COUNTY OF MAUI
MAUI REDEVELOPMENT AGENCY

February 4, 2020

Honorable Chair Tasha Kama
and Committee members,
Housing, Human Services and Transportation Committee
Council of the County of Maui

Dear Chair Kama and Council members,

At its regular meeting on January 24, 2020, the Maui Redevelopment Agency (MRA) members were informed by staff from the Department of Management that the Council will be reviewing Maui County Code Chapter 2.96, Residential Workforce Housing Ordinance. The Redevelopment Agency discussed the relevance of the ordinance to current market conditions and would like to provide comments for the Council's consideration as the scope of the review is defined.

- The mission of the MRA is to rebuild the neighborhood and prevent or eliminate slum and blight conditions. In 2014 the MRA requested the Wailuku Redevelopment Area be exempted from MCC 2.96 because of the high concentration of low and very low-income housing in the neighborhood.
- In 2017 the Redevelopment Area market profile was updated and there was no change in the mix of housing with 60% of the housing units being subsidized housing and only 40% market rate. Of the 264 "market rate" units, the MRA members suspect many are being rented below market rate due to the depressed market conditions in the area.
- While the MRA's authorization comes from HRS Chapter 53, the Urban Renewal Law which focuses on an outdated approach to redevelopment, the County's adopted Redevelopment Plan for Wailuku is highly localized and provides an inclusive approach to housing for local families.
- If the Committee is to consider removing the redevelopment area from the exemption list, what would be reason or intention for doing so? What data does the Council possess that would indicate imposing the requirements of 2.96 on the Wailuku District would increase the probability of creating more Workforce Housing units?
- The Redevelopment Agency members suspect the opposite is true and based upon housing construction numbers since 2.96 was put into effect, it is actually deterring new housing supply from being added to the neighborhood -

deepening the divide between supply and demand and compounding the issues of affordability.

- Increasing housing supply in the neighborhood is a priority of the MRA, however, to do so, it is critical to consider that infill construction is more expensive to build and requires a great deal up-front capital than greenfield construction (aka urban sprawl).
- Most of the jobs in the district are white-collar government, medical or legal industry jobs. While the white collar workers commute into the district the low-income residents commute out of the district creating additional problems with traffic and congestion. Adding market rate housing to the neighborhood has the potential to lessen disproportionate commute patterns and save the State and County money on roadway projects.

The Maui Redevelopment Agency is also very interested in increasing the housing supply in the redevelopment area. The board would like to work with the Council to review the Residential Workforce Housing Policy. Thank you for your time and consideration of this matter. If you have any further question the Maui Redevelopment Agency staff can be reached at 270-6258 or erin.wade@mauicounty.gov.

Frank De Rego
Maui Redevelopment Agency Chair

ATTACHMENTS
xc: Sandy Baz, Managing Director
Lori Tsuhaku, Director of Department of Housing and Human Concerns (PDF)

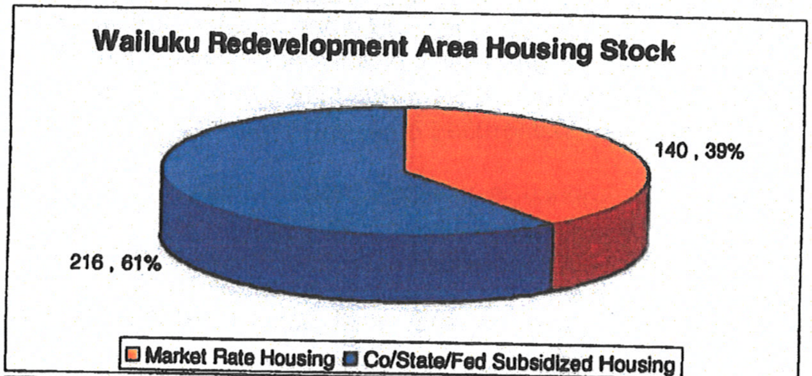
COUNTY OF MAUI
MAUI REDEVELOPMENT AGENCY

