with John M. Knox & Associates, Inc.

- Chapter **Error! Reference source not found.** is a housing profile of Molokaʻi – often also presenting data from Lānaʻi and Maui Island, and/or the state as a whole to provide context.

- Chapter 3 identifies the primary areas of concern for Molokaʻi as they relate to housing and particularly affordable housing; and

- Chapter 4 offers some housing alternatives worth considering for inclusion in the Molokaʻi Community Plan.

Thus, Chapter 2 is relatively objective and technical, while Chapter 3 and certainly Chapter 4 are offered in a more tentative spirit, with the understanding that they provide a basis for community dialogue. It may be that discussion of some of the alternatives will lead to the generation of better-designed and more appropriate alternatives, a development to be appreciated and welcomed. We fully understand that the issue paper will be reviewed and likely be re-interpreted and/or rewritten by the Maui County Planning Department and the Molokaʻi Planning Commission, but only with significant input from the residents of Molokaʻi.

Much of this work – particularly in Chapter 3 and Chapter 4 – is informed by generous contributions of knowledge and expertise from Molokaʻi residents and sources on Maui as well. These are listed in the following table. We are deeply appreciative for their input.

Table 1.1: List of Stakeholder Interviewees

Name	Affiliation/Title
Callies, David	Professor of Law, University of Hawaii law School, University of Hawaiʻi at Manoa
Corbiell, Cheryl	Home-Based Business Operator
Crivello, Stephanie Stacy Helm	Member of several community boards; retiree
Finley, David	Executive Director, Molokaʻi Affordable Homes & Community Development Corporation
Ito, Milton	Section 8 Program Supervisor, Housing Division, Maui Department of Housing and Human Concerns
Lam, Irene	Area Specialist, United States Department of Agriculture Rural Development
Lasua, Lawrence	Manager, Molokaʻi Community Federal Credit Union
McGregor, Davianna Pomaikai	Professor, Ethnic Studies Department, UH-Mānoa; part-time Molokaʻi resident
Noury, Jacob	Molokaʻi Habitat for Humanity
Pauʻole-Moore, Beverly	Molokaʻi Realty, Inc.
Prokop, Steve	Superintendent, Kalaupapa National Historic Park
Ridao, Jo Ann	Director, Maui County Department of Housing and Human Concerns
Stover, Deanna	Keller Williams Realty, Maui
Sullivan, Maria	Parishioner, St. Damien Parish; Molokaʻi Attorney
Swenson, Diane	Realtor and Owner, Tropical Island Properties, LLC
Yagodich, Darrell	Planning Office Administrator, Department of Hawaiian Home Lands

Notes:

1. All interviewees were assured that, for general housing issues, they would **not be quoted by name** *(except for circumstances such as provision of factual information or cases when they were specifically asked to respond on behalf of an organization)*.
2. Some people included on the list provided critical specific information, but were not interviewed in the same general overall way as the rest.

2 MOLOKAʻI HOUSING SITUATION ANALYSIS

2.1 Introductory Comments

This chapter focuses on the housing situation on both Molokaʻi and Lānaʻi and is, for the most part, duplicated in both reports. Part of the reason for treating both islands in the same chapter is to facilitate comparisons, not only between the two areas but also with Maui, Hawaiʻi statewide, and the United States. Statistics are most meaningful when comparisons are possible. A single figure, e.g., 1,000 housing units on Molokaʻi, is relatively uninformative if comparative data are not available. Frequently the data are useful in pointing out how different the housing situation is on the two islands.

2.1.1 Data Challenges

The basic difficulty in using data to describe the current housing situation is that the most comprehensive data source is the U.S. Census, but Census data have some drawbacks:

- Decennial (every 10 years) Data: Numbers from the 2010 Census will not be available in time for this analysis. The 2000, 1990, and (sometimes) 1980 numbers used in this chapter are good for purposes of analyzing trends and identifying persistent conditions, but obviously are dated for purposes of describing present conditions.

  Through 2000, decennial Census figures were of two types: (1) A relatively small number of variables covered by the "short form" that was to be answered by everyone – i.e., "complete counts;" and (2) a much longer list of variables in a 15% sample survey, which like all surveys was subject to some sampling error. After 2000, this decennial survey was replaced by the Census Bureau's *annual* "American Community Survey" (ACS). However, ACS samples were smaller, and until this year the Census Bureau published annual results only for large-population areas, such as the state or Maui County.

- New ACS Five-Year Average Data: In December 2010, the Census Bureau released the first results extending down to smaller-population levels, including the census tracts comprising Molokaʻi and Lānaʻi. However, because the sample for any one-year is too small to be trusted for these areas, the Census Bureau is releasing five-year rolling averages. The first dataset just released as this paper was written, averages results for the 2005-09 period. Next year, results will be available for 2006-10; the following year for 2007-11; moving up one year each year

  The ACS five-year averages are welcome because they are more current than decennial survey data, but they blur effects of major events occurring during the midst of that period – for example, (1) the housing bubble burst in 2007; (2) Molokaʻi Ranch suspended activities in 2008; and (3) the economic decline in Hawaiʻi tourism, which impacted Castle & Cooke hotel operations on Lānaʻi, commenced in 2008.

In addition to Census information, this chapter includes statistics from other sources. Two of the more important are numbers from the Maui County Planning Department 2006 Socio-Economic Forecast and from the Maui County planning area sub-samples of the statewide 2006 survey done as part of the State's periodic "Housing Policy Study" (further discussed below in Section 2.2.3 below. Again, 2006 numbers are more current than 2000 but still precede the economic turbulence of the late 2000s.

It is important to understand that even the decennial 2010 numbers, when available in 2011 or early 2012, will not give a detailed picture of housing or social conditions for lightly-populated areas such as Molokaʻi or Lānaʻi. That is because the decennial Census now includes very few questions. The ACS five-year averages will remain the sole Census sources of such detailed information.

2.1.2 Conceptual Issues

There are four key factors to consider when discussing housing in the long-term for small island communities:

1. It is economic development that drives housing production for the local population. If there is little or no new economic development, there is little incentive for developers, or even individuals, to build new housing. Yes, there will be restoration of older structures and some replacement housing, but little growth in the total number of residential housing units. (The off-shore market, i.e., buying in resort areas or popular vacation-home region, is a distinct and unique entity that responds to a different set of stimuli, including excess disposable income and tax laws.)

2. The production of new housing is cyclical. One of the critical mistakes made by some analysts and consumers of housing in the years prior to the bursting of the housing bubble was the assumption that housing values would just keep increasing into the distant future. Obviously, the assumption was in serious error.

3. All of Hawai`i, not just Molokaʻi and Lānaʻi, has had a "housing problem" for decades. Among states, Hawai`i has ranked #1 or #2 for various cost/value indicators for 40-50 years. When household income is taken into consideration, our historical rankings are a little lower, but we are still among the top states. However, that is because people here have been more willing to have several household members work to afford the rent or mortgage. This state has a very long history of being among the nation's "leaders" in workers per household, crowding, and low ownership rates.

4. Housing affordability is a function of a multiplicity of factors – including income (especially household income), the stock of available for sale and rental housing, vacancy rates, and the availability and nature of governmental programs.

Finally, and perhaps most importantly, in preparing a development plan for Molokaʻi and one for Lānaʻi, it must be recognized that these are long-terms plans. The existing housing situation is not likely to be the housing situation in five or ten years and certainly not in 20 or 30 years. This means that public policy makers must be prepared to monitor the housing situation continually and closely and to be selective about the specific policy tools they employ at different times. There is not one policy that fits all times.

2.2 Housing Cost and Affordability – Historical Data

2.2.1 U.S. Census Data

Table 2.1 presents data on the estimated value of owner housing and gross rents for the years 1980, 1990, and 2000 in constant 2009 dollars. While these data are dated, they yield several important insights:

1. The estimated values of owner housing on Lānaʻi and Molokaʻi are significantly less than the comparable figures for Maui County and the State of Hawaiʻi.

2. The data for Maui County, Honolulu County, and the state of Hawaiʻi all show a dip in value for the decade 1990-2000, but both Molokaʻi and Lānaʻi showed single digit percentage increases for the same period.

3. The increase in the value of owner housing has been both steady and modest on Molokaʻi while the change from 1980 to 1990 and 2000 on Lānaʻi indicates a major transformation in the housing market.

4. Gross rent for those paying cash rent is significantly lower on Lānaʻi and Molokaʻi than in Maui.

5. Gross rent has been higher on Molokaʻi than Lānaʻi as measured in 1980, 1990, and 2000.

6. Again, rents have increased each decade on Lānaʻi and between 1990 and 2000 on Molokaʻi while there was a dip in Maui County between 1990 and 2000.

7. The Lānaʻi and Molokaʻi housing markets are distinctly different from one another and from that of Maui Island (which drives the figure shown for Maui County.

Table 2.1: U.S. Census Data on Estimated Value of Owner Housing and Gross Rents

	Decennial Census 1980	1990	2000	ACS 2005-09	Percentage Change 1980-1990	1990-2000	2000 - 2005-09
Median Estimated Value, Owner-Occupied Units -- Constant 2009 Dollars							
U.S.	$116,400	$126,000	$149,000	$185,400	8%	18%	24%
Hawai`i State	$245,700	$314,000	$285,600	$521,500	28%	-9%	83%
(HI as % of US)	***211.1%***	***249.2%***	***191.7%***	***281.3%***			
(HI Rank of 51)	***1***	***1***	***1***	***1***			
Maui County	$310,700	$332,500	$326,100	$606,200	7%	-2%	86%
Lānaʻi	$119,200	$176,200	$186,600	$389,800	48%	6%	109%
Molokaʻi	$164,600	$182,400	$187,400	$302,649	11%	3%	61%
(Lānaʻi as % of HI)	***48.5%***	***56.1%***	***65.3%***	***74.7%***			
(Molokaʻi as % of HI)	***67.0%***	***58.1%***	***65.6%***	***58.0%***			

Source: U.S. and State from http://www.census.gov/hhes/www/housing/census/historic/values.html and other Census sources (recomputed to 2005 values using Honolulu CPI for Hawai`i and U.S. CPI for U.S.)

	1980	1990	2000	2005-09	1980-1990	1990-2000	2000 - 2005-09
Median Gross Rent (for those paying cash rent) -- Constant 2009 Dollars							
U.S.	$481	$571	$602	$817	19%	5%	36%
Hawai`i State	$616	$830	$779	$1,221	35%	-6%	57%
(HI as % of US)	***128.1%***	***145.4%***	***129.4%***	***149.4%***			
(HI Rank of 51)	***2***	***1***	***1***	***1***			
Maui County	$967	$1,203	$1,028	$1,251	24%	-15%	22%
Lānaʻi	$310	$441	$568	$544	42%	29%	-4%
Molokaʻi	$625	$628	$755	$913	0%	20%	21%
(Lānaʻi as % of HI)	***50.4%***	***53.2%***	***72.9%***	***44.6%***			
(Molokaʻi as % of HI)	***101.5%***	***75.7%***	***96.9%***	***74.7%***			

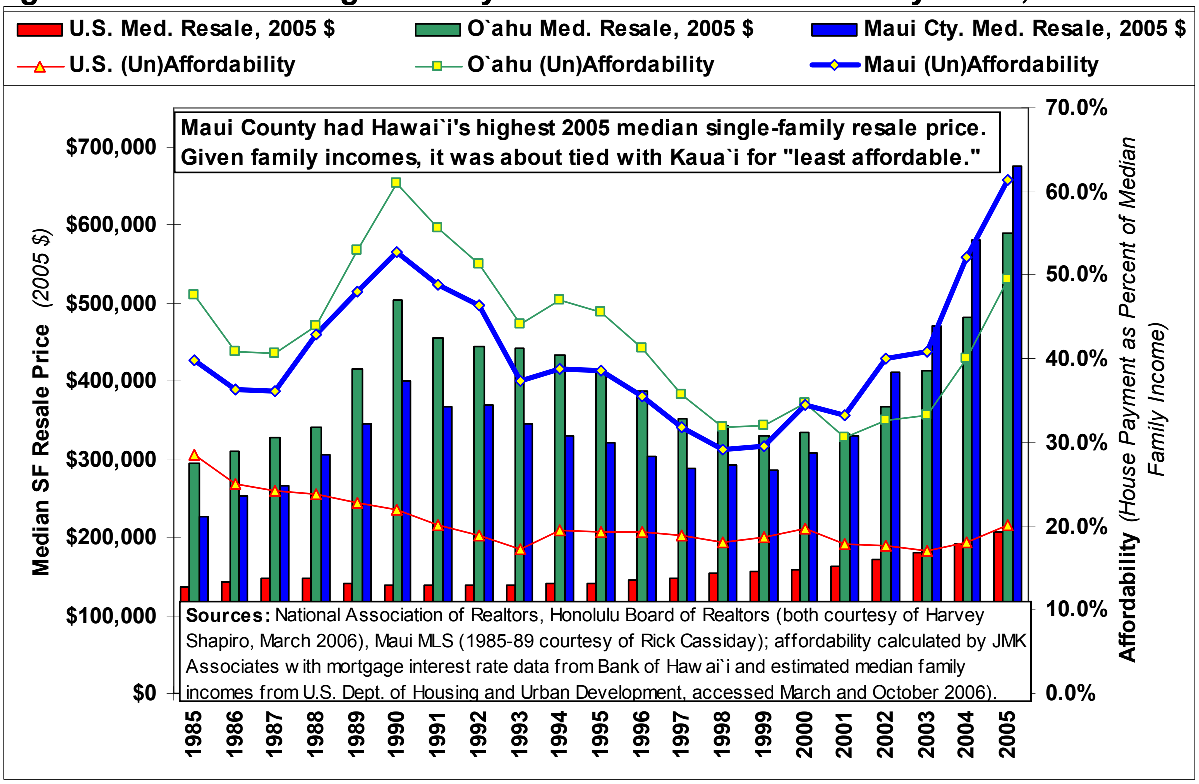
Source: U.S. and State from http://www.census.gov/hhes/www/housing/census/historic/grossrents.html and other Census sources (recomputed to 2009 values using Honolulu CPI for Hawai`i and U.S. CPI for U.S.). Averaged 2005-09 numbers from U.S. Census Bureau's American Community Survey ("ACS").

Note: Gross rent is the monthly amount of rent plus the estimated average monthly cost of utilities (electricity, gas, water and sewer) and fuels (oil, coal, kerosene, wood, etc.).

In all tables for this chapter any median values for Molokaʻi are approximate; estimated as weighted average of medians for individual tracts comprising the island.

Housing affordability (price relative to income) runs in cycles not always captured by the old decennial Census data. Figure 2.1 provides an unaffordability index based on single-family resales for the United States, Maui County, and O‘ahu from 1985 to 2005, the peak of the last economic cycle. Comparable data are not available for Lāna‘i and Moloka‘i because the index also requires information on family income not available for small areas on an annual basis. This figure shows that (1) for a while, housing prices grow faster than incomes (thus becoming more unaffordable), but as the cycle plays out, incomes catch up to housing (making housing somewhat more affordable again); (2) the cycles in Hawai‘i are much more extreme than for the country as a whole; and (3) in the last cycle, housing in Maui County became more unaffordable than on O‘ahu.

