

Housing and Land Use Committee (2023-2025) on 2024-09-25 9:00 AM - Reconvened from 09/16/2024 at 5:30 p.m.

Meeting Time: 09-25-24 09:00

eComments Report

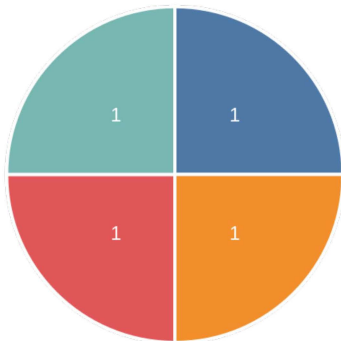
Meetings	Meeting Time	Agenda Items	Comments	Support	Oppose	Neutral
Housing and Land Use Committee (2023-2025) on 2024-09-25 9:00 AM - Reconvened from 09/16/2024 at 5:30 p.m.	09-25-24 09:00	2	4	1	1	1

Sentiments for All Meetings

The following graphs display sentiments for comments that have location data. Only locations of users who have commented will be shown.

Overall Sentiment

Support (25%) Oppose (25%) Neutral (25%)
No Response (25%)



Housing and Land Use Committee (2023-2025) on 2024-09-25 9:00 AM - Reconvened from 09/16/2024 at 5:30 p.m.

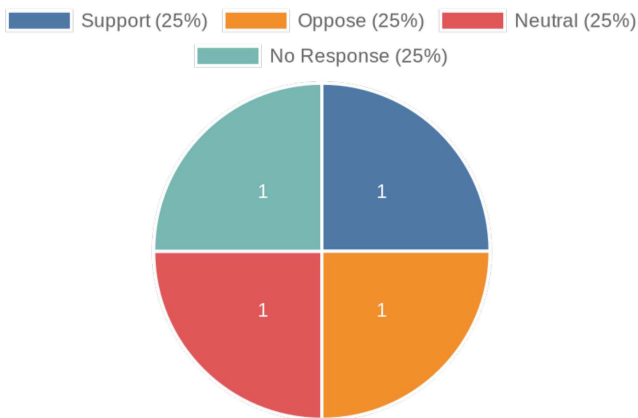
09-25-24 09:00

Agenda Name	Comments	Support	Oppose	Neutral
A G E N D A	2	0	1	0
HLU-3(20) RENT STABILIZATION (HLU-3(20))	2	1	0	1

Sentiments for All Agenda Items

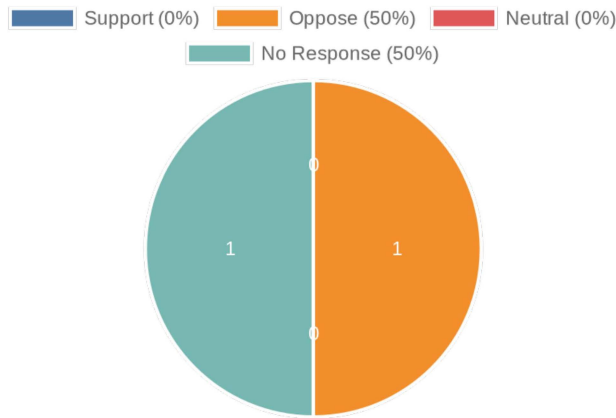
The following graphs display sentiments for comments that have location data. Only locations of users who have commented will be shown.

Overall Sentiment



Agenda Item: eComments for A G E N D A

Overall Sentiment



HLU Committee

Location:
Submitted At: 9:27am 09-25-24

Testimonies received from HLU Committee

Guest User

Location:
Submitted At: 4:48pm 09-24-24

Testimony of
Pacific Resource Partnership
County Council
County of Maui
Councilmember Alice Lee, Chair
Councilmember Yuki Lei Sugimura, Vice Chair
Relating To Council Discussions on Rent Stabilization
Tuesday, September 24, 2024

Aloha Chair Lee, Vice Chair Sugimura, and Members of the Council:

Pacific Resource Partnership (PRP) is a nonprofit organization that represents the Hawai'i Regional Council of Carpenters, the largest construction union in the state with approximately 6,000 men and women throughout Hawai'i, in addition to more than 250 diverse contractors ranging from mom-and-pop owned businesses to national companies.

Mahalo for the opportunity to provide testimony regarding the Council's ongoing discussion surrounding rent stabilization in Maui County. As you address this important topic, it is crucial to examine the potential consequences, especially given Maui's unique housing challenges.

Impact of Past Housing Regulations in Maui

Maui's housing policies over the years have contributed significantly to our current affordable housing crisis, and this crisis has been exacerbated in the aftermath of the tragedy that was the Lahaina wildfires.