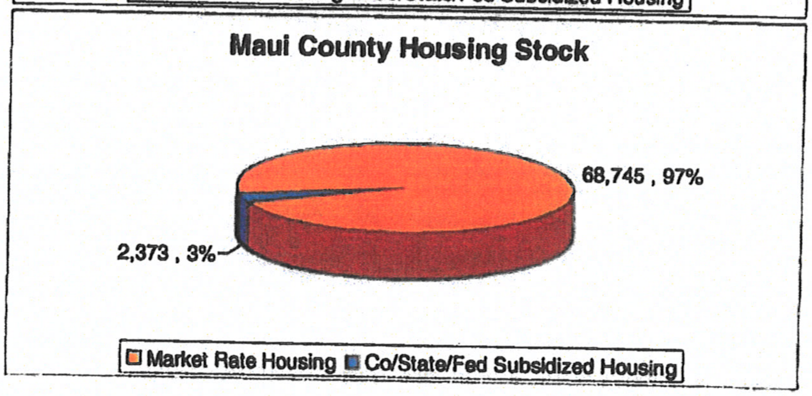
September 18, 2014

Honorable Chair Stacy Crivello
and Committee members,
Housing, Human Services and Transportation Committee
Council of the County of Maui

Dear Chair Crivello and Council members,

The Redevelopment Agency has come before you in recent months to indicate its concern that Wailuku Town has become a concentrated pocket of poverty and a community with high social and economic needs. We have asked for relief from the Workforce Housing Ordinance in an attempt to rebalance the mixture of housing and commercial uses throughout the Redevelopment Area in order to gain momentum towards true revitalization. As you can see from the pie charts below, Wailuku Town is currently home to more than its fair share of government subsidized housing.





[1]

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[1] State of Hawaii Affordable Housing Inventory (2013). Note* The total housing unit count does not include other single unit domiciliary homes, safe houses or transitional housing facilities that also existing within the Wailuku Redevelopment Area but aren't considered as a U.S. Census defined housing unit.

"Most housing professionals agree that concentrating assisted-housing for low- and very low-income Americans in dense, urban areas is not an effective use of scarce affordable housing resources. Over the past decade, professionals in the affordable housing industry have turned increasingly to mixed-income housing as an alternative to traditional assisted-housing initiatives."[2]

We are asking for your help to offer an exemption from the Workforce Housing Ordinance as one of the incentives to private sector investment in the Redevelopment Area. Residential market rate housing is a fundamental component of revitalization. Cities like Portland, Seattle, San Diego, Santa Fe and many others have focused their redevelopment strategies on attracting market rate housing to stabilize their downtown core. To create the vision called out in the Wailuku Redevelopment Plan (2000), Wailuku Town needs people who have the discretionary income to support the services, restaurants, theater, coffee shops, local galleries, boutiques and salons.

The term "redevelopment" is meant to describe one or more public actions that are undertaken to stimulate activity when the private market is not providing sufficient capital and economic activity to achieve the desired level of improvement. This public action usually involves one or more measures such as direct public investment, capital improvements, enhanced public services, technical assistance, promotion, tax benefits, and other stimuli including planning initiatives such as rezoning. Public agencies typically offer a combination of incentives and undertake redevelopment programs pursuant to a statutory system for creating, financing, and operating redevelopment areas[3].

The Wailuku Redevelopment Agency is working hard to take on the role of a true redevelopment entity. To do this, we ask for your support in amending the Workforce Housing Policy to exempt the Wailuku Redevelopment Area from the Residential Workforce Housing Policy. Thank you for your time and consideration of this matter. If you have any further question the Maui Redevelopment Agency staff can be reached at 270-5517 or erin.wade@mauicounty.gov.

William Mitchell
Maui Redevelopment Agency Chair

xc: Mayor Alan Arakawa
Jo-Ann Ridao, Director of Department of Housing and Human Concerns (PDF)

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[2] U.S. Department of Houing and Urban Development (HUD) Mixed Income housing and HOME Program (2003)

[3] Stuart Meck, ed., *Growing Smart Legislative Guidebook, Vol. II* (Chicago: American Planning Association, 2002), pp. 14-29

COUNTY OF MAUI
MAUI REDEVELOPMENT AGENCY

February 20, 2014

Honorable Chair Stacy Crivello
and Committee members,
Housing, Human Services and Transportation Committee
Council of the County of Maui

Dear Chair Crivello and Council members,

On December 19, 2013 the Maui Redevelopment Agency staff provided testimony asking for your support in amending the Workforce Housing Policy to exempt the Wailuku Redevelopment Area from the policy. We suggested the following text: 2.96.030.B.7 – All properties located within the Wailuku Redevelopment Area as defined in the Wailuku Redevelopment Plan. (*Resolution 00-151 October 20, 2000*). Today we would like to provide some statistics to help define the Wailuku Town Market and offer additional rationale for the request to exempt the Wailuku Redevelopment Area from the Residential Workforce Housing Policy.