Figure 2.1: Median Single-Family Resales and Unaffordability Index, 1985 - 2005



The earlier Census values for owner-occupied units (Table 2.1) come from homeowner’s own reports, which may be based on assessed tax values or simple guesses. By contrast, Table 2.2, like Figure 2.1, uses actual resale[1] figures for Maui County, Lāna‘i, and Moloka‘i for the past 13 years, in inflation-adjusted constant dollars. These numbers are still somewhat imperfect estimates of the actual situation for typical residents outside resort areas (such as Kō‘ele, Mānele, or parts of Moloka‘i’s West End) or other areas with high concentrations of second homes for off-islanders (such as parts of Moloka‘i’s East End), because they include sales of such properties to off-islanders. However, they do give indications of changes in sales volume and prices over the last economic cycle, which began about 1998 (as shown in Figure 2.1).

[1] New home sale data are less generally available, though few new housing developments have begun in the current recession. New housing developments are particularly limited in Maui County, a fact which is attributed by local economists to the disincentives in the current affordable housing requirement policy.

Table 2.2: Housing Resales for Maui County, Lānaʻi, Molokaʻi – 1998-2010

	Single-Family			Fee-Simple Condominiums[1]		
	No. Sales	Median Price[2]	Total Dollar Volume[2]	No. Sales	Median Price[2]	Total Dollar Volume[2]
Maui County Total						
1998	602	$346,169	$306,678,440	717	$225,353	$237,600,825
1999	937	$331,864	$443,536,666	1,032	$222,017	$331,696,570
2000	951	$358,838	$561,532,384	1,142	$251,187	$423,899,940
2001	986	$385,563	$518,732,543	1,069	$254,678	$435,561,732
2002	978	$478,469	$613,002,277	1,314	$255,184	$531,199,832
2003	1,410	$548,624	$1,039,421,907	1,781	$304,237	$803,937,407
2004	1,221	$663,832	$1,076,195,565	1,221	$663,832	$1,076,195,565
2005	1,317	$789,700	$1,420,442,416	1,770	$453,583	$1,164,785,508
2006	1,088	$761,334	$1,125,279,529	1,114	$554,796	$973,439,097
2007	1,138	$660,335	$1,098,214,339	1,128	$576,420	$983,519,033
2008	907	$580,864	$758,013,191	735	$577,982	$708,804,339
2009	693	$498,106	$494,764,887	783	$465,000	$581,099,950
2010[3]	744	$452,575	$555,140,688	1,010	$383,705	$664,412,936
Lānaʻi						
1998	10	$216,634	$3,917,882	3	$2,347,429	$7,156,304
1999	9	$185,844	$1,485,422	8	$1,340,730	$11,170,536
2000	9	$176,157	$2,350,065	6	$1,184,167	$7,737,860
2001	9	$193,426	$2,751,807	11	$1,476,485	$16,517,292
2002	8	$202,871	$1,657,417	6	$1,435,408	$10,428,077
2003	16	$227,554	$3,927,649	4	$1,150,240	$5,255,568
2004	18	$343,986	$7,835,633	4	$1,879,852	$8,307,557
2005	18	$444,860	$13,613,829	8	$1,714,893	$15,984,731
2006	14	$444,935	$6,121,430	3	$2,805,033	$8,415,099
2007	19	$445,415	$20,974,336	9	$2,389,168	$16,968,391
2008	8	$445,800	$3,504,080	2	$1,985,243	$3,970,487
2009	10	$291,850	$6,705,700	5	$1,875,000	$9,425,000
2010[3]	5	$263,674	$2,767,597	2	$1,136,358	$2,272,715
Molokaʻi						
1998	0	$0	$0	0	$0	$0
1999	1	$59,735	$59,735	*(From 1999 - 2003, the Realtors Assn.*		
2000	3	$215,303	$1,070,643	*data contain no Molokaʻi condo sales.*		
2001	2	$99,550	$199,100	*However, Molokaʻi listings are some-*		
2002	1	$510,367	$510,367	*times made through Oʻahu or Big Island-*		
2003	4	$1,221,873	$5,181,878	*Kauaʻi Realtor Boards.)*		
2004	7	$482,787	$5,476,011	4	$214,237	$974,451
2005	6	$857,737	$8,623,892	6	$282,617	$1,724,197
2006	12	$524,584	$10,694,376	9	$373,526	$12,507,624
2007	3	$434,935	$1,634,935	6	$321,747	$1,851,040
2008	3	$432,230	$1,688,713	3	$155,804	$760,926
2009	5	$285,000	$2,789,000	10	$215,000	$2,663,500
2010[3]	8	$467,333	$5,083,996	14	$147,530	$2,042,394

[1] Sales of Leasehold Condominiums are much fewer in numbers and are typically for lower prices.
[2] In constant 2009 dollars (calculated by JMK Associates using overall Honolulu CPI multiplier).
[3] Through November only

Note: Data include sales to both on-island and off-island purchasers.
Source: Realtors Association of Maui, http://www.ramaui.com/content/4921d233da006/Market_Statistics.html

Despite the problems of mixing strictly residential “apple” sales with resort or other “orange” sales, Table 2.2 leads to these conclusions:

1. For Maui County as a whole (*though these numbers are primarily driven by Maui Island*), the last cycle clearly topped out in the 2003-07 timeframe.
2. Because they are smaller areas with fewer sales – something that always leads to more volatility – Lānaʻi and Molokaʻi patterns are less clear, but the high sales periods seemed to lag about one year behind the overall Maui County figures.
3. On average for this 13-year period, Lānaʻi median single-family resale values were a little over half the Maui County values, while its median condominium resales were nearly five times the Maui County number – reflecting their luxury nature.
4. Molokaʻi had even fewer single-family sales than did Lānaʻi (possibly because Homesteads do not figure into these totals), and thus even more variation. However, Molokaʻi’s single-family average was about 75% of Maui’s; its condos, about 40%.

2.2.2 Additional Analysis of Recent Molokaʻi Home Sales

(This sub-section is specific to Molokaʻi.) In most respects, there are two real estate markets on Molokaʻi: one for purchases by local residents and another for acquisitions by offshore buyers. Table 2.2 above provided historical median sales data but, as noted there, combined sales to residents and offshore buyers.

To get a better sense of individual sales, we examined single-family home sales on Molokaʻi for the period January 2009 through November 2010 that had been listed with the Realtors Association of Maui. We differentiated sales to local residents and those to offshore buyers primarily by the location of the sold property, a likely but not certain indicator.

The following Table 2.3 shows the difference in asking prices and final sales prices for individual properties by area of Molokaʻi, with certain areas assumed to be much more likely to have home sales to offshore buyers.

Table 2.3: Molokaʻi Single-Family Sales, 2009-2010

	Location	List Price	Sales Price
2009	East Molokaʻi	$237,500	$213,000
	Kaunakakai	$249,000	$230,000
	Maunaloa	$297,400	$285,000
	East Molokaʻi	$439,000	$400,000
	Kaluako'i Area	**$4,900,000**	**$1,661,000**
Average	**All 2009 Molokaʻi SF Sales:**	**$1,224,580**	**$557,800**
Median	**All 2009 Molokaʻi SF Sales:**	**$297,400**	**$285,000**
Average	**"Local" 2009 Molokaʻi SF Sales:**	**$305,725**	**$282,000**
Median	**"Local" 2009 Molokaʻi SF Sales:**	**$273,200**	**$257,500**
2010	Kualapuʻu	$99,900	$98,000
(through	Kaunakakai	$252,000	$225,000
November)	Maunaloa	$226,400	$226,400
	Kaluako'i Area	**$595,000**	**$450,000**
	East Molokaʻi Mauka	$675,000	$500,000
	East Molokaʻi	$695,000	$602,000
	East Molokaʻi	**$1,500,000**	**$1,175,000**
	Kaluako'i Area	**$2,395,000**	**$1,891,000**
Average	**All 2010 Molokaʻi SF Sales:**	**$804,788**	**$645,925**
Median	**All 2010 Molokaʻi SF Sales:**	**$635,000**	**$635,000**
Average	**"Local" 2010 Molokaʻi SF Sales:**	**$389,660**	**$330,280**
Median	**"Local" 2010 Molokaʻi SF Sales:**	**$226,400**	**$226,400**

Notes: (1) All prices in current dollars, not inflation-adjusted. (2) Red font indicates assumed sales to offshore buyers, based on location; (3) Sales are limited to listings with Realtors Assn. of Maui; this would typically exclude sales within Dept. of Hawaiian Home Lands properties and some other sales listed through Honolulu Board of Realtors or the Hawaiʻi Information Service.
Source: Deana Stover of Keller Williams Realty Maui provided the raw data for this compilation

It is statistically risky to generalize from so few cases, but some patterns seem clear. We identified four sales to likely local buyers in 2009 with an average sales price of $282,000 and a median price of $257,500. The sales price was relatively close to the asking price in all four instances. We identified five sales to likely local buyers in 2010 with an average sales price of $330,280 and a median price of $226,400. The sales price was relatively close to the asking price in three of the five sales.

Of the four sales we identified as being in resort areas, three were for between one and two million dollars each and one appeared to be primarily a land sale. In each of these instances the sales price was substantially below the asking price.

The point of these data is not to provide a definitive analysis of real estate prices on Molokaʻi, but rather to indicate that there is a large gap between the active "local" sales in 2009-10 and what the average Molokaʻi resident can afford. If one uses the rough measure that a buyer can afford a home that is two and a half times his or her annual household income, then the family whose household income is $44,800 (the Molokaʻi median for the 2005-09 period – see Table 2.3 above) could afford a home that sells for $112,000. If one uses the more liberal rule of thumb of three times the annual household income, then the family could afford a home that costs $134,400. Molokaʻi residents are not alone in this concern, though their low incomes make them even more affected than folks on other islands.

With one exception, all of the sales we identified as being in the local market were for homes costing $200,000 and above, well in excess of what a household earning the median income on Molokaʻi in 2005-09 could afford. In making these simple generalizations, we are not considering the availability of financing or the possible size of the down payment or the debt or other financial obligations or the credit rating that a potential purchaser might have. The point we are making is that there is a large dollar gap between the recent sales prices of home to presumed local residents and what the typical local resident can afford. This is not news to anyone on Molokaʻi. Those concerned with affordable housing for local residents are well aware of this substantial gap.

2.2.3 Hawaiʻi Housing Policy Study, 2006

The State government (sometimes with the assistance of local governments) funds the intermittent *Hawaiʻi Housing Policy Study*, including a large-sample household survey of housing conditions. The most recent of these was done in 2006[2] – at the tail end of the economic boom of the mid-2000s but before the Great Recession started in 2007. The contractors, SMS Research, provided unpublished tables showing detailed results for Maui County's planning areas. Tables in this chapter reproduce results (sometimes with further calculations by JMK Associates) for:

- Molokaʻi (sample size 333, sampling error ±5.0%);
- Lānaʻi (sample size 209, sampling error ±6.2%);
- East Maui / Hāna area[3] (sample size 122, sampling error ±8.0%);
- Total Maui County (sample size 1,449, sampling error ±2.5%).

The latter two are included for purposes of reference and comparison – East Maui/ Hāna because it is another distinctively rural part of Maui County. Note that, because of sampling error, data from this survey would not be as reliable as from the U.S. Census, but the numbers are at least more recent.

Table 2.4 provides data on monthly housing costs as of 2006. The fact that the monthly costs for owned units on Lānaʻi is so much higher than the comparable figures for Molokaʻi or similarly rural East Maui/Hāna may well indicate that resort housing, while still limited, is a much more significant factor on Lānaʻi than in the other two areas. The

[2] Another such study will be completed sometime in 2011.

[3] Other Maui County planning areas covered by the survey included Makawao-Pukalani, Pāʻia-Haiku, Kīhei-Mākena, Wailuku-Kahului, and West Maui.

Maui County figures, which likely include substantial second homes and resort housing, are much higher than for any of the other area including Lānaʻi. Rental costs are much more similar for the four areas than the costs for owned housing with Maui County being the most expensive followed by East Maui/Hāna, Lānaʻi, and Molokaʻi in that order.

The U.S. Department of Housing and Urban Development (HUD) states that:

> The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual income on housing. Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.[4]

Table 2.4: Monthly Housing Costs, 2006

	East Maui/ Hāna	Molokaʻi	Lānaʻi	Maui Cty Total
Monthly Housing Costs				
-- Avg. Mortgage, All Owned Units	$500	$688	$1,054	$1,461
-- Avg.Mortgage, Single-Family Units	$515	$698	$1,045	$1,451
-- Avg. Rent, All Rented/No Payment	$1,029	$944	$989	$1,256
-- Avg. Rent, 2-Bedroom Units	$1,091	$977	$1,104	$1,253

Source: SMS Research & Marketing Services, Inc. "Housing Policy Study, 2006." Prepared for Hawaiʻi Housing Finance & Development Corp., Dept. of Hawaiian Home Lands, and various county housing agencies. February 2007. (Special Maui County planning area results not published in report but provided by SMS Research -- Tables E-5, E-14.)

In 2006, as shown in Table 2.5, 32% of the households on Lānaʻi that owned their own homes were paying more than 30% of their income for housing. The figure for Molokaʻi was only slightly lower, namely, 27%. 55% of Molokaʻi renters were devoting 30% or more of their household income to rent; the figure for Lānaʻi, 26%, was significantly lower.

Table 2.5: Shelter to Income Ratio, 2006

	East Maui/ Hāna	Molokaʻi	Lānaʻi	Maui Cty Total
More than 30% Income to Housing Cost				
-- Owned Units	19%	27%	32%	36%
-- Rented or Occupied without Payment	46%	55%	26%	59%

Source: SMS Research & Marketing Services, Inc. "Housing Policy Study, 2006." Prepared for Hawaiʻi Housing Finance & Development Corp., Dept. of Hawaiian Home Lands, and various county housing agencies. February 2007. (Special Maui County planning area results not published in report but provided by SMS Research -- Tables E-8, E-17. Percentages recalculated to omit effects of non-reporting households.)

[4] See U.S. Department of Housing and Urban Development, Homes and Communities, Affordable Housing at <http://www.hud.gov/offices/cpd/affordablehousing/index.cfm>

When a quarter or more of the households in an area are devoting more than 30% of their income to housing, this is indicative of a serious affordability problem. This is clearly the situation on both Lānaʻi and Molokaʻi.

2.3 Housing Cost and Affordability – Projections and Forecasts

Short-Term: Nationally, there are many prognostications of what will happen next. While Lānaʻi and Molokaʻi are not Houston and San Diego, the real estate markets on these two islands are definitely impacted by what is occurring nationally. We attach particular importance to this analysis from the Urban Land Institute (ULI) and quote extensively from its 2010 analysis of emerging trends[5]:

> Misery engulfs many U.S. homeowners who overleveraged in a fantasy of ever-escalating values. The market crash erases not only "cash equity on which they were depending" to sustain lifestyles, but also (American) dreams of secure financial futures. "It takes a long time to recover lost value in a normalized market," let alone in an abnormally depressed one.
>
> Absent cheap credit, low early-year payments, and lackadaisical underwriting, many borrowers at all income strata could not really afford their homes and paid too much at inflated prices. "Perversely," people with bad credit who need help the most have been unable to take advantage of low interest rates to refinance or hold on to their homes as lenders belatedly tighten standards. Even worse, many potential homebuyers cannot muster enough equity to afford slashed prices and take advantage of the low mortgage rates. Some may be afraid to take the plunge given the unsettled jobs outlook, but many others have limited savings and debts to pay off—credit card, car loan, and mortgage. Trading-up buyers, a mainstay of transaction activity, cope with underwater mortgages on their existing homes, and lenders shut out speculators.
>
> Housing could stay in critical care well into 2012 or even 2013, until foreclosures and resale product clears. Only then can homebuilders resume activity, hoping that by then echo boomers with improved career prospects start to bail them out, buying at prices 30 to 40 percent off peaks. Shell-shocked by recent events, fewer people will be able to afford homes or feel comfortable owning them. Depending on what happens to Fannie Mae and Freddie Mac, mortgage spreads should widen and rising interest rates eventually will lead to higher borrowing costs. Underwriting standards will loosen, but purchasers will still need significant equity stakes and solid credit histories in the new world order…Don't be surprised if more families rebond into intergenerational units— grandparents, parents, and grandchildren all living under one roof to share costs.

