

**KPAA Membership Meeting
“Kaua‘i’s Need for Affordable Housing”
KCC Fine Dining Room
Thursday, December 17, 2009; 3:00 pm
Opening Remarks**

BY MAYOR BERNARD P. CARVALHO

- Aloha, and Mahalo for asking me to join you today. I’d like to first of all thank Diane Zachary, and the staff and Board of the Kaua‘i Planning and Action Alliance for putting together this Membership Meeting...and for focusing on a topic area that is so important to our community...AFFORDABLE HOUSING.
- At this time of year we are especially reminded of what a blessing it is to simply have a roof over our head. Times are tough on Kaua'i. Perhaps as tough as they have ever been.
- We have families who would have never dreamed they would be homeless... suddenly finding themselves unable to make their mortgage or rent payment.
- Lucky for us...we now have a safety net for the homeless and families who are in need of support to find adequate permanent housing.
- When I was the head of the County’s Offices of Community Assistance...I had oversight over the Housing Agency and worked closely with the State...Kaua'i Economic Opportunity...and other partners to put a network of programs into place to insure that everyone on Kaua'i who was willing to be helped could put a roof above their heads.
- We now have an emergency homeless shelter...and transitional housing for families who can put in the hard work that’s necessary to manage their monthly budget and realize the joy of renting a comfortable unit in a place like Kalepa Village...or eventually own their own home.
- When I took office last December I identified five areas of focus that would guide our efforts during the two years of my term. Those areas are:
 - Supporting our economy
 - Becoming more sustainable now
 - Planning wisely for our future
 - Caring for our families, our communities, our residents and our visitors
 - Providing the exceptional customer service you expect and deserve
- Making sure that each and every family and resident on Kaua'i has adequate, affordable housing plays into each of these areas in one way or another.

- But under the focus area of “Caring for our families”...we have outlined numerous affordable housing projects...and supporting programs...that will result in roughly 400 additional units becoming available...along with families ready to occupy them.
- You can track the progress of these projects on my Quarterly Report Card...which is on-line on the County’s website: kauai-dot-gov. And our Housing Agency Staff can give you detailed information on each of these projects.
- But for the next few minutes...I want to zoom out...and focus on the bigger picture of Affordable Housing on Kaua’i.
- As you will see...building a house is the easy part.
- The more difficult task is creating a sustainable economic and social environment in which residents have relatively easy access to the kind of housing they need...at a price they can afford.
- First of all, let’s talk a little bit about **HAWAII’S HOUSING MARKET**:
 - ✓ In 2008, **HAWAII** had the highest median housing value in the nation, at over \$560,000 per owner-occupied unit. During that same year, the median home price on **KAUA’I** was \$625,000.
 - ✓ In 2008, the median household income on Kaua’i for a four-person household was \$66,800:
 - That four-person household, using 30% of their income towards housing costs, would be able to purchase a \$249,500 home at 6% interest.
 - As you can probably guess, there are very few, if any, homes for sale in our housing market that can offer this four-person household the opportunity to purchase a home on the open market.
 - ✓ Similarly, with rentals, Hawaii is the most expensive state in the nation in terms of the wages you need to earn in order to afford a “Fair Market Rent” of \$1,536 for a two-bedroom apartment.
 - In order to afford the Fair Market Rent of \$1,536...a household needs to earn a wage of \$29.53 per hour...working 40 hours per week...52 weeks per year.
 - The estimated average housing wage for a renter is \$13.03/hour. With wages at \$13.03 per hour...a renter would have to work 91 hours per week...52 weeks per year...to afford that \$1,536 rent.

- To afford \$1,536 for a two-bedroom apartment...a renter household would need to have 2.3 persons in the household earning \$13.03 per hour.
 - ✓ Kauai is a high cost housing market. In 2006, 36% of all Kaua'i households spent more than 30 percent of their household income on housing costs...with a quarter of them spending an upwards of 40% of household income on housing costs.
- So, now that we know how expensive it is to own a home on Kaua'i...let's discuss the **DEFINITION OF "AFFORDABLE"?**
 - ✓ When we talk about affordable housing, we mean housing that is affordable to a certain segment of our community, based on median income.
 - ✓ The term "affordable housing" previously applied to households earning up to 120% of the median income...which I stated earlier is roughly \$66,000. So you could earn just over \$79,000 and be considered eligible for "affordable housing" projects.
 - Affordable home pricing is determined by a household using no more than 30% of gross income to pay for their housing costs. In the case of a home purchase, that housing cost includes principal, interest, taxes, and insurance.
 - ✓ During the last run-up in housing prices, it became more apparent that the general workforce – our teachers, policemen, firefighters, visitor industry - could no longer afford housing costs in their communities.
 - ✓ A few years ago, the term "workforce housing" started to replace the term "affordable housing", and the range of what is defined as affordable was expanded to households earning up to 140% of the median income...which is roughly \$92,400.
 - ✓ For low-income households earning up to 50% of median income, there is Federal assistance available for rentals in State Public Housing projects, and through the Section 8 Housing Choice Voucher Program.
- As you can see...these definitions encompass a large percentage of our population on Kaua'i.
- Now, I'd like to focus for a moment on the **PROJECTED NUMBER OF "AFFORDABLE" HOUSING UNITS** we think we'll need in the next few years:
 - ✓ In 2006, near the peak of the housing market, SMS Research conducted a housing study for the State and Counties.