Wailuku Town Market Area

The Wailuku Redevelopment area is 68 acres in size with two-hundred and ninety-five (295) parcels (See Map). Subarea 1 includes the business blocks from High Street to Central Avenue and Wells to Vineyard – which is roughly the size of the land area occupied by Ka'ahumanu Mall and its outbuildings. Subarea 2 incorporates the business areas around Market Street in Happy Valley. The entire Wailuku Redevelopment Area is smaller than the Baldwin High/War Memorial Campus.

Employment: Of the approximately 75,000 jobs on Maui Island, over 19,000 jobs are within a 3-mile radius of Wailuku Town (25%)[1]. The occupational distribution of the employed population is 50.4% white collar jobs, 27.5% service jobs, and 22.1% are in blue collar jobs.

Median Household Income:

Wailuku Town	1-Mile Radius	3-Mile Radius	HUD Median
$49,368	$55,832	$62,101	$80,700

Based upon the indicated household income, it is probable the vast majority of the people working in and around Wailuku Town are leaving the area following their work day and residing elsewhere. The white collar jobs are not necessarily "high paying", but they do enable households to exceed the income-qualified groups as defined by HUD, thereby not qualifying them for housing units provided by the Workforce Housing Policy. However, the local engineer, x-ray technician, legal aide, and graphic designer types are the target market for new, multi-unit housing in Wailuku Town.

[1] Source: Hawaii State Department of Labor and Industrial Relations

The next logical question might be, why are developers's unable to provide market rate housing directed toward HUD's defined median income group, as well as the affordable housing required by the Workforce Housing Policy? The answer to this question lies in the original rationale for establishing Wailuku as a redevelopment area.

Challenges to Redevelopment

- The infrastructure in Wailuku Town is aging, inadequately sized and has already been patched many times. While its true any development is responsible for providing adequate infrastructure, the burden is much heavier for redevelopment because it is easier and less expensive to "start fresh" than to retrofit something that has not been well documented or maintained.
- While the land area in the Redevelopment Area is the same as that surrounding Ka'ahumanu Mall, the Redevelopment area is broken up into twenty-five (25) times as many parcels. The small parcels severely limit the size of the projects and thereby the potential for recouping costs. Likewise when parcels are combined to create mid-sized projects, legal fees and document recordation quickly eats up time and money.
- Regardless of infrastructure and small lot sizes, infill construction is logistically challenging and therefore costly. Developers often have to stage materials and equipment off-site which can require paying another property owner rent to utilize their land for staging and additional labor and equipment costs to move the materials back and forth from the off-site location. If they are able to stage on-site it is likely parking is being displaced and therefore additional parking space would need to be leased for the interim period of time.
- Once the project is complete and ready to market, a developer could generally expect to recoup the costs incurred while overcoming the challenges to redevelopment; however, as stated earlier, the target market in Wailuku Town is generally local professionals with incomes very close to the HUD Median for Maui. Adding in the additional burden of providing housing units that need to be subsidized by the sale of market rate units drives the development pro forma into the red.