Long-Term: This national logic (above) applies to a good extent on Lānaʻi and Molokaʻi. If the economic situation on these two islands takes further downward turns, some people are likely to move to Maui, Oʻahu, or the mainland seeking jobs. If this occurs, it will result in a large number of vacancies in rental housing and many owned homes

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[5] Urban Land Institute, 2011: Emerging Trends in Real Estate, ULI; Washington D.C., 2010), 79 pp.

being placed in the for-sale market, further depressing prices. Learning to negotiate the effects of such cycles represents a key challenge for long-range planners.

There are no forecasts or projections of housing costs or affordability per se. However, the new Maui County Planning Department's Socio-Economic Forecast does include forecast of units at various levels of the HUD median income. Table 2.6 reproduces this forecast. The forecast is, of course, intended to predict long-term trends rather than precise points in the economic cycle. Furthermore, these forecasts were developed prior to the bursting of the housing bubble, which commenced in 2007. However, it may be seen that the Census figures indicate fewer households in the "affordable" or "workforce" categories than initially estimated for 2005. This is due in some part to a smaller than expected population number, but in larger part to a greater than expected gain in household incomes.

HUD establishes a median household income for counties but not for subordinate geographical units. The median household income for Maui County, as shown in Table 2.6, was $56,500 in 2000. The figures for 2005 and beyond are estimates formulated by Maui County. Political jurisdictions and others frequently use the median household figure to determine eligibility for affordable housing. As a general rule, those household earning less than 100% of the median are considered candidates for affordable rental housing and those at 100% to 140% of the median as candidates for affordable for-sale housing.

On Molokaʻi in the year 2000, 59% of the households were at 50% of the median household income or below, 81% at 100% or below, and 90% at 140% or below, as the data in Table 2.6 indicate. On Lānaʻi 28% of the households were at 50% of the HUD median or below, 64% at 100% or below, and 92% at 140% or below. The projections for 2005-2030, formulated before the housing bubble burst, indicate there will be some changes in the household income distribution figures in the future, but the general pattern continues. 88% of household on Molokaʻi will be earning 140% or less of the predicted median income in 2030, slightly less than the 2000 90% figure. The comparable 2030 number for Lānaʻi is 87%, slightly lower than the 92% in the year 2000.

The conclusion to be drawn from these data is that the vast majority of households on Lānaʻi and Molokaʻi qualify for affordable rental or affordable for-sale housing using the HUD median income as a measure now and into the foreseeable future.

Table 2.6: Projected Number of Households by HUD Income Categories

Forecast Variables	Hist. 1990	Hist. 2000	*Pct. Distribution for 2000*	Est. 2005	Proj. 2010	Proj. 2015	Proj. 2020	Proj. 2025	Proj. 2030	*Pct. Distribution for 2005-30*
Molokaʻi										
Population	6,717	7,404		7,127	7,276	7,542	7,772	8,068	8,395	
Households	2,088	2,420		2,382	2,475	2,603	2,722	2,862	3,006	
Number of Households Earning No More Than:										
50% of HUD Median	783	1,201	*50%*	922	958	1,007	1,053	1,108	1,163	*39%*
80% of HUD Median	1,201	1,763	*73%*	1,584	1,646	1,731	1,810	1,903	1,999	*67%*
100% of HUD Median	1,409	1,951	*81%*	1,731	1,799	1,892	1,979	2,081	2,185	*73%*
120% of HUD Median	1,566	2,070	*86%*	1,912	1,988	2,090	2,185	2,298	2,414	*80%*
140% of HUD Median	1,670	2,177	*90%*	2,089	2,171	2,283	2,387	2,510	2,636	*88%*
Lānaʻi										
Population	2,426	3,193		3,452	3,735	4,046	4,308	4,598	4,901	
Households	847	1,161		1,285	1,415	1,555	1,680	1,817	1,955	
Number of Households Earning No More Than:										
50% of HUD Median	212	320	*28%*	449	494	543	586	634	682	*35%*
80% of HUD Median	445	584	*50%*	821	904	994	1,074	1,161	1,249	*64%*
100% of HUD Median	593	742	*64%*	952	1,049	1,152	1,245	1,346	1,448	*74%*
120% of HUD Median	720	917	*79%*	1,051	1,157	1,272	1,374	1,486	1,599	*82%*
140% of HUD Median	762	1,062	*92%*	1,118	1,231	1,353	1,462	1,581	1,701	*87%*
Median Income	$37,700	$56,500		$55,830	$65,625	$70,556	$76,112	$81,959	$87,340	
(Maui County)	*(1990 actual 1990 dollars; all others in 2000 dollars).*									

Source: Maui County Planning Department, "Socio-Economic Forecast: The Economic Projections for the Maui County Plan 2030." June 2006. The 1990 and 2000 values represented U.S. Dept. of Housing and Urban Development (HUD) official numbers for Maui County, while values from 2000 on are part of the County forecasts.

2.4 Consequences for Residents and Workers

The consequences of high Hawai‘i housing prices have included low homeownership rates, small dwelling units (as purchase prices go more for land than structures), and consequent crowding (by national standards), often due to “doubling up” and multi-generational households.

Ownership: Table 2.7 shows the homeownership rates as of 1980, 1990, 2000, and the average 2005-09 situation. The rates for Hawai‘i and Maui County have consistently been about eight to ten percentage points below the national average, with Hawai‘i one of the country’s lowest-ranking states for decades. Homeownership rates in Moloka‘i and Lāna‘i have varied over the years but appeared to be turning back up in the late 2000s; they slightly exceeded the statewide rate but still fell short of the national standard. (It should be noted that these numbers do not fully capture effects of foreclosures since 2007 or 2008.) The 2006 data in Table 2.8, based on smaller samples, also suggest higher figures for Moloka‘i (66%) and for Lāna‘i (51%) than were measured at the time of the 2000 Census data.

For a long time increasing the homeownership rate has been viewed in the United States as highly desirable. Federal policies, particularly those of Federal Housing Home Administration (FHA), Fannie Mae and Freddie Mac and the Income Tax Code, have encouraged and facilitated owning as contrasted with renting. Homeownership has been perceived as contributing to community stability, neighborhood enhancement, and creating a retirement nest egg for families as home values increase over time. The recent housing bubble has led to a re-examination of this issue since homeownership has put many households in a position where they could not afford to make their mortgage payments. The slide in home values negated the argument that homeownership was the sure avenue to financial security. Further, in the instance of job loss, homeownership has vastly reduced worker mobility. The conclusion is that for many families, renting is preferable to purchasing a home.

Size of Housing Units: Hawai‘i has also trailed virtually every other state in the union in terms of size of housing units, as measured by number of rooms. In this regard, Moloka‘i and Lāna‘i are even worse off than the state as a whole. The median number of rooms per occupied dwellings, as shown in Table 2.7, for Moloka‘i and for Lāna‘i was significantly lower than for Maui County in 2000, though the reported 2005-09 numbers were a bit higher. The *Housing Policy Study* survey data in Table 2.9 show somewhat different absolute numbers but still indicate smaller numbers of rooms than the County average, at least for owner-occupied units. This seems to be a characteristic of rural Maui County areas, as the East Maui/Hāna results were quite similar to those of Moloka‘i.

Table 2.7: U.S. Census Data on Homeownership Rates and Median Number of Rooms Per Occupied Unit

	Decennial Census			ACS	Percentage Change		2000 -
	1980	1990	2000	2005-09	1980-1990	1990-2000	2005-09
Homeownership Rates							
U.S.	64.4%	64.2%	66.2%	66.9%	0%	3%	1%
Hawai`i State	51.7%	53.9%	56.5%	58.1%	4%	5%	3%
(HI as % of US)	***80.3%***	***84.0%***	***85.3%***	***86.8%***			
(HI Rank of 51)	***50***	***49***	***49***	***48***			
Maui County	57.6%	57.6%	57.6%	58.1%	0%	0%	1%
Lāna‘i	52.9%	46.1%	49.4%	62.4%	-13%	7.0%	26.4%
Moloka‘i	51.1%	38.6%	60.9%	61.2%	-24%	57.9%	0.5%
(Lāna‘i as a % of HI)	***102.4%***	***85.6%***	***87.4%***	***105.4%***			
(Moloka‘I as a % of HI)	***98.8%***	***71.6%***	***107.8%***	***107.4%***			
Median Number of Rooms							
U.S.	5.1	5.2	5.4	5.4	2%	4%	0%
Hawai`i State	4.4	4.3	4.5	4.6	-2%	5%	2%
(HI as % of US)	***86.3%***	***82.7%***	***83.3%***	***85.2%***			
(HI Rank of 51)		***50***	***50***	***50***			
Maui County	3.9	4.0	4.3	4.0	3%	8%	-7%
Lāna‘i	4.6	4.5	3.9	4.2	-2%	-13.7%	7.7%
Moloka‘i	4.3	3.7	3.8	4.2	-13%	3.8%	9.3%
(Lāna‘i as a % of HI)	***104.5%***	***105.1%***	***86.7%***	***91.3%***			
(Moloka‘I as a % of HI)	***97.2%***	***86.0%***	***85.3%***	***91.2%***			

Source: U.S. and State from http://www.census.gov/hhes/www/housing/census/historic/owner.html and other Census sources

Note: From 2000, measures for median rooms also separately available for owner- vs. renter-occupiedunits. Expectably, owner households have more rooms. However, Hawai`i's rankings among states for median rooms are about the same for both categories of tenure.

Hawai`i ranks among the lowest of the states for both homeownership and median number of rooms. Among the counties, Neighbor Islands have historically had higher homeownerhip rates than O`ahu. However, Maui County (mostly Maui Island) has had an essentially flat ownership rate of about 58% since 1970. Ownership rates on both Moloka‘i and Lāna‘i fell in 1990 but appeared to be rebounding since.

Table 2.8: Homeownership Rates in Various Parts of Maui County, 2006

	East Maui/ Hāna	Molokaʻi	Lānaʻi	Maui Cty Total
Own	66%	66%	51%	60%
Rent	28%	32%	45%	39%
Occupy without Payment	6%	2%	4%	1%

Source: SMS Research & Marketing Services, Inc. "Housing Policy Study, 2006." Prepared for Hawaiʻi Housing Finance & Development Corp., Dept. of Hawaiian Home Lands, and various county housing agencies. February 2007. (Special Maui County planning area results not published in report but provided by SMS Research -- Table E-1.)

Table 2.9: Median Number of Rooms, 2006

	East Maui/ Hāna	Molokaʻi	Lānaʻi	Maui Cty Total
Median Number of Rooms:				
-- Owned Units	5.0	5.2	5.2	5.6
-- Rented or Occupied without Payment	4.0	4.3	4.2	4.0

Source: SMS Research & Marketing Services, Inc. "Housing Policy Study, 2006." Prepared for Hawaiʻi Housing Finance & Development Corp., Dept. of Hawaiian Home Lands, and various county housing agencies. February 2007. (Special Maui County planning area results not published in report but provided by SMS Research -- medians estimated by John M. Knox & Associates, Inc. from data in Tables E-2 and E-11.)

Crowding: Fewer rooms typically results in more crowding. By Census measures, Hawaiʻi has been the #1 or #2 state in the country for crowding for decades, and Lānaʻi and Molokaʻi homes have generally been even more crowded than the state as a whole. Using the measure of over one person per room, 23% of Molokaʻi and Lānaʻi housing units, rented and owned, were overcrowded in 2000 (Table 2.10), which was about 50% above the statewide rate. Units with over 1.5 persons per room are defined as severely crowded. Falling in this category were 11% of the homes on Molokaʻi and 5% on Lānaʻi, compared to 3% nationally in 2000. The 2005-09 figures in Table 2.10 show an apparently large across-the-board drop in crowding throughout the country, but (1) this is most likely due to change in methodology; and (2) Molokaʻi and Lānaʻi crowding percentages were still much higher than for Maui County, the state, or the country.

Table 2.10: U.S. Census Data on Crowding of Housing Units

	Decennial Census 1980	1990	2000	ACS 2005-09	Percentage Change 1980-1990	1990-2000	2000 - 2005-09
Crowded (1.01+ Persons Per Room) -- Owners and Renters Combined							
U.S.	4.5%	4.9%	5.7%	3.0%	9%	16%	-47%
Hawai`i State	15.3%	15.9%	15.4%	8.7%	4%	-3%	-43%
(HI as % of US)	*340.0%*	*324.5%*	*270.2%*	*290.2%*			
(HI Rank of 51)	*1*	*1*	*1*	*1*			
Maui County	16.4%	15.8%	16.4%	11.1%	-3%	4%	-32%
Lāna‘i	15.8%	13.5%	23.2%	15.3%	-14.6%	71.2%	-34.1%
Moloka‘i	20.2%	23.9%	22.5%	17.1%	18.1%	-5.8%	-23.9%
(Lāna‘i as % of HI)	**103.6%**	**85.1%**	**150.5%**	**175.0%**			
(Moloka‘i as % of HI)	**132.3%**	**150.3%**	**146.2%**	**196.5%**			
Severely Crowded (1.51+ Persons Per Room) -- Owners and Renters Combined							
U.S.	1.4%	2.1%	2.7%	0.8%	50%	29%	-70%
Hawai`i State	7.0%	7.8%	7.7%	2.8%	11%	-1%	-63%
(HI as % of US)	*500.0%*	*371.4%*	*285.2%*	*352.8%*			
(HI Rank of 51)	*1*	*1*	*2*	*1*			
Maui County	7.3%	6.8%	8.2%	2.9%	-6.8%	20.6%	-64.4%
Lāna‘i	5.7%	2.1%	4.5%	1.1%	*-62.6%*	*110.2%*	*-74.9%*
Moloka‘i	7.5%	9.1%	10.7%	5.5%	*22.3%*	*16.8%*	*-48.7%*
(Lāna‘i as % of HI)	**81.3%**	**27.3%**	**58.2%**	**39.6%**			
(Moloka‘i as % of HI)	**106.6%**	**117.0%**	**138.5%**	**192.9%**			

Source: U.S. and State decennial data from http://www.census.gov/hhes/www/housing/census/historic/crowding.html; other standard Census sources for counties and census tracts comprising islands of Lāna‘i and Moloka‘i.

The 2006 housing survey (Table 2.11) had even lower crowding figures than the Census, but still found Molokaʻi and Lānaʻi housing units relatively more crowded than the overall Maui County level. If it is of any consolation to residents of these two islands, Hāna area households were even more crowded.

Table 2.11: Crowding, 2006

	East Maui/ Hāna	Molokaʻi	Lānaʻi	Maui Cty Total
More than 1.01 Persons Per Room				
-- Owned Units	18%	11%	10%	5%
-- Rented or Occupied without Payment	23%	14%	17%	11%
-- Combined	20%	12%	13%	7%

Source: SMS Research & Marketing Services, Inc. "Housing Policy Study, 2006." Prepared for Hawaiʻi Housing Finance & Development Corp., Dept. of Hawaiian Home Lands, and various county housing agencies. February 2007. (Special Maui County planning area results not published in report but provided by SMS Research -- Tables E-7, E-16.)