- The 2006 housing study projected that Kauai would need approximately 1,615 new housing units at all levels of income for the years 2007-2011:
 - This included both ownership and rental units.
 - Out of 1615 new units, about 86% of them were needed for households below 140% of the median income.
- ✓ In working to address the need to supply more housing for households up to 140% of median income, the County has worked aggressively in partnership with our community of nonprofit and for-profit housing developers to get affordable housing projects on-line.
 - I'm pleased to report that substantial progress has been made. However, more work is still needed to address the problem.
- ✓ Since 2006, approximately 750 affordable units have been constructed or are in the planning stages of development. I would like to highlight these projects. They include:
 1. 80 new rental units that were completed at Kalepa Village Phases 3 and 4.
 2. 49 leasehold units at the Kekaha Residence Lots and 80 leasehold lots at the Pi'ilani Mai Ke Kai Subdivision in Anahola by the Department of Hawaiian Home Lands.
 3. 56 units by Grove Farm at the Ho'okena project in Puhi.
 4. 82 rental units at the Courtyards at Waipouli.
 5. 31 units that are nearing completion at the Kaua'i Lagoons' Kamāmalu project in Līhu'e.
 6. In 'Ele'ele, 18 units completed by Kauai Habitat for Humanity...with a second phase of their project, a 107-lot subdivision moving forward to start site work in 2010.
 7. 41 homes that are being built by the Self Help Housing Corporation of Hawaii homeowner teams at Puhi Self Help...with 14 homes completed...14 homes nearly complete...and the final 13 homes that are starting construction.
 8. And, another 200 workforce units that will start construction or are in planning stages within the next five years, such as:
 - ✓ Koheā Loa in Hanamā'ulu

- ✓ Pa'anau Village Phase 2 in Kōloa
 - ✓ Kukui'ula Employee Housing project, also in Koloa.
- So that is somewhat of an overview of where we are in assessing the need for affordable housing on Kaua'i. Diane also asked me to provide you a brief summary of the County's **WORKFORCE HOUSING ORDINANCE**...which was passed in 2007:
 - ✓ Ordinance No. 860, the Housing Policy for the County of Kaua'i, took effect on June 10, 2008.
 - ✓ Basically, the Housing Policy imposes a 30% workforce housing requirement for any residential project with 10 or more units of residential density.
 - ✓ Workforce housing is required to be constructed within the same tax zone or within five miles of the "market" project.
 - ✓ The Ordinance spells out applicability, assessment, and satisfaction requirements, incentives, and alternatives to building units, such as in-lieu fees or in-lieu land options.
 - ✓ The Ordinance also details things such as:
 - Income, Sales Price and Rent Limit Methodology
 - Housing Eligibility & Selection
 - Restrictions on Sale or Transfer, Debt and Use
 - Development, Management and Finance of Housing Units, and
 - Government Assistance for Housing Units
 - ✓ The Housing Policy also has a Green Building incentive:
 - The Green Building incentive allows the reduction of a workforce housing requirement by a factor of up to five percent...if green principles are used for **both** workforce and market units.
 - These principles include, but are not limited to:
 - energy efficient appliances,
 - solar water heating,
 - recycled or recyclable materials, and
 - natural ventilation and cooling.
- Aside from the Housing Policy, two months ago I forwarded to the County Council for review and approval **UPDATED BUILDING AND ENERGY CODES**. These

revised Codes would bring Kaua'i in line with current national energy and building code guidelines.

- ✓ These require certain energy efficiency measures or performance standards in new residential construction.
- ✓ Although they will add to the cost of building up front, they will provide a more sustainable environment for the residents of Kaua'i over the years.
- ✓ Some of the benefits include:
 - a more comfortable home environment and reduced need for air conditioning retrofit
 - reduced energy bills for the residents over the years to come
 - a more energy-independent Kaua'i, and a more stable and sustainable local economy

So, as you can see...there are lots of positive things happening right now on the Housing front. But there is much more to be done.

As we approve new developments in the future...and even for our own County developments...we need to explore more **SUSTAINABLE BUILDING AND LAND USE DESIGN OPTIONS**, such as:

- ✓ higher density neighborhoods, with emphasis on:
 - smaller subdivided lots,
 - two-story single-family or duplex development,
 - multiple-family projects for ownership and rental
- ✓ Other opportunities include:
 - Modular housing, and
 - More self-help projects where sweat equity and team-building has the potential to greatly reduce home costs

Currently, we are negotiating with A&B for a 75-acre parcel in 'Ele'ele...which I hope will be Kaua'i's first truly "green" affordable housing development – incorporating as many of the aspects of green building and smart growth principles as possible!

I'd like to acknowledge the staff of the Kaua'i County Housing Agency for collecting most of the data that I've shared with you today.

They are an incredible resource for information on all types of Housing and I encourage you to contact them if you have specific questions, ideas or concerns.

In conclusion...it's important to understand the challenges associated with providing affordable housing for our community...however, we have so many resources to draw upon:

- ✓ We have successful projects to use as models
- ✓ We have experienced and innovative staff in the County Housing Agency and in our private, non-profit community to lead new projects and partnerships
- ✓ We have ordinances and codes in place to assure that we WILL HAVE adequate and sustainable affordable housing development into the future.
- ✓ We have committed and caring landowners who work with us to satisfy the requirements...and many times go above and beyond for the good of our community.
- ✓ And finally we have forums like these...coordinated by leaders in our community like K-P-A-A...that bring us together so we can discuss what works...what doesn't work...and to think of things we've never thought of before.

Mahalo to K-P-A-A...and to each of you...for caring enough to be here.

Remember...TOGETHER WE CAN!

Mahalo and Happy Holidays to all of you!