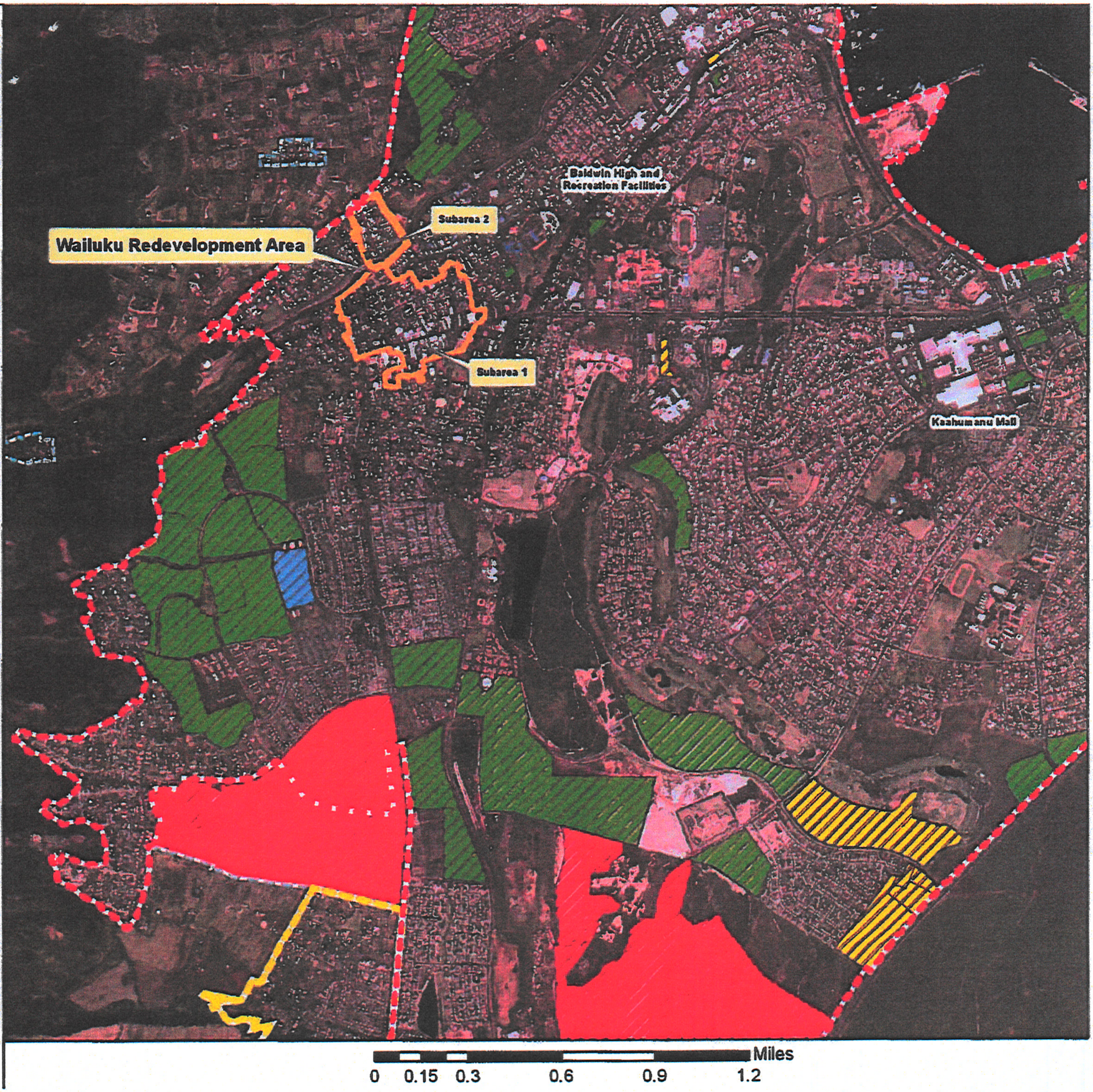
As stated in our testimony in December, the Department of Housing and Urban Development (HUD) and the Federal Reserve Bank have evaluated a generation of housing policy and determined that affordable housing "projects" lead to concentrated pockets of poverty and high social and economic needs. However, in the Wailuku Redevelopment Area, the only affordable housing projects that pencil out today are the one-hundred percent (100%) low-income projects with grants, loans and tax credits. Federal projects have now changed the focus from *quantity* of housing to *quality of place* and connections to services and jobs. While we fear that the cumulative impact of all the housing "projects" located in Wailuku Town has indeed created a pocket of poverty and high social need, we believe by removing some of the obstacles to redevelopment we can create an economically integrated community in Wailuku Town with great access to jobs, health care, education, and a full range of services.

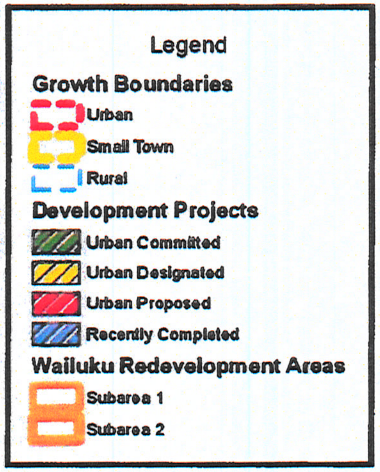
To do this, we ask for your support in amending the Workforce Housing Policy to exempt the Wailuku Redevelopment Area from the Residential Workforce Housing Policy.