2.5 Selected Household Characteristics – Historical Data

Some Hawai`i household "characteristics" may also in part be "consequences" of affordability challenges. For example, it is difficult to know to what extent our high average household sizes (Table 2.12 and Table 2.13) simply reflect social trends toward larger Island families vs. more adult workers or adult children living at home longer. Similarly, our relative paucity of single-occupant households (Table 2.14) could be "family lifestyle" or "can't afford to live alone!"

Household Size: Table 2.12 indicates that Hawaiʻi has consistently had one of the nation's highest average household sizes, despite downward trends since 1980 as family sizes have fallen. Molokaʻi has generally had households even larger that the statewide or Maui County averages (though Molokaʻi's 2005-09 average was about the same as the county and statewide figures), while Lānaʻi has consistently reported household sizes lower than the county but larger than the statewide figure. The 2006 housing survey data in Table 2.13 also shows the pattern of Molokaʻi larger, but Lānaʻi smaller, than the overall Maui County average.

Young Children with Both Parents Working: Despite concerns about both parents of small children working and having to find child care, Table 2.12 indicates Hawai`i's percentage of children in two-parent families with both parents in the labor force is only slightly higher than the national average, and we are far from the top state on that statistic. However, this rate has been increasing lately for Maui County in general and Lānaʻi in particular; on Molokaʻi, no clear trend is evident.

Table 2.12: U.S. Census Data on Average Household Size and Children with Two Working Parents

(Colored squares indicate years or periods for which data not available for particular [color-coded] jurisdictions.)

	Decennial Census			ACS	Percentage Change		2000 -
	1980	1990	2000	2005-09	1980-1990	1990-2000	2005-09
Average Household Size							
U.S.	2.75	2.63	2.59	2.60	-4%	-2%	1%
Hawai`i State	3.15	3.01	2.92	2.84	-4%	-3%	-3%
(HI as % of US)	*114.4%*	*114.2%*	*112.7%*	*109.1%*			
(HI Rank of 51)	*2*	*2*	*2*	*3*			
Maui County	3.11	2.99	2.91	2.87	-4%	-3%	-1%
Lānaʻi	3.06	2.85	2.74	2.69	-7%	-4%	-2%
Molokaʻi	3.47	3.23	3.05	2.82	-7%	-5%	-8%
(Lānaʻi as % of HI)	*97.1%*	*94.6%*	*93.9%*	*94.5%*			
(Molokaʻi as % of HI)	*110.2%*	*107.3%*	*104.6%*	*99.2%*			
Percentage of Children Under 6 in Two-Parent Families with Both Parents in Labor Force							
U.S.		55.5%	53.2%	55.8%		-4%	5%
Hawai`i State		59.7%	57.5%	57.8%		-4%	1%
(HI as % of US)		*107.6%*	*107.9%*	*103.5%*			
(HI Rank of 51)		*16*	*18*	*28*			
Maui County		59.7%	60.7%	68.0%		2%	12%
Lānaʻi		63.6%	67.1%	100.0%		5%	49%
Molokaʻi		54.2%	45.2%	58.5%		-17%	29%
(Lānaʻi as % of HI)		*106.6%*	*116.8%*	*173.1%*			
(Molokaʻi as % of HI)		*90.7%*	*78.6%*	*101.2%*			

Source: http://www.census.gov/ and various other standard Census data sources.

Note: Prior to 1990, data about employment status of parents were not collected or published in this form. From 2000, household size is also separately available for owner- vs. renter-occupied units. Expectably, owner households have larger household sizes. This is true for the country and all geograpical areas shown above -- except Molokaʻi. The 2005-09 American Community Survey found Molokaʻi rental units to average 2.97 persons vs. 2.73 among owners. The reason for this is not clear. Lessees are supposed to be counted as owners, but possibly incorrect instructions were given to Hawaiian Homesteaders.

For young children living in two-parent homes, the national and state rates of both parents working have remained roughly flat since 1990. The variations over time for Maui County, Molokaʻi, and Lānaʻi have been the greatest in the state, and the 100% rate for Lānaʻi in 2005-09 seems particularly high, leading to some suspicion of sampling error. However, it is still safe to say the Lānaʻi rate has consistently been above the statewide rate, and Molokaʻi has been under or equal to the statewide rate.

Table 2.13: Household Size, 2006

	East Maui/ Hāna	Molokaʻi	Lānaʻi	Maui Cty Total
Median Household Size	2.38	2.47	2.25	2.35

Source: SMS Research & Marketing Services, Inc. "Housing Policy Study, 2006." Prepared for Hawaiʻi Housing Finance & Development Corp., Dept. of Hawaiian Home Lands, and various county housing agencies. February 2007. (Special Maui County planning area results not published in report but provided by SMS Research -- medians estimated by John M. Knox & Associates, Inc. from data in Table E-46.)

People Living Alone: Consistent with high housing prices, crowding, and small household sizes, Hawaiʻi has also historically had one of the *lowest* percentages in the country of people living alone (see Table 2.14). However, in Hawaiʻi as in the U.S. generally, the percentage of “single occupants” has been rising over time, due to a mix of aging population, lower marriage rates, and other socio-economic factors. This change has been occurring a little faster in Hawaiʻi than in the country as a whole, but Hawaiʻi still remains one of the lowest-ranked states in terms of percentage of single-occupant households.

Lānaʻi over the past 20 years has consistently had somewhat higher percentages of single-occupant households than for Maui County or the state as a whole, and Lānaʻi’s 2005-09 percentage among owner-occupants actually exceeded the national average (24% vs. 22%). The change pattern over time for Molokaʻi has been quirky, especially from 2000 to the 2005-09 figure (see footnote in Table 2.14). However, as of 2005-09, Molokaʻi’s percentages were almost exactly the same as those for Lānaʻi, meaning both islands were exceeding the statewide average.

Household Age Structure: Another household/demographic characteristic that can be in some part shaped by the economics of housing cost has to do with age structure – declining percentages of households with children (as younger couples postpone families) and increasing percentages with kūpuna (more pressure for multi-generational households, although this is also part of Hawaiʻi’s culture). Table 2.15 shows that these trends are occurring much faster for Hawaiʻi than for the nation as a whole. Lānaʻi and Molokaʻi each have higher percentages of *both* children *and* seniors than does the state overall, suggesting more pressure on the working “sandwich generation” to pay the housing bills.

Table 2.14: U.S. Census Data on Single-Occupant Households

	Decennial Census 1980	1990	2000	ACS 2005-09	Percentage Change 1980-1990	1990-2000	2000 - 2005-09
Single-Occupant Households as Percentage of All OWNER-Occupied Households							
U.S.	15.3%	18.6%	20.3%	22.0%	22%	9%	8%
Hawai`i State	11.1%	14.7%	17.3%	19.2%	32%	18%	11%
(HI as % of US)	*72.5%*	*79.0%*	*85.2%*	*87.3%*			
(HI Rank of 51)	*51*	*50*	*50*	*48*			
Maui County	11.5%	14.4%	16.3%	19.4%	25%	14%	19%
Lānaʻi	14.8%	15.6%	18.8%	24.2%	5%	21%	29%
Molokaʻi	10.4%	12.6%	15.7%	25.2%	21%	25%	61%
(Lānaʻi as % of HI)	*133.6%*	*106.0%*	*108.6%*	*125.8%*			
(Molokaʻi as % of HI)	*93.5%*	*85.6%*	*90.6%*	*131.2%*			
Single-Occupant Households as Percentage of All RENTER-Occupied Households							
U.S.	36.0%	35.2%	36.5%	38.1%	-2%	4%	4%
Hawai`i State	23.5%	24.8%	27.8%	29.3%	6%	12%	5%
(HI as % of US)	*65.3%*	*70.5%*	*76.2%*	*76.9%*			
(HI Rank of 51)	*51*	*51*	*50*	*50*			
Maui County	26.1%	27.2%	29.5%	33.5%	4%	9%	13%
Lānaʻi	22.9%	28.6%	32.6%	33.3%	25%	14%	2%
Molokaʻi	27.3%	39.6%	43.6%	31.9%	45%	10%	-27%
(Lānaʻi as % of HI)	*97.3%*	*115.2%*	*117.2%*	*113.8%*			
(Molokaʻi as % of HI)	*116.2%*	*159.7%*	*156.8%*	*109.0%*			

Source: U.S. and State from http://www.census.gov/hhes/www/housing/census/historic/livalone.html and other standard Census sources.

Note the surprisingly high percentage increase (61%) on Molokaʻi from 2000 to the 2005-09 averaged ACS percentage for owners, as well as the no-less-surprising 27% decline in proportion among renters for single-occupant households. This may be due to sampling error or to different understanding over time as to whether Hawaiian Homesteaders should report them-selves as owners or renters.

Table 2.15: U.S. Census Data on Households Containing At Least One Child or Senior Citizen

	Decennial Census 1990	Decennial Census 2000	ACS 2005-09	Percentage Change 1990 - 2000	Percentage Change 2000 - 2005-09
Households with Children Under 18 as Percentage of Total Households					
U.S.	36.5%	36.0%	34.2%	-1%	-5%
Hawai`i State	40.4%	37.9%	35.6%	-6%	-6%
(HI as % of US)	*110.5%*	*105.3%*	*103.9%*		
(HI Rank of 51)	*7*	*10*	*9*		
Maui County	40.4%	38.8%	35.7%	-4%	-8%
Lāna‘i	40.1%	38.6%	40.8%	-4%	6%
Moloka‘i	48.6%	42.5%	38.2%	-13%	-10%
(Lāna‘i as % of HI)	*99.5%*	*101.7%*	*114.8%*		
(Moloka‘i as % of HI)	*120.5%*	*112.1%*	*107.5%*		
Households with Seniors 65+ as Percentage of Total Households					
U.S.	24.1%	23.4%	23.6%	-3%	1%
Hawai`i State	24.7%	27.4%	28.3%	11%	3%
(HI as % of US)	*102.3%*	*117.1%*	*120.1%*		
(HI Rank of 51)	*20*	*3*	*2*		
Maui County	24.2%	23.5%	24.0%	-3%	2%
Lāna‘i	38.4%	28.0%	31.8%	-27%	14%
Moloka‘i	30.0%	30.8%	31.5%	3%	2%
(Lāna‘i as % of HI)	*155.6%*	*102.2%*	*112.6%*		
(Moloka‘i as % of HI)	*121.6%*	*112.4%*	*111.3%*		

Source*:* http://www.census.gov (1990 and 2000 from Summary File 1; 2005-09 from American Community Survey)

Interpretation: For children, there has been a small statewide decline in % of households with children -- this took place mostly on O‘ahu (and Moloka‘i); Maui County (and Lāna‘i) households with children increased in numbers, just more slowly than the overall household increase.

For seniors, Hawai`i is now one of the nation's leaders in terms of percentage of households with at least one person aged 65+. Again, however, that's mostly due to increases on O`ahu -- the percentage of Maui County (and Moloka‘i) households with seniors is staying roughly constant. On Lāna‘i, though, the absolute number of households with seniors stayed roughly constant while the overall number of households increased through 2000, then declined somewhat by 2005-09.

2.6 Selected Household Characteristics – Projections and Forecasts

Maui County's recently published Socio-Economic Forecast includes projections of: (1) average household size; and (2) population age distributions.

Household Size: For household size, the assumption is of a decline that tends to flatten out in the future, much as the national drop in household size has slowed with time (see previous Table 2.12). In addition to the county figures in Table 2.16 below, the forecasts assume that average household size will remain relatively comparable in Maui County and Lānaʻi but will remain somewhat higher on Molokaʻi.

Table 2.16: Projected Future Average Household Sizes

	2005	2010	2015	2020	2025	2030
Maui County	2.9	2.8	2.8	2.7	2.7	2.6
Lānaʻi	2.9	2.7	2.7	2.6	2.6	2.6
Molokaʻi	3.2	3.1	3.0	2.9	2.9	2.9

Source: Maui County Planning Department, "Socio-Economic Forecast: The Economic Projections for the Maui County General Plan 2030." June 2006. P. 18 and Exhibits I-7 and I-8.

Age: For population and age-sex cohorts, the County model begins with official State DBEDT projections for Maui County; makes separate calculations for Lāna\`i and Moloka\`i (including slower growth for Moloka\`i); and calculates age-sex distributions for Maui Island as a residual. Selected figures for youth and senior citizen percentages are given below in Table 2.17. The projection is for a slight drop in the proportion of youths but a substantial increase in the proportion of senior citizens.

Table 2.17: Projected Future Percentages of Youth and Seniors

		Youth			Seniors			Total
		0-9	10-19	*Subtotal*	65-79	80+	*Subtotal*	Population
Maui Island	**2000**	13.6%	13.7%	*27.3%*	8.4%	2.9%	*11.2%*	118,371
	2030	13.3%	13.1%	*26.4%*	14.7%	5.2%	*19.9%*	186,204
Lānaʻi	**2000**	15.3%	14.3%	*29.7%*	10.0%	4.6%	*14.6%*	3,193
	2030	14.2%	13.1%	*27.3%*	16.3%	7.5%	*23.8%*	4,901
Molokaʻi	**2000**	15.7%	19.3%	*35.0%*	10.8%	3.0%	*13.8%*	7,404
	2030	14.7%	17.7%	*32.4%*	15.5%	5.0%	*20.5%*	8,395

Source: Maui County Planning Department, "Socio-Economic Forecast: The Economic Projections for the Maui County General Plan 2030." June 2006. P. 42 and Exhibits I-2 and I-3.

While the data in the foregoing Table 2.16 and Table 2.17 show no evidence that the projected shift to more elderly had begun in Maui as of 2005, the underlying age distribution of the current population leaves little doubt that the number and proportion of elderly will grow significantly in the next 10-20 years. The County should plan for the special needs of elderly residents, by addressing housing affordability, types of housing that allow aging-in-place, and supportive building code standards.

2.7 Availability/Supply Vs. Overall Demand – Historical Data

Production of Overall Net New Housing Supply: Job and population growth drive housing expansion. Both Lāna‘i and Moloka‘i produced something close to "enough" new units for their expanding number of households throughout the 1990s (although whether by actual construction or by sometimes-illegal partition of homes into multiple units is unclear).

As shown in Table 2.18, the percentage increase in the number of occupied units on Lāna‘i, 37%, exceeded its population increase, 32%, from 1990 to 2000, resulting in a slight decrease in average household size. From 2000 to the averaged 2005-09 period, both population and occupied housing units actually shrank on Lāna‘i; this time, the population proportionately shrank a little more than occupied housing units, so the average household size again declined despite the shrinkage.

For all other geographical areas in Table 2.18, including Moloka‘i, growth in occupied units outstripped growth in population, suggesting the population and its economic system were finding ways to generate “enough” housing to meet demand, despite cost and quality issues such as small number of rooms.

Table 2.18: Census Data on Relative Gains in Population Vs. Housing Units

	Decennial Census		ACS	Percentage Change	
	1990	2000	2005-09	1990 - 2000	2000 - 2005-09
Population Living in Households					
U.S.	242,050,161	273,643,273	293,246,135	13%	7%
Hawai`i State	1,071,484	1,175,755	1,244,465	10%	6%
Maui County	99,116	126,693	140,287	28%	11%
Lāna‘i	2,411	3,182	2,868	32%	-10%
Moloka‘i	6,740	7,388	7,422	10%	0%
Occupied Housing Units					
U.S.	91,947,410	105,480,101	112,611,029	15%	7%
Hawai`i State	356,267	403,240	437,976	13%	9%
Maui County	33,145	43,507	48,934	31%	12%
Lāna‘i	847	1,161	1,068	37%	-8%
Moloka‘i	2,088	2,420	2,632	16%	9%
Persons Per Occupied Unit (Average HH Size)					
U.S.	2.63	2.59	2.60	-1%	0%
Hawai`i State	3.01	2.92	2.84	-3%	-1%
Maui County	2.99	2.91	2.87	-3%	-1%
Lāna‘i	2.85	2.74	2.69	-4%	-1%
Moloka‘i	3.23	3.05	2.82	-5%	-2%

Source: U.S. Census data from http://www.census.gov (Summary File 1 for 1990 and 2000; ACS for 2005-09)

Recent Building Permit Activity: The number of building permits applied for and issued provides a fairly good indicator of construction and real estate activity. It does not, however, provide insight into the affordability of the new housing units.

The drop-off in new residential construction on Lāna‘i has been extremely large as the data in Table 2.19 demonstrates – from a recent high of 76 new permits for single-family homes in 2005, the numbers dropped sharply to five in 2009 and just two through September of this year. On the other hand, permits for additions, alterations, or conversions of residential units has been fairly steady over the years with a peak in 2007 at 36 and a drop to only seven in 2010 (through the month of September).

Table 2.19: Building Permits Issued for Construction on Lāna‘i and Moloka‘i, 2005 – 2010

Moloka‘i	**2005**	**2006**	**2007**	**2008**	**2009**	**2010***
Single family detached	59	47	51	32	27	14
Two family buildings						
Three and four family buildings						
Subtotal, New Residential Structures	***59***	***47***	***51***	***32***	***27***	***14***
Residential (add, alter, convert)	28	17	14	14	12	13
Total Residential Permits	**87**	**64**	**65**	**46**	**39**	**27**
Lāna‘i	**2005**	**2006**	**2007**	**2008**	**2009**	**2010***
Single family detached	18	58	14	4	5	2
Two family buildings	5	11				
Three and four family buildings	11	12				
Subtotal, New Residential Structures	***34***	***81***	***14***	***4***	***5***	***2***
Residential (add, alter, convert)	12	18	36	16	13	7
Total Residential Permits	**46**	**99**	**50**	**20**	**18**	**9**

* 2010 is partial -- January through September.
Source: Compiled by Maui County Development Services Administration

The decrease in new residential construction on Moloka‘i has not been as dramatic as on Lāna‘i, as the data in Table 2.19 demonstrates. Permits for single-family detached dwellings went from 59 down to 27 in 2009 and only 14 in 2010 (through September). Permits for additions, alterations, or conversions of residential units, which numbered 28 in 2005, dropped to between 12 and 17 per year in the period 2006-2010 to date.

Four conclusions stand out from these data:

- There has been a significant drop in new residential construction on both islands, but especially on Lāna‘i, since the bursting of the housing bubble in 2007.

- There has been no new construction of multi-family units on Moloka‘i during the 2005-2010 period and none on Lāna‘i since 2006.

- While the number of permits for additions to and alteration of residential structures has decreased from 2005 to the present, the drop has not been near as dramatic as has occurred in permits for new construction.

- There is at present very little effective demand for new residences.

Vacancy Indicators: Census data in Table 2.20 confirm that rentals are generally more available than for-sale units, but Hawai`i rental supply varies with the economic cycle much more than supply of units for sale – presumably because in good times rentals can be sold or, in some cases, made available for visitor use. In 2000, Hawai`i had the 3rd highest rental vacancy in the country; it was still relatively high in the late 2000s.

Moloka‘i has generally had a higher vacancy rate than the rate for the state (or for Maui County) as a whole, while Lāna‘i has had much lower vacancies, especially among for-sale units. The American Community Survey (while subject to sampling error) actually found essentially zero for-sale vacancies on Lāna‘i for the 2005-09 period.

Table 2.20: Census Data on Vacancy Rates

	BASED ON TOTAL HOUSING UNITS, INCLUDING INVENTORY FOR SEASONAL USE & OTHER UNSPECIFIED VACANCIES			BASED ON ADJUSTED TOTALS, ELIMINATING SEASONAL, UN-SPECIFIED VACANCIES, AND OTHER MISCELLANEOUS VACANT		
	Decennial Census		ACS	Decennial Census		ACS
	1990	2000	2005-09	1990	2000	2005-09
RENTAL Vacancy ("For Rent" as % of All Housing Units)						
U.S.	3.0%	2.3%	2.5%	3.2%	2.4%	2.7%
Hawai`i State	2.4%	3.4%	3.2%	2.6%	3.7%	3.6%
(HI as % of US)	*81.4%*	*151.1%*	*128.5%*	*80.8%*	*155.7%*	*130.5%*
(HI Rank of 51)	*36*	*3*	*5*	*37*	*3*	*6*
Maui County	3.7%	2.5%	9.3%	4.4%	3.2%	10.9%
Lāna‘i	6.5%	3.2%	2.1%	7.1%	3.6%	2.6%
Moloka‘i	13.3%	8.0%	3.9%	15.3%	9.4%	4.6%
(Lāna‘i as % of HI)	*266.2%*	*93.3%*	*65.0%*	*278.3%*	*97.7%*	*71.6%*
(Moloka‘i as % of HI)	*550.5%*	*233.9%*	*121.0%*	*598.0%*	*252.1%*	*130.1%*
OWNER Vacancy ("For Sale" as % of All Housing Units)						
U.S.	1.2%	1.0%	1.4%	1.3%	1.1%	1.5%
Hawai`i State	0.4%	0.8%	0.7%	0.4%	0.9%	0.8%
(HI as % of US)	*34.0%*	*77.7%*	*50.3%*	*33.7%*	*80.1%*	*51.1%*
(HI Rank of 51)	*51*	*42*	*45*	*51*	*42*	*46*
Maui County	0.7%	0.6%	0.6%	0.8%	0.7%	0.7%
Lāna‘i	0.1%	0.4%	0.0%	0.1%	0.4%	0.0%
Moloka‘i	0.2%	1.0%	1.1%	0.2%	1.2%	1.4%
(Lāna‘i as % of HI)	*23.7%*	*44.7%*	*0.0%*	*24.8%*	*46.8%*	*0.0%*
(Moloka‘i as % of HI)	*42.2%*	*124.4%*	*164.2%*	*45.8%*	*134.0%*	*176.4%*

Source: http://www.census.gov (1990 and 2000 from Summary File 1; 2005-09 from American Community Survey)

Note: The adjustment to eliminate seasonal and other vacancies not for rent/sale has more impact on Maui County than other areas because of Maui's large percentage of timeshares and second homes.

2.8 Availability / Supply Vs. Overall Demand – Forecasts and Projections

Forecasted Demand: The following exhibit (
Table 2.21) shows projected housing demand, based on the County's 2006 Socio-Economic Forecast, for Maui County, Maui Island, and various regions. It is primarily based on the earlier mentioned forecasts of resident population,[6] with subsequent calculations about the number of housing units needed to accommodate this population in each region. (Also see foregoing Table 2.6 for projections about resident households by HUD income categories.)

Table 2.21: Projected Maui County, Island, and Regional Housing Demand

Forecast Variables	1990 (Histori-cal)	2000 (Histori-cal)	2005 (Pro-jected)	2010	2015	2020	2025	2030
Resident Housing Demand								
Lānaʻi	892	1,222	1,353	1,489	1,637	1,769	1,912	2,058
Molokaʻi	2,198	2,547	2,507	2,605	2,740	2,865	3,013	3,164
Maui Island	31,865	42,148	47,867	52,785	57,637	62,878	68,328	73,745
Total County	34,955	45,918	51,727	56,880	62,014	67,512	73,253	78,967
New Resident Demand								
Lānaʻi			131	137	148	132	144	145
Molokaʻi			-40	98	134	125	148	151
Maui Island			5,719	4,918	4,852	5,241	5,450	5,418
Total County			5,809	5,153	5,134	5,498	5,741	5,714
New Non-Resident Demand								
Lānaʻi			114	120	129	115	126	127
Molokaʻi			-51	124	169	157	186	190
Maui Island			1,929	1,929	1,929	1,532	1,532	1,532
Total County			1,993	2,172	2,227	1,805	1,844	1,849
Total Demand								
Lānaʻi			1,467	1,609	1,766	1,884	2,038	2,184
Molokaʻi			2,456	2,729	2,909	3,022	3,198	3,354
Maui Island			49,870	56,788	63,642	70,416	77,400	84,352
Total County			53,793	61,126	68,316	75,322	82,636	89,890
Cumulative Increase in Total Housing Demand over 2005								
Lānaʻi				142	299	417	571	717
Molokaʻi				273	452	566	742	898
Maui Island				6,919	13,772	20,547	27,530	34,482
Total County				7,333	14,524	21,529	28,844	36,098

Source: Maui County Planning Department, "Socio-Economic Forecast: The Economic Projections for the Maui County General Plan 2030." Exhibit I-11. June 2006.

[6] For the first time, the forecasts have provisions for "non-resident demand." We note that the forecast methodology states: "Offshore demand is quantified as a ratio of non-resident to resident sales by region in 2004, applied to the demand for new resident housing units" (emphasis added). As will be discussed shortly, there is an important distinction between overall "sales" to offshore purchasers (which can include investment properties, some of which may be rented to residents) vs. offshore "uses" (such as vacation homes), which remove these units from the available residential inventory. However, it is our understanding that the County interprets the non-resident demand figures as being entirely for non-resident uses.

2.9 Affordable Housing and Hawaiian Home Lands

Based on the foregoing, a general conclusion in this issue paper, which is no surprise to Moloka‘i residents, is that many Moloka‘i residents qualify for affordable housing and not much such housing is available. The current situation is complicated by the lack of available financing for those who do not have a substantial down payment available as well as excellent credit scores. Currently there are three agencies that are working on making affordable housing available on Moloka‘i: the Department of Hawaiian Home Lands (DHHL), the most significant provider of affordable housing in Hawai‘i, the Moloka‘i Affordable Homes and Community Development Corporation (MAHCDC), and Moloka‘i Habitat for Humanity. Most often, they are working together.

The Hawaiian Homes program offers qualified beneficiaries – namely, those over 18 years of age who meet the 50% Hawaiian blood quantum requirement – a house lot with infrastructure available for 99 years at a land lease rental of one dollar a year. Having the land available at essentially no cost to the prospective homeowner makes it possible for that person to construct a home on the land assuming they can obtain the necessary financing. One complication in years past has been that of providing a lender with a right to the property if the borrower should default on his or her loan, since the land belongs to the Department of Hawaiian Home Lands. As a result of amendments to federal and state laws, there are now several alternatives means of financing available including: (1) Direct loans made by DHHL; (2) Guaranteeing of loans made by other entities, including the U.S. Department of Agriculture’s Rural Development Program (USDA/RDP); (3) Private mortgage insurance loans issued by banks and underwritten by the Mortgage Guaranty Insurance Program; and (4) Section 247 FHA (Federal Housing Administration) guaranteed loans.

There are 396 residential leases in effect for the Island of Moloka‘i as of November 30, 2010.[7] The leases are distributed as follows:

Ho‘olehua	158
Kalama‘ula	163
Kapa‘akea	46
Mo‘omomi	0
One Ali‘i	29
TOTAL	396

The number of leases issued is not the same as the number of built residences. A family may have a residential lease but not have built a home on their awarded property primarily due to lack of available financing for home construction. While DHHL has a one-year time frame stipulated in the lease for completion of construction, the Commission has been lenient in not enforcing the provision. Data on the actual number

[7] Hawaiian Homes Land Commission, “Lease Report for the Month Ending November 30, 2010”.

of residences on Hawaiian Home Lands on Molokaʻi are not currently available from published DHHL documents.[8]

According to the 2010 DHHL Regional Plan for Molokaʻi, the Department currently plans the following new residential areas: (1) 81 acres containing 57 lots in Kalamaʻula (2) a 204-acre area mauka of Kamehameha Highway in Kapaʻakea, Kamiloloa and Makakupu'ia that will contain 286 half-acre lots; and (3) 57 lots on 81 acres in Kalamaʻulu.[9] Clearly, if and when these lots are created with infrastructure, leases issued, and homes built, it will go a long way to providing Molokaʻi with additional affordable housing. Further, if DHHL begins to provide rental housing for beneficiaries who cannot afford to construct their own homes, a possibility that is currently under discussion, then Hawaiian Homes will become an even more significant source of affordable housing than it already is.[10]

DHHL partners with Maui County and the utility providers on infrastructure improvements that benefit both the Department's lands and the rest of Molokaʻi. DHHL also partners with non-profits such as Habitat for Humanity, which has built an average of two to three home a year, the majority on Molokaʻi homestead lands, serving families earning 60% or less of the area median income (AMI) for Maui County. MAHCDC is currently in the process of building seven affordable self-help homes on DHHL residential lots. MAHCDC is working with the USDA/RDP to qualify families in the 60% to 80% AMI bracket for USDA/RDP funding to finance constructing these homes. MAHCDC hopes to facilitate construction of 7 to 10 self-help homes each year in the future on fee-simple and/or Hawaiian homestead lots.[11]

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[8] The American Community Survey (ACS), 2005-2009, reports that there are 473 residences on Hawaiian Home Lands on Molokaʻi, which, since it exceeds the number of residential leases as reported by the Department of Hawaiian Lands, undoubtedly includes all residences, whether on residential or agricultural lots. Further, ACS data are subject to sampling errors, especially for small areas. See http://Hawaiʻi.gov/dbedt/info/census/acs/ACS2009/ACS2009_5_Year/acs_hi_2009_hhland_MMOK_cnty_prof_5_yr_estimate. The 2000 U.S. Census showed 400 housing units on Hawaiian Home Lands on Molokaʻi, which undoubtedly also means it included homes on both residential and agricultural lots. See http://factfinder.census.gov/servlet/GCTTable?_bm=y&-geo_id=04000US15&-_box_head_nbr=GCT-PH1&-ds_name=DEC_2000_SF1_U&-format=ST-8.

[9] See page 18 http://Hawaiʻi.gov/dhhl/publications/regional-plans/Molokaʻi-regional-plan/Molokaʻi_051310.pdf/.

[10] See Honolulu Star Advertiser, "Nominee mulls rental option". February 6, 2011, at http://www.staradvertiser.com/news/20110202_Nominee_mulls_rental_option.html#

[11] E-mail cortrespondence with David Finley, Executive Director, MAHCCD

3 HOUSING CONCERNS ON MOLOKA‘I

3.1 Introductory Comments

This chapter focuses on areas of housing concerns on Moloka‘i. The intent is to describe each of these potential problem areas in turn. None of them are new. They are well known in the community, namely, the weak economic base, low income levels, the cost of vacant land and infrastructure, interim zoning, offshore buyers, Section 8 rental housing, the aging of the population, and the distant county government. The utility of this chapter is that it gathers all of these concerns in one place and provides the basis for Chapter 4, where alternative courses of action are proposed that are designed to provide means for dealing with these problem areas.

The tendency, of course, in discussing the housing problem on Moloka‘i is to focus on a single cause – e.g., the offshore buyers or the county bureaucrats in Wailuku or the high cost of construction. In actuality the housing problem on Moloka‘i is the consequence of a multiplicity of factors, not just one.