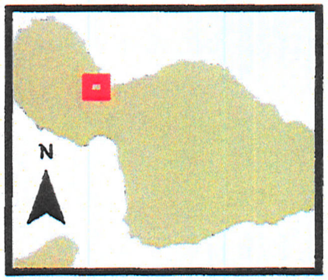
Thank you for your time and consideration of this matter. If you have any further question the Maui Redevelopment Agency staff can be reached at 270-5517 or erin.wade@mauicounty.gov.

William Mitchell
Maui Redevelopment Agency Chair

Figure 1 February 20, 2014 Wailuku Region LONG RANGE PLANNING







PREPARED BY:

Long Range Planning Division
Department of Planning
County of Maui
250 South High Street
Wailuku, Hawaii 96793

MAUI COUNTY INCOME SCHEDULE BY FAMILY SIZE 2014

HHFDC

THE FOLLOWING TABLE PRESENTS INCOME LIMITS BY FAMILY SIZE AND BY PERCENTAGES OF THE VERY LOW INCOME LEVELS ESTABLISHED BY HUD. THESE INCOME LIMITS SERVE AS GUIDELINES TO ESTABLISH SALES/RENTAL PREFERENCES.

	LIMITS BY FAMILY SIZE							
MEDIAN $80,700	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Adjustments for family size	0.7000	0.8000	0.9000	1.0000	1.0800	1.1600	1.2400	1.3200
% of Income 10%	$5,650	$6,460	$7,270	$8,070	$8,720	$9,370	$10,010	$10,660
20%	$11,300	$12,920	$14,540	$16,140	$17,440	$18,740	$20,020	$21,320
30%	$16,950	$19,400	$21,800	$24,200	$26,150	$28,100	$30,050	$31,950
40%	$22,600	$25,840	$29,080	$32,280	$34,880	$37,480	$40,040	$42,640
50%	$28,250	$32,300	$36,350	$40,350	$43,600	$46,850	$50,050	$53,300
60%	$33,900	$38,760	$43,620	$48,420	$52,320	$56,220	$60,060	$63,960
70%	$39,550	$45,220	$50,890	$56,490	$61,040	$65,590	$70,070	$74,620
80%	$45,250	$51,700	$58,150	$64,600	$69,800	$74,950	$80,150	$85,300
90%	$50,850	$58,140	$65,430	$72,630	$78,480	$84,330	$90,090	$95,940
100%	$56,500	$64,600	$72,700	$80,700	$87,200	$93,700	$100,100	$106,600
110%	$62,150	$71,060	$79,970	$88,770	$95,920	$103,070	$110,110	$117,260
120%	$67,800	$77,520	$87,240	$96,840	$104,640	$112,440	$120,120	$127,920
130%	$73,450	$83,980	$94,510	$104,910	$113,360	$121,810	$130,130	$138,580
140%	$79,100	$90,440	$101,780	$112,980	$122,080	$131,180	$140,140	$149,240

The U.S. Department of Housing and Urban Development (HUD) sets income limits that determine the eligibility of applicants for its assisted housing programs. HUD typically uses the Section 8 very low-income level (VLIL) as the basis for deriving other income limits. The VLIL is calculated by taking the 4-person income limit equal to 50% of the estimated area median family income and making adjustments if this income is outside formula constraints. For example, the VLIL is increased for areas where rental housing costs are unusually high in relation to the median income or if it is less that the relevant State non-metropolitan median family income level. See "FY 2014 HUD Income Limits Briefing Material" http://www.huduser.org/portal/datasets/il/il14/IncomeLimits BriefingMaterial_FY14.pdf

HHFDC uses the HUD income limits for households at the 30%, 50% and 80% income levels. For the Low Income Housing Tax Credit Program, the 60% income level is calculated as the Multifamily Tax Subsidy Project (MTSP) VLIL (for FY 2014, it is the HUD Section 8 VLIL) multiplied by 1.2 (or 60/50). The limits for households at other income levels are calculated in the same way.

NOTE: This chart is provided as a guide only. You are responsible to ensure the accuracy of the numbers.