It is important to understand there are, in practice, two housing markets on Moloka‘i: one for local residents and the other for offshore buyers (whether from out-of-state or people from other Hawaiian islands). Some of these offshore buyers may be seeking second residences and some investment properties.[12] These two markets respond to different stimuli. The critical stimuli for the local housing market are jobs and income. The critical stimuli for the offshore buyer, who may be an investor, is disposable income, which in turn is a product of high-income jobs, capital gains, accumulated wealth, and/or favorable tax laws.

3.2 The Economic Base

Moloka‘i's economic base is not strong, as is documented in the accompanying issue paper, “Moloka‘i Economic Development Issue Paper”. The former major employer, Moloka‘i Ranch, has closed shop and its future is murky at best. Tourism has never become a major player. Agriculture remains small. Pineapple production is simply a long past memory. The largest current employer on the Island is Monsanto, which along with Mycogen/Dow AgroScience, is growing seed crops. Moloka‘i’s unemployment rate, almost 15% in July 2010, continues to be the highest in the State.

This weak economic base contributes significantly to the lack of effective local demand for market rate housing. The bursting of the housing bubble in 2007 in the United

[12] It is, of course, quite feasible that an investor could be a Moloka‘i resident.

States, leading to economic recession in this country and abroad, reduced the offshore demand for second homes.

3.3 Income Levels

Table 3.1 below (reproduced from the “Molokaʻi Economic Development Issue Paper”) provides the most recent available data on general economic conditions in Hawaiʻi and each of the principal islands. It also permits comparison with the 2000 U.S. Census data. Molokaʻi is low man on the totem pole in every category.

The 2005-2009 median household income on Molokaʻi (in 2009 inflation-adjusted dollars) was $44,800, as compared to over $53,000 on Lānaʻi and over $65,000 on Maui Island. The 1999 median household income for Molokaʻi was $32,906. In 2007 the HUD median income for Maui County was $69,900. (Clearly different data were used in setting the HUD median household income than were collected in the American Community Survey.)

Almost 25% of Molokaʻi households were receiving public assistance (cash and/or food stamps) in the 2005-09 period, an 11% increase over the 2000 Census figure, which may not be exactly comparable. Again, compared to the State and all other islands, Molokaʻi’s figure was by far the highest.

Table 3.1: U.S. Census (2000, 2005-09) Data on General Economic Conditions

	State	Oʻahu	Kauaʻi	Maui Island	Molo-kaʻi[1]	Lānaʻi	Big Island
Year 2000							
Households with public assistance income	7.2%	6.8%	7.8%	5.9%	13.4%	4.9%	9.7%
Median household income in 1999	$49,820	$51,914	$45,020	$50,885	$32,906	$43,271	$39,805
Individuals below poverty level in 1999	10.7%	9.9%	10.5%	9.8%	21.4%	9.5%	15.7%
Average 2005-09							
Households with public assistance income[2]	10.0%	9.4%	9.6%	6.7%	24.5%	13.4%	15.0%
Median household income in past 12 mo.[3]	$64,661	$67,066	$63,317	$65,660	$44,800	$53,445	$55,645
Individuals below poverty level in past 12 mo.	9.4%	8.9%	9.5%	7.4%	17.3%	8.3%	13.5%

[1] Molokaʻi numbers are calculated by adding results for three Census areas: "West Molokaʻi," "East Molokaʻi," and "Kalawao County." Median Molokaʻi income number is approximate, based on weighted average of medians for these three areas.

[2] Combines food stamps plus cash assistance for 2005-09. May not be exactly comparable with 2000 figure.

[3] In 2009 inflation-adjusted dollars.

Source: U.S. Census, 2000, Summary File 3 (Survey Data); American Community Survey, 2005-09

Similarly, the 2005-09 American Community Survey data for individuals below the poverty level (as measured for the 12-month period preceding the survey) showed Molokaʻi just over 17%, a figure higher than any of the other jurisdictions. (Poverty levels appeared to improve from the 2000 Census for all islands, though that may be a function of changed Census methods and/or the fact that the 2005-09 five-year running average includes data mostly from pre-recession years.)

These data on household income, poverty levels, and public assistance, taken together, show that a higher percentage of people on Molokaʻi, compared to those in other Hawaiʻi jurisdictions, are not in a financial position to acquire homes of their own at prices prevailing in the market place.

3.4 Vacant Land and Infrastructure

Vacant land comes in two basic forms: with infrastructure and without. Infrastructure includes, but is not limited to the following: paved streets, water lines, sanitary sewer lines, storm sewers, sidewalks (though not always), electrical and telephone service and, more recently, cable service. If the vacant land is subdivided and has the necessary infrastructure, then homes may be constructed on individual lots. If the vacant land is located in a rural area that does not have infrastructure, it may still be possible to build, assuming the land area meets zoning requirements and the septic tank or cesspool meet Health Department standards.

There are vacant lots with infrastructure in place on Molokaʻi.[13] These include Maunaloa Village. The North section has a total of 109 lots with 75 still vacant. The South section has a total of 108 lots with 75 still vacant. Molokaʻi Ranch owns the majority of the lots; individuals own the remainder. The lots that are for sale range in price from about $50,000 to $100,000.

There are lots in the Kawela Plantation development, east of Kaunakakai with the infrastructure in place. Of the 210 lots in Kawela, 105 are vacant. Local residents own approximately 40% of these lots while the other 60% are owned by off-islanders. These lots are currently priced between $72,000 and $250,000. (It has been noted by MAHCDC that a few years ago these lots ranged in price from $200,000 to $400,000.)

There are a limited number of lots with infrastructure located adjacent to Kaunakakai in Ranch Camp (340 lots with 9 nine vacant) and Manila Camp (130 lots with 10 vacant). The vacant lots run in price from $120,000 to $150,000.

The Department of Education has recently decided to keep the Maunaloa Elementary School open, which may make lots in that area more attractive to local residents than if the school had been closed. On the other hand, the closing of the movie theatre and some stores as a part of the Molokaʻi Ranch closure detract from the potential attractiveness of living in Maunaloa. That is, there are now no nearby jobs, and the cost of gas makes for expensive commutes.

[13] These data on developed and vacant lots have been furnished by the Molokaʻi Affordable Homes and Community Development Corporation (MAHCDC).

In order to create affordable housing on vacant lots with infrastructure, David Finley, Executive Director of the Molokaʻi Affordable Homes and Community Development Corporation, states that their cost must fall between $50,000 and $80,000, so that it becomes possible to keep the final mortgage under $200,000.[14] With the exception of some of the lots in Maunaloa and a few in Kawela Plantations, most of the vacant lots with infrastructure in place do not lend themselves to the provision of affordable housing.

3.5 Interim Zoning

Interim zoning is intended to provide temporary regulation of land use until such time as a permanent zoning ordinance can be prepared and adopted. The current interim zoning that governs most land use on Molokaʻi dates back to the late 1950s or 1960s.[15] As Maui County states in its Ordinance 3661, adopted in July 2009,[16] which amended the Interim Zoning Ordinance, providing interim regulations, pending the formal adoption of a comprehensive zoning ordinance and map, are deemed necessary in order to:

1. encourage the most appropriate use of land;
2. conserve and stabilize the value of property;
3. prevent certain uses that will be detrimental to existing uses; and
4. promote the health, safety, and general welfare of the respective districts.

Forty or fifty years, whichever is correct, is an excessively long time to leave interim zoning in effect.

Most all of the land on Molokaʻi that is designated “Urban” by the State Land Use Commission (SLUC) is Interim Zoned (IZ). The exception are those properties for which a CIZ (Change in Zoning) has been filed and the change has been granted. The SLUC designated Ag and Rural lands on Molokaʻi were rezoned from IZ to County Agricultural and Rural zones respectively upon the County’s adoption of the Ag and Rural Zoning Ordinances in Years 1998/1999, according to information furnished by the Maui County Department of Planning.

ʻOhana or accessory dwelling units may be built in IZ land, assuming all other requirements are met. Where the application of the provisions of the IZ ordinance results in “practical difficulty” or "unnecessary hardship”, an appeal may be made to the Board of Variances and Appeals. The Board may grant relief assuming such relief is not

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[14] These estimates furnished in response to questions posed by authors of this Report.

[15] The County Planning Department in an e-mail dated February 4, 2011, states that it believes interim zoning dates back to 1969. Hanazawa’s Variety Store, which filed a very complete application for a zoning change, states that, “The County Board of Supervisors blanket-zoned most of the County to interim in the late 1950’s”. See http://hanzawastore.com/zoning.html.

[16] See http://www.co.maui.hi.us/documents/County%20Clerks/Ordinances/3600%20-%203699/Ord%203661.PDF

"…detrimental to the public interest, convenience, and welfare".[17] Any action of the Board, whether granting or rejecting an appeal, must be referred to the County Council, for its approval. The Council has the authority to overrule the decision of the Board.

What are the significant consequences of interim zoning for Molokaʻi?

1. Interim zoned property cannot be subdivided nor can conditional permits be granted. If a person, for example, owns a one-acre parcel and wishes to develop it for single-family housing with 6,000 square foot lots, he or she cannot do so. If the owner wants to build a parking lot or a private recreation center and that use requires a conditional use permit, then the development cannot proceed.[18]

2. Commercial use of interim zoned property is considered non-conforming since commercial is not permitted in the IZ. It is likely that a commercial use property, which has been grandfathered, cannot be intensified or shifted from one commercial use to another or reestablished if the commercial structure burns down or is otherwise destroyed. Furthermore, if the use is discontinued for more than one year, it is possible that it cannot be reestablished.

It is an anomaly for a county to have interim zoning in place as long as been the case for Molokaʻi. It restricts developments that might otherwise be undertaken. If there are provisions in the Interim Zoning Ordinance that work well in regulating land use on Molokaʻi, they can certainly be incorporated in a permanent zoning ordinance. The adoption of a revised long-range community plan for Molokaʻi provides the opportunity for replacing the interim zoning with a new zoning ordinance tailored to the needs of Molokaʻi Island.

3.6 Offshore Buyers (Vacation Homes and Vacation Rentals)

Some offshore buyers choose to relocate and live on Molokaʻi year around. They are not the people we are speaking of in this section. We are considering the impact on the local housing market of the couple that buys a condo or a home and lives in it for two or three or four months a year and then rents out their home during the remaining portion of the year or makes it available as a short term vacation rental or even leaves it vacant. We are also considering the impact of the investor who buys a property and then leases it to an offshore resident or uses it as a short-term vacation rental. How do such purchasers impact the housing market for residents? Do they skew the local market?

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[17] See http://www.co.maui.hi.us/documents/County%20Clerks/Ordinances/3600%20-%203699/Ord%203661.PDF

[18] See http://www.co.maui.hi.us/documents/County%20Clerks/Ordinances/3600%20-%203699/Ord%203661.PDF. The minimum lot size is 6,000 square feet for a single-family residence within the IZ or 12,000 for a duplex unit with additional developments standards relating to lot width, building height, and setbacks. Similar standards are established in the 2009 amendment to the IZ ordinance for community facilities including health establishments, schools and parks and for agricultural uses.

The data shown earlier in Table 2.3 (previous chapter) provide some strong indications of what the answers to these questions are. Real estate in the Kaluako'i and East Moloka'i areas is far more expensive than in other parts of the island.

We are leaving aside a host of social questions such as how do these so-called "snow birds" interact with the local populace, what is the magnitude of their contribution to the economic income of retail merchants and other local business people, what do the part-time residents perceive as their stake in the well-being of the community, and what is the impact of an increasing number of vacation rentals, located in residential areas, on the social fabric of the community. Those and related questions may well be worth studying, but they are beyond the scope of this issue paper.

The impact of offshore buyers on the local housing market is a function of the magnitude of the phenomenon. If the numbers are small, then so will be the impact. Some land, particularly oceanfront property, will increase in value and not be available to local residents of more limited means than the newcomers. Further, local contractors might become less available to local residents because they are busy building structures for offshore buyers. On the other hand, these offshore buyers bring new income into the community, which would not otherwise be present.

One factor that makes Hawai'i, including Moloka'i, such an attractive place for non-residents with disposable income to spare to purchase real estate is the relatively low property tax rates in the State compared to other locations. A National Association of Home Builders survey based on 2005 data from the American Community Survey[19] showed that the median real estate tax on residences in Hawai'i was $924. This gave Hawai'i a rank of 39, among the lowest of all the states and the District of Columbia. Most of the states below Hawai'i were from the South. New Jesey was first at $5,532, New Hamshire second at $3,920, Connecticut was third at $3,865, and California tenth at $2,278. This rank at #39 was true even though Hawai'i in 2005 had the second highest median home value, just barely below California.

A low property tax burden means that the accompanying costs for owning property are much less than in a jurisdiction where the burden is high. It also means that real property is a relatively favorable investment compared to other alternatives. This, in turn, contributes to higher real estate value than would be the case if property taxes were twice or three times as high. Clearly, one of the reasons Hawai'i has such low property tax revenue (a function of rate times assessed valuation) is that neither the State nor its political subsdivisions have depended on that tax to finance public education, K through 12, as is common in other jurisdictions.

Hawai'i County has established nine property classes including affordable rental housing, residential, apartment, and homeowner. The tax per $1,000 of value is

[19] Siniavskaia, Natalia. "Reisdential Real Estate Tax Rates in the Amenican Community Survey" (2005 data), National Association of Home Builders at http://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=76984&subContentID=105281

subtanially lower for affordable rental housing and homeowner classes than it is for the other classes of property. A person qualifies to be placed in the homeowner class if he or she is entitled to a home exemption. A home exemption is granted to a person, upon application, who owns and occupies the property as his or her principal home for more than 200 calandar days per year. There are three elements necessary for real property to be considered a “principal home”: (1) no other home examption or principal home anywhere else; (2) intent to maintain a principal home in the county; and (3) actual physical occupancy of the home by the owner.[20]

As long as the number of offshore buyers remains relatively small, the impact on the local housing market, which caters to a different set of people, will remain manageable. It is when the numbers become large – equal perhaps to 15% or 20% or more of the local population – that the impact on the local market will be significant. Land prices may rise as well as the cost of construction. If this influx is a long-term phenomenon, then more contractors will enter the market, which, according to economic theory, will limit the increase in the cost of construction. As land prices rise, it will pay to equip currently vacant land with infrastructure and make it available for housing.

Moloka‘i is not currently so attractive to offshore buyers, partly as a result of the recent economic recession, that the threat of a major impact on the local housing market is imminent. In fact, given the bursting of the housing bubble in 2007 and the resultant recession, both the offshore demand for homes on Moloka‘i has substantially decreased as has the market value of existing homes of offshore residents. That does not mean, however, that the present situation is a permanent state of affairs. Housing cycles are the norm. It is realistic to expect that the real estate market for offshore buyers will change in the days ahead.[21]

3.7 Section 8 Rental Housing

The Housing Choice Voucher Program (sometimes referred to as Section 8 housing) is the federal government’s leading endeavor to assure that low-income families, the disabled, and the elderly are able to rent decent, safe, sanitary, affordable housing. In general, vouchers are furnished to families whose household income does not exceed 50% of the Maui County median income as determined by the Department of Housing and Urban Development (HUD). In 2010, the HUD median income for a family of four was $76,000. Thus a family of four whose total household income did not exceed $44,800 would be eligible for a voucher.[22] At times, the demand for vouchers may

[20] See chapter 19, Real Property Taxes, Hawai‘i County Code at http://www.co.Hawai‘i.hi.us/countycode/chapter19.pdf

[21] Clearly, one of the significant elements in the dispute over the proposed Laau development was that that project would have been catering to an offshore clientele with very high incomes and substantial wealth, quite unlike the typical Moloka‘i resident. Whether in the future, Moloka‘i Ranch, or perhaps its successor organization if the Ranch sells its land, will seek to revive Laau or a similar project is unknown.

[22] HUD makes adjustments for areas with unusually high housing cost to income relationships; thus $48,400 is not 50% of $76,000, the median housefold income for a family of four.

exceed the HUD resources available to the local housing agency, in which case a waiting list is established. That list may be closed if there is no reasonable possibility of assisting new applicants in the near future.

Once an applicant qualifies for a voucher, it is up to him or her to find a qualifying unit to rent. A unit qualifies if the Maui County Department of Housing and Human Concerns (HHC) has approved it as meeting health and safety standards and determined that the rent agreed upon by the applicant and the landlord is deemed reasonable. HHC has established payment standards that are employed in calculating the available subsidy, which are as follows:

- Zero bedrooms: $1,137
- One bedroom: $1,260
- Two bedroom: $1,465
- Three bedroom: $1,960
- Four bedroom: $2,099
- Five bedroom: $2,413
- Six bedroom: $2,728

The voucher holder pays 30% of the family's household income directly to the landlord. HHC send a monthly check for the remainder to the landlord. A family of four with total income at 40% of the median household income for Maui County would pay $10,752 annually in rent or $896 per month. If the family consists of a mother and father and two children of different sexes, then the family would qualify for a three-bedroom unit. The payment standard for a three-bedroom unit is $1,960, so the County would send the landlord a check for $1,064 each month. If the landlord and the tenant have agreed to a rent that exceeds $1,960 a month and HHC has approved the lease, then the tenant is responsible for paying the additional increment. As of October 15, 2010, there were 119 families on Molokaʻi participating in the Section 8 Program.[23]

The Section 8 Program works well for the landlord who receives rent payments from two sources, namely, the tenant and the County. The Program also works well for the voucher holder who is probably occupying a larger and more livable unit than his or her family could afford if they were shouldering the full rental cost each month.

The problem arises for the family of four that has a monthly income of 60% of the median income and according to the 30% calculation can afford to pay $1,344 per month. That family is edged out of the rental market by the lower income family that provides the landlord with a total yield of $1,960 per month. Thus, the Section 8 Program makes renting more difficult for those in the gap group from 51% of median family income to about 100% of median household income.[24] It is an anomaly that a

[23] Numbers furnished by the Housing Division of the Department of Housing and Human Concerns in an e-mail addressed to John M. Knox and Associates dated October 15, 2010.

[24] The local housing agency may exercise a prefernce for a family that is homeless or living in substandard quarters, that is paying more than 50% of its income for rent, or has been involuntarily displaced and give them priority in securing a voucher.

program that is intended to help very low-income families, and does that rather effectively, simultaneously decreases the supply of rental housing available to low-income families and probably results in increasing the proportion of their income that those families must devote to housing.

In conclusion, the Section 8 Program is unintentionally contributing to making rental housing less affordable for a significant segment of Molokaʻi's population. Actually, if HUD were to use a sliding scale rather than an arbitrary cut-off at 50%, this problem would become a non-problem.

A subsidiary difficulty that was noted by one local observer is that some of the Section 8 approved housing units do not appear to have been inspected recently or at least do not seem to meet the HUD established safe and sanitary standard.[25]

3.8 The Residential Workforce Housing Policy Ordinance

Maui County already has the equivalent of an inclusionary zoning ordinance, namely. the Residential Workforce Housing Policy.[26] Basically the ordinance applies to any new development involving five or more dwelling units or lots or some combination thereof. Prior to any subdivision approval or the issuance of any building permit, the developer must enter into an agreement with the Maui Department of Housing and Human Concerns. When 50% of the dwelling units or lots are offered for sale on site for less than $600,000 each, then at least 25% of the units must be priced and sold as affordable dwellings as defined by the Ordinance. When 50% of the dwelling units or lots are offered for sale on site for more than $600,000 each, then at least 50% of the units must be priced and sold as affordable dwellings as defined by the Ordinance. There are a set of parallel provisions governing satisfaction of the affordable requirements by providing lots or dwellings off-site that generally require 50% or more of the units or lots to be affordable as defined in the Ordinance.

The Ordinance establishes six income groups based on the median household income standards (MHI) established by HUD (U.S. Department of Housing and Urban Development) for Maui County as adjusted by the Maui Department of Housing and Human Concerns for Hāna, Lānaʻi, and Molokaʻi. The six classes are:

1. Very low income: 50% or less of MHI;
2. Low income: More than 50% of MHI but not more than 80%;
3. Below-moderate: More than 80% of MHI but not more than 100%;
4. Moderate: More than 100% of MHI but not more than 120%;
5. Above moderate: More than 120% of H MHI I but not more than 140%; and

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[25] This observation was offered by a representative of the Molokaʻi Affordable Homes and Community Development Corporation (MAHCDC).

[26] See Chapter2.96 of the Maui County, Hawaiʻi, Cod of Ordinances to review the many specific provisions of this law.

6. Gap income: More than 140% of MHI but not more than 160%.

For ownership projects the distribution of units and/or lots among prospective owners is to be as follows (based on household median income for Maui determined as described above):

1. 30% to below moderate income residents;
2. 30% to moderate income residents;
3. 20% to above moderate income residents; and
4. 20% to gap income residents.

For rental projects the distribution of units and/or lots among prospective renters is to be as follows:

1. One-third to very low and low income residents;
2. One-third to below moderate income residents; and
3. One-third to moderate income residents.

The Ordinance defines the applicant selection process for both ownership units and rental units. Ownership units are to be kept in the affordable stock for 25 years. Provisions governing resale and repurchase of units by the County are specified in the Ordinance. Rental housing units are to be kept affordable in perpetuity.

3.9 The Aging Population

On Molokaʻi, as is true most everywhere in the country, the population is aging. In the year 2000, as shown in Table 2.17 in Section 2.6 above, 10.8% of Molokaʻi's population fell in the 65-79 age bracket; in 2030 the figure is anticipated to be 15.5%. Seniors 80 plus were 3% of Molokaʻi's population in the year 2000; it is anticipated that figure will be 5.0% in 2030.

Maui County's Office of Aging in the Department of Housing and Human Concerns contracts with organizations serving the elderly to provide a variety of services. It also conducts outreach to the elderly and refers persons to the appropriate agency. The Office of Aging maintains an office in Kaunakakai primarily focusing on outreach and referral.

Hale Mahaʻolu (a private, non-profit agency) operates Home Pumehana on Molokaʻi, a senior housing facility with approximately 85 units for low and moderate-income seniors. The residents' share of the rent is usually based on 30% of adjusted gross income. The emphasis is on making it possible for seniors to live as independently as possible. It is located in Kaunakakai.

Molokaʻi now has a new adult day care center, the Na Puʻuwai Senior Enrichment Center, located on the grounds of Home Pumehana. It operates from 7:30 am to 5:30

pm on weekdays and provides its elderly with an array of activities designed to maintain both mental abilities and physical skills. The Center is for seniors 62 years old and above who are able to operate relatively independently, e.g., feed themselves.

There is, however, no long-term residential care facility on Molokaʻi that can assist elderly who can no longer take care of themselves nor can their families provide the continuous assistance they require. Molokaʻi General Hospital can provide skilled nursing care and intermediate care, but is neither equipped nor staffed to be a long-term residential care facility.

3.10 The Distant County Government

The continual and persistent complaint from any number of Molokaʻi residents is the remoteness of the Maui County governmental agencies in Wailuku. The complaints range from how long it takes to get a building permit to how long one has to wait for an inspection to how expensive it is to have to travel to Wailuku to get action on an application to how unhelpful some staff members in Wailuku are to how insensitive the County Government is to the special issues that Molokaʻi residents need to deal with.[27]

Hopefully, the recent stationing of a building inspector on Molokaʻi and the even more recent assignment of a staff member of the Planning Department's Current Planning Division to be stationed on Molokaʻi will begin to bridge the existing gap.

There are also a whole range of policy issues where the approach that is believed to work best on Maui Island may not be well designed for Molokaʻi. It may be quite reasonable to take a different approach to encouraging and regulating B&Bs on Molokaʻi than on Maui Island. This may also be true in terms of vacation rentals. There may be good reason to maintain interim zoning dating back to the 1950s in areas on Maui Island that are not applicable on Molokaʻi. The current affordable housing requirements, which apply countywide, may not be well designed to encourage the development of more affordable housing on Molokaʻi. The ordinance controlling accessory dwellings (also known as ʻohana units) may work well on Maui Island, but may require modification for Molokaʻi if ʻohana dwellings are to be a primary approach to meeting the need for affordable housing on that island. Even though there are portions of Maui Island that are quite rural, Molokaʻi is primarily rural and this may call for different planning approaches than are applicable to the larger jurisdiction.

Ways to address these and related issues will be discussed in the following chapter.

[27] At a recent workshop on Molokaʻi, a County official pointed out that the county was well aware of these complaints and that the County planned to address them and therefore there was no need to list them on the small group session work sheets.

4 HOUSING ALTERNATIVES WORTH CONSIDERING

4.1 Overview

The data and analysis the foregoing two chapters make clear what is common knowledge on Moloka‘i – namely, Moloka‘i has a serious lack of affordable housing. This chapter puts forth some alternative approaches for closing that gap. There is no way that market rate housing will fill the gap at any time in the near decade, given the current and likely future status of Moloka‘i's economy (as described in the Economic Issue Paper).

4.2 Increasing the Stock of Affordable Housing

4.2.1 Understanding the Nature of Affordable Housing

Before looking at the available means for increasing the stock of affordable housing on Moloka‘i, there are five important points to bear in mind when discussing the subject.

(1) The first is that **affordable housing almost always has to be subsidized** whether by the land owner, which can be government, the developer, the buyer or seller of market rate housing, or a public agency, or some combination thereof. The major exceptions to this generalization are the accessory dwelling, which represents an investment by the primary homeowner, and self-help housing, which involves the investment of sweat equity by the owner and those who contribute their labor together with the contribution of building materials. If market rate housing were affordable to most everyone, there would be no need for a category known as affordable housing.

(2) The second is that **affordable housing can be either for-sale housing or for-rent housing**. For a long time, policy makers have talked about affordable for-sale housing because of the attachment to the American Dream of everyone who possibly can becoming a homeowner. Public policy has subsidized the American Dream ideal by providing for mortgage guarantees and an income tax deduction for interest payments on mortgages. As a consequence of the housing bubble and the sub-prime mortgage scandal, which almost led America into a major depression, public policy is being revised,[28] perhaps toward recognizing that the goal "…is a decent home and suitable living environment for every American family" as enunciated in the Housing Act of 1949,[29] rather than that every possible family own

[28] See U.S. Departments of Treasury and Housing and Urban Development, Reforming America’s Housing Finance Martket: A Report to Congress, February 2011.

[29] The Housing Act of 1949, PL 81-171 S. Doc No. 99, 81st Cong., 1st Sess. (1949).

their own home. Rental housing has many advantages including the absence of a major down payment and allowing a family greater flexibility in being able to move to an area where there are jobs rather than being stuck in an economically-depressed region without a job and a mortgage payment due next month.

(3) Third, **affordable housing is for the workers who make possible the smooth functioning of our communities,** which is why it is often called Workforce Housing. As Jesse Wu, Vice-President of Stanford Carr Development, LLC, documented when speaking of the housing crisis on O‘ahu, affordable housing is for the police officer, the firefighter, the teacher, the dental hygienist, the child care worker, the medical technician, the plumber, the electrician, the tour guide, the truck driver, the retail salesperson, and many others.[30] The way that median-income and below families manage the current unaffordability of housing is by holding multiple jobs, living in less than adequate housing, skimping on other necessary expenses and spending less time with their children and in the community.

(4) Fourth, **it is almost always preferable to build mixed-income communities rather than those that are exclusively affordable.** Mixed-income communities are generally safer, more viable, and more vibrant than those composed exclusively of low-income families. The Urban Land Institute puts it this way: "Providing housing options for all income groups affords lower-income households access to the services and positive life style benefits afforded to middle- and upper-income families."[31] If the affordable project is small, 10 to 12 units, then it can easily be located in a mixed-income area and become an integrated part of that community. If it is a large project, composed solely of affordable units, then integration with the larger community may be problematic. Lack of integration may not become a problem on Moloka‘i, where it is likely that most affordable projects will be small in size.

(5) Fifth, there is **a need is to have a stock of affordable housing available over time**. The difficulty in the case of much of the affordable for-sale housing that has been built in the past is that it has, after a period of time, most often 10 to 15 years, become market-price housing once resale restrictions have expired. This is good in that the stock of market rate housing available has increased and undesirable in that the stock of affordable housing has decreased. A community land trust, discussed below, gets around this problem by owing the land in perpetuity and leasing it to the person who qualifies for an affordable home, which he or she then owns. It is the old residential leasehold system, which was common in the Islands prior to last quarter of the 20th century. The other approach in which the affordable home is most likely to remain in the affordable housing stock is rental housing. For this among other reasons, affordable rental housing provides an attractive alternative for public policy makers to consider.

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[30] Jesse Wu, Sanford Carr Development, LLC, "Affordable Housing and the Private Sector", a PowerPoint Presentation, University of Hawai‘i at Mānoa, October 5, 2010.

[31] Urban Land Institute, Workforce Housing: Innovative Strategies and Best Practices, 2006, p. 12.

4.2.2 Encouraging Accessory Dwellings (also known as ‘Ohana Housing)

Title 19 of the Maui County Code provides for the construction of accessory dwellings. Such units may be constructed in areas zoned for residences, apartments, or hotels or areas governed by interim zoning and in the State rural land use district.[32] The maximum gross floor area of the accessory units varies from 500 square feet to 1,000 square feet depending on the lot size, which runs from a minimum of 7,500 square feet to 87,120 square feet or more. The unit may have an uncovered open deck, walkway, patio, or lanai not to exceed 200 to 400 square feet, the size depending on the lot area. Only one accessory unit may be constructed on a lot regardless of its size.

The accessory dwelling must have at least one separate entrance. It cannot have an interior connection to the main unit. It also must have a carport or other off-street parking area. It has to have access to a street that is at least 16 feet wide. Prior to applying for a building permit, the County must certify the adequacy of the sewage disposal system, water supply and fire protection or if complete plans are submitted, then the public facilities clearance can be processed concurrently.

The accessory dwelling unit alternative provides the speediest, least complicated, and lowest cost to the County means to increase the supply of affordable housing.[33] It is the family that owns the property that arranges for financing the cost of the accessory unit and builds it. Self-help building may be one way of reducing the cost of the new unit. Once built, the family is free to rent the unit, which provides supplemental income for the homeowner and helps pay for the construction cost or the mortgage cost on the primary residence, or to use the unit to house elderly parents or other family members, with or without a rental charge. The new accessory dwelling increases the stock of housing units on Molokaʻi, which in almost every instance will be affordable, and the County has not had to finance its construction.

The County Government, working with private contractors, financial institutions, and non-governmental organizations (NGO), should do everything feasible to encourage the construction of accessory dwellings, including expediting the permitting and inspection process, as one means of increasing the supply of housing on Molokaʻi, especially affordable housing. In some instances, it may be necessary for the County to improve the infrastructure in an area so that the homeowners can build accessory dwellings, which will be adequately serviced.

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[32] See Capter 19.35, Accessory Dwellings, Maui County, Hawaiʻi, Code of Ordinances at http://library.municode.com/HTML/16289/level3/TIT19ZO_ARTIICOZOPR_CH19.35ACDW.html

[33] Download Tom Dinell, “Alleviating The Shortage of Affordable Dwellings Through ‘Ohana Housing", June 2008, at the Hawaiʻi Housing Alliance website at http://community.hawaiihousingalliance.com/documents/hhadocuments/publications/otherhousingreports/affordablehousing_ohanahousingdocx

The County may well want to give consideration to raising the maximum gross floor area of an accessory dwelling upward. The current limits are very low and could lead to the construction of substandard housing units. Currently the maximum is 500 square feet of covered floor area for lots that are 7,500 to 9,999 square feet in area. A more reasonable approach might be to specify that the maximum gross covered floor area, including both the primary and accessory dwelling, is not to exceed a set percentage of the entire lot area. In essence, this is the floor area ratio approach (used in high-density zones) in reverse, since the allowable ratio will be less than 1.0. This percentage could decrease as the lot size approached two acres. The other approach would be to significantly increase the current square-foot limits.

4.2.3 Establishing Development Incentives

The County can provide a developer with incentives to construct affordable housing. These incentives can take several forms:

(1) permitting a higher density (more units per acre and/or a higher floor area ratio) than allowed by the basic zoning ordinance, thus increasing the financial return to a developer who is building affordable units;

(2) constructing off-site infrastructure, especially roads, water lines, and sanitary and storm sewer lines that open up the possibility of developing vacant land, that was formerly not serviced, for affordable housing, provided the land owner agrees to develop such housing;

(3) providing expedited permitting for building proposals that include a substantial element of affordable housing; and

(4) waiving fees for affordable housing projects such as those for water or sewer connections.

The Residential Workforce Housing Policy Ordinance, discussed above in Section 3.8, does provide certain incentives. As of the end of 2010, no applications had been submitted to the Maui Department of Housing and Human Concerns for approval to provide affordable housing units in compliance with the provisions of the Ordinance. While the Residential Workforce Housing Policy Ordinance may be appropriate for an Island as large as Maui, it is way too complicated and involved to be useful in encouraging the construction and maintenance of affordable housing on Molokaʻi, a topic discussed further in Section 4.3 below.

4.2.4 Providing for a Community Land Trust

A community land trust exists to develop affordable for-sale and rental housing for persons with low to moderate income, and to assure that such housing remains permanently affordable. The key to such a trust is that it always retains ownership of its lands. The trust may build a house on its land and sell it to a qualified affordable housing applicant. Because the trust retains ownership of the land, it is able to charge the family a lower price than if they were buying both the house and the land. The land lease is offered for a long period of time and the homeowner pays a nominal land rental charge.

The homeowner is like any other homeowner with two important exceptions: (1) the home cannot be leased to a third party for a long period of time; and (2) when the homeowner decides to sell the house back to the trust, the trust retains a substantial portion of the increased value of the home, most commonly 50% to 75%. In this way the trust is able to sell the home to the next qualified buyer at an affordable price.

A community land trust works best if it can acquire land at a low or significantly reduced price or as a donation. There is much work involved in setting up and administering a community land trust. Before residents on Molokaʻi even consider takings such a step, they should consult with Na Hale ʻO Maui, the non-profit community land trust on Maui. One possibility worth investigating is whether Na Hale ʻO Maui would consider operating on Molokaʻi as well as on Maui Island.

4.2.5 Encourage Public-Private Partnerships Utilizing Publicly-Owned Land

Another creative approach to increasing the supply of affordable for-sale or rental units is through public-private partnerships utilizing publicly owned lands. For example, assume Molokaʻi needs a new fire station in an urban area. The old station occupies an acre of land. The County can enter into a partnership with a private developer to build a new station on the ground floor and affordable for-sale or rental units on the upper stories. The same approach can be used with police stations or administrative officers. Perhaps the most promising possibility is such partnerships in conjunction with public schools, which allows a joint use of athletic facilities, meeting rooms and other facilities and provides some interesting possibilities for tutoring, mentoring, and other educational endeavors.

If residents of Molokaʻi determine that there is a need for a long-term residential care facility to provide for elderly residents who can no longer manage their daily functions independently and whose families can no longer provide the required assistance, then perhaps a public-private partnership of some type may prove the most promising avenue to pursue in securing such a facility.

4.2.6 Constructing an Affordable Homes Project by the County

The County of Maui can do on Molokaʻi what is proposing to do on Lānaʻi, that is, have the County directly build and operate affordable housing.[34] What the County is

[34] See Maui Department of Housing and Human Concerns, Final Environmental Assessment for Proposed Lānaʻi Affordable Housing Project, Lānaʻi City, Lānaʻi Hawaiʻi, December 29, 2009.

proposing on Lānaʻi is 412 affordable residential units on 73 acres of Maui County owned land. Some 239 single-family homes are to be built on 29 acres with each lot approximately 5000 square feet in size and 173 multi-family units are to be constructed with a density of 12 units per acre. The plan includes two park sites and a future community center. The first phase consists of 81 dwelling units to be constructed in 2015. The remainder of the project will be built over 17 years at a rate to be determined by how quickly constructed units are absorbed.

Clearly, a similar project could be constructed on Molokaʻi if the citizens of Molokaʻi and the County of Maui so desire

4.2.7 Supporting Non Governmental Organizations (NGO) Committed to Affordable Housing

There are non-governmental organizations (NGOs), such as the Molokaʻi Affordable Homes & Community Development Corporation (MAHCDC) and Molokaʻi Habitat for Humanity, dedicated to providing affordable housing for the residents of Molokaʻi and doing so currently on a small scale. In fact, MAHCDC currently is seeking funding for a major affordable rental housing project that would involve the total rehabilitation of a currently vacant apartment house.

Frequently non-profit NGOs devoted to a single purpose can move projects forward relatively quickly if they have the active support of the relevant governmental agencies and of the community they are seeking to benefit. These NGOs focus on a very limited number of objectives, which allows them to operate with a degree of efficiency and intensity not available to a multi-purpose organization such as the government of the County of Maui that undertakes a very wide variety of endeavors and is seeking to serve multiple constituencies. Therefore, it behooves the County to work closely with an NGO, such as the MAHCDC, devoted to providing affordable housing and support them in a variety of ways. Such ways, for example can include funding, support of applications for external funding, provision of infrastructure and/or land, and facilitation of permitting.

4.2.8 Supporting Hawaiian Homes

The major producer of affordable residential housing in Hawaiʻi is the Department of Hawaiian Home Lands as described in Section 2.9 above. This is especially true on Molokaʻi.[35] It is to the advantage of the County of Maui to work with the Department of Hawaiian Home Lands with respect to infrastructure questions such as off-site roads, sewers, and particularly water so as to facilitate the Department being able to provide as much affordable housing to qualified Hawaiians as feasible. This is not a matter of direct loans to qualified homesteaders so they may build homes (a practice that

[35] While there are no precise data available, Molokaʻi probably has more Hawaiians who qualify for residential homesteads per 1000 population than any other jurisdiction in the Islands.

probably would be illegal), but rather constructing capital improvements in such a way as to assist the Department in fulfilling its basic mission.

4.2.9 Differential Property Tax Rates

The County of Hawai‘i has demonstrated that it is possible to have lower property tax rates for property classified as "affordable housing" and "homeowner" than for other classes of property. (See Section 3.6 above.) The homeowner is one who qualifies for a home exemption. Replicating the County of Hawai‘i approach would need to be countywide rather than Moloka‘i specific, but perhaps such an approach would be appropriate for Maui Island and Lāna‘i as well as Moloka‘i.

4.2.10 Interim Zoning

Whether interim zoning (IZ) began in the nineteen fifties or the nineteen sixties, it is clearly desirable 50 or 60 years later to move to updated, non-interim zoning. There are anomalies in the existing IZ that may be inhibiting the development of affordable and other housing and in particular mixed-use developments. Having zoning where every desirable project has to be processed, as an exception is not a desirable state of affairs. Land use zoning should be predictable so that a landowner or a prospective developer knows what he or she can or cannot use his or her property for and whether it can or cannot be subdivided and whether the current use can be continued if the structures on the property are destroyed.

One important fear is that if the interim zoning is replaced, particular property owners will be worse off than if the IZ were still in place. (Better the known evil than the unknown change!) There are several ways to confront this fear:

(1) employ a highly transparent, technologically assisted, and intensely interactive community-based process for developing the new zoning ordinance applicable to Moloka‘i and the new Moloka‘i zoning maps;

(2) consider grandfathering in the permitted use of parcels under the IZ if those uses are financially more advantageous than the new zoning code would permit;

(3) explore the possibility of consolidating land that has an attractive IZ designation but much of which cannot be developed anyway under existing land use regulations relating, for example, to flood zone protection; and

(4) incorporate any features in the existing IZ that are highly beneficial to the community into the new Moloka‘i zoning ordinance.

Under existing good practices and legal doctrine, a community development plan is to be consistent with and implement the governing general or comprehensive plan. In turn the zoning and other land use regulations are to consistent with and implement the community development plan. This is the set of relationship that Moloka‘i should strive to achieve.

4.3 Approaching Moloka‘i as a Special Place

There is an old tale that has often made the rounds that just may have a bit of truth to it. "Folks on Maui complain that all the critical decisions impacting Maui are made in Honolulu by people who do not know or understand Maui’s unique situation." In turn, "Folks on Moloka‘i complain that all the critical decisions impacting Moloka‘i are made in Wailuku by people who do not know or understand Moloka‘i’s unique situation."

There are two possible ways to address this issue, one of which is at least somewhat problematic: (1) Employ a classification system so that there may be some ordinances that are applicable only on Maui Island and others that are applicable just on Moloka‘i and Lāna‘i; and (2) Establish a County Satellite Center on Moloka‘i.

4.3.1 Exploring a Two-Tier Ordinance Approach

There are some ordinances that should by their very nature be countywide, such as those governing the real property tax, the distribution of tobacco products, abandoned ice boxes, obscene literature, traffic, motor vehicles on beaches, public access, golf cart crossings, and many other topics.[36] There are other ordinances, such as those governing workforce housing, or transient vacation rentals or bed and breakfast accommodations that might better be tailored to meet the specific island situation.

The question arises as whether a county in Hawai‘i could have two ordinances relating, for example, to workforce housing, one applicable to islands with a population of 30,000 people or more and one applicable to islands with a population of less than 30,000 people or a single ordinance but with some provisions that applied only to the larger island and others that applied only to the smaller island. State legislative bodies on the mainland have established classes of cities based on population and then adopted legislation that applies only to cities in a specific class.[37] There are no examples that we know of, however, where a municipality has adopted a classification for geographical entities within its bounds, such as islands.

On the other hand, a Minnesota court has ruled that a classification system is justified and constitutional if:

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[36] Examples drawn from the Maui County, Hawai‘i, Code of Ordinances at <http://library.municode.com/index.aspx?clientId=16289&stateId=11&stateName=Hawai‘i

[37] Minnesota, for example, has four classes of cities: (1) first class with over 100,000 inhabitants; (2) second class with populations between 20,001and 100,000; (3) third class with populations between 10,001 and 20,000; and (4) fourth class with not more than 10,000 inhabitants. Research Department, Minnesota House of Representatives, "Classification of Cities," September 2008, 5 pp.

(1) “the classification applies to and embraces all who are similarly situated with respect to conditions or wants justifying appropriate legislation;

(2) "the distinctions are not manifestly arbitrary or fanciful but are genuine and substantial so as to provide a natural and reasonable basis justifying the distinction;

(3) "there is an evident connection between the distinctive needs peculiar to the class and the remedy or regulations therefor which the law purports to provide.”[38]

A two-tier system that has Maui Island as one class and the islands of Molokaʻi and Lānaʻi as members of another class would appear on the surface to meet the criteria laid out by the Minnesota court. It is an open question, however, as to whether the Hawaiʻi Supreme Court would hold such a classification as justified and constitutional. The Hawaiʻi Superferry case, in which it was ruled that a legislative act that negated the need for an environmental assessment did in fact create an unreal class and therefore was unconstitutional,[39] sheds little light on the potential validity of Molokaʻi and Lānaʻi islands as a real class. Furthermore, even if the suggested classification system is constitutional, Molokaʻi and Lānaʻi are different enough, one from another, that it may be difficult in some cases to fashion an ordinance that would work equally well on each island.

If the idea of two-tier approach appeals to residents of Molokaʻi, and by extension Lānaʻi, then it would be reasonable to request the Mayor, the Council, and the Corporation Counsel to explore this possibility in terms of its feasibility and constitutionality.

4.3.2 Satellite County Center

There are two aspects to a potential Satellite County Center on Molokaʻi: (a) a common physical setting; and (b) the organization and the functional operation of such an office, both of which are discussed below.

The concept behind the development of a satellite county center on Molokaʻi is threefold:

(1) a visible presence and a functional recognition by the County of Maui of the importance and uniqueness of Molokaʻi;

(2) a bridging of the distance, physical and mental, between Wailuku and Kaunakakai; and

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[38] Ibid, citing in re *Tveten,* 402 N.W.2d 551, 558-559 (Minn. 1987)
[39] Sierra Club v. DOT, 201 P.3rd 1226, 1241 (Haw, 2009)

(3) a one-stop center where a variety of county services can be provided directly, where questions can be answered, and where applications and requests requiring attention by departmental staff members physically located on Maui Island can be facilitated and expedited.

There are currently various County offices and officials located in and around Kaunakakai including representatives of Current Planning Division of the Planning Department, a building inspector who is part of the Development Services Administration of the Department of Public Works, the assistant to the Council Member representing the Island of Molokaʻi, the Molokaʻi supervisor for the Department of Parks and Recreation, the director of the Kuhaʻo Business Center who is part of the Mayor's Office, a representative of the Maui County Office on Aging, which is part of the Department of Housing and Human Concerns, and staff members of the Motor Vehicle and Licensing Division of the Department of Finance. In addition, there are the principal local representatives of the Departments of Water Supply, Police. Fire and Public Safety, and other functional agencies.

Perhaps most of these officials and staff members could be housed n a single structure somewhat similar to the Hawaiʻi State Office Building, Phases I and II, at 35 Ala Malama Street in Kaunakakai. Having all these Maui County staff members concerned with serving the people of Molokaʻi housed in a common structure will facilitate residents being able to interact with them, whether it is asking a question, applying for a permit, or seeking advice. Further, a common physical location will encourage these staff members to interact with one another when seeking to address common Molokaʻi issues. The Satellite County Center will be physical evidence of the Maui County Government support for the people of Molokaʻi.

Creating a single, consolidated physical center solves one problem, but leaves unanswered the question of how such a center is to be organized and operated. Who is in charge? Who handles the question about a liquor license or a county employment opportunity or ethics or Section 8 housing when that specific area does not fall within the kuleana of any of the persons housed in the Center? Who is to handle the complaint about a real property tax assessment or homeless people camping on the beach or persons who the complainant believes to be illegal immigrants or the lack of bus service? Who is going to be the key representative of the Executive Branch of the Maui County Government on Molokaʻi? Is there to be a position such as a director or coordinator or assistant mayor? It is important that these and similar questions be addressed before launching the Maui County Satellite Center on Molokaʻi.