Key regulations like the 2006 Residential Workforce Housing Policy, the 2011 "Show Me the Water" bill, and the enhancement of environmental constraints approved in 2022 have slowed housing development, contributing to the deficit of affordable units. As of 2023, Maui faces a shortfall of nearly 14,000 housing units, with demand especially high for households earning less than 80% of the area median income (AMI). Past efforts to regulate the market have inadvertently discouraged developers, stifling much-needed housing growth.

Rent Stabilization: Lessons from Other Cities

Evidence from cities across the U.S. shows that rent stabilization, while well-intentioned, can have significant unintended consequences that exacerbate the housing crisis:

San Francisco saw a 15% reduction in rental supply, as landlords converted properties to condos or withdrew from the market entirely ("Examining the Unintended Consequences of Rent Control Policies in Cities Across America," Donovan and Pham, March 2023).

St. Paul, Minnesota, after capping rent increases at 3%, witnessed an 80% drop in new housing permits, with 3,000 planned units canceled or delayed ("Examining the Unintended Consequences of Rent Control Policies in Cities Across America," Donovan and Pham, March 2023).

Santa Monica, meanwhile, has seen a 20% reduction in rental units due to conversions and market exits ("Examining the Unintended Consequences of Rent Control Policies in Cities Across America," Donovan and Pham, March 2023).

Economic Strain on Housing Providers

Rent stabilization policies force housing providers to absorb rising maintenance and operational costs while limiting their ability to generate revenue.

Alternatives to Rent Stabilization

Rather than imposing rent stabilization measures, which discourages development and investment, Maui County should focus on solutions that incentivize the construction of affordable housing:

Streamlining the Permitting Process

Simplifying and accelerating approvals for affordable housing projects can lower costs and bring units to the market faster.

Incentivizing Private Investment

Offering tax credits, density bonuses, and subsidies can encourage developers to build affordable units without resorting to market-distorting regulations.

Public-Private Partnerships

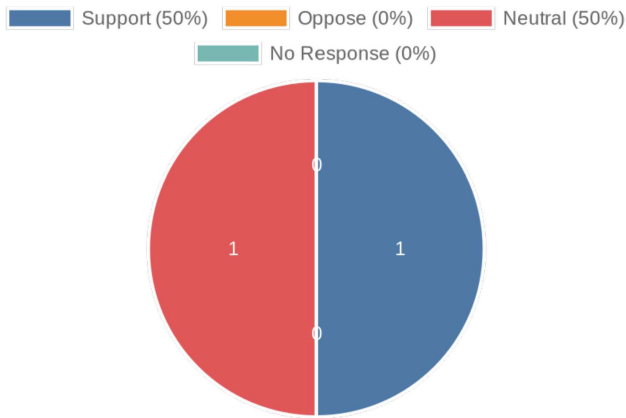
Collaborations between the government and private sector can reduce the financial risks of developing affordable housing, making projects more feasible.

Conclusion

While rent stabilization efforts might appear to offer immediate relief, it risks deepening Maui's long-term housing crisis. PRP urges the Council to consider policies that encourage growth and investment, rather than those that deter them. Let's focus on solutions that will increase housing supply, create sustainable affordability, and meet the growing demand for homes in our community.

Mahalo for this opportunity to submit written testimony.

Overall Sentiment



Edward Codelia

Location:

Submitted At: 6:19am 09-22-24

My name is Edward Codelia and as a realtor and resident of Maui, I support the County Council in its exploration of a rent stabilization and/or a rent control plan, with the hope that, if necessary, the Council can translate this into legislation benefiting the residents of Maui County, however, I oppose the implementation of either plan until two critical conditions are met:

1. The proposed A-1 and A-2 zoning amendments are voted on.
2. Legislation is concurrently enacted requiring all property owners in the County of Maui who rent residences long-term (six months or more) to hire a licensed real estate brokerage firm located on Maui as their property manager.

Altering A-1 and A-2 zoning laws should be the immediate priority, as it represents a foundational shift that can influence the types and densities of housing available in Maui's current market. While rent stabilization offers short-term relief to tenants facing rising costs, it addresses only a symptom of the larger housing crisis. Changing the zoning laws, however, directly targets the root of the problem by enabling the development of more diverse, multi-family housing options, which will have a lasting and wide-reaching impact on affordability and availability. By focusing on zoning reform, you can create sustainable housing solutions that benefit all residents, reshaping the market in ways rent stabilization alone cannot achieve.

To create a more organized, accountable, and fair rental market in Maui, it is essential to require professional property management as part of a rent stabilization plan. This would ensure all long-term rentals (six months or more) are managed by licensed real estate brokers, with exemptions for homeowners who apply to the rent stabilization program. Professional property managers provide vital services such as tenant screening, property maintenance, accounting, and regulatory compliance, which protect tenant rights, maintain property standards, and address issues efficiently.

This level of oversight benefits both property owners and tenants by ensuring that rental properties are safe, well-maintained, and meet all local housing standards. Additionally, requiring Maui-based realtors certified in property management to oversee long-term rentals outside the rent stabilization program ensures high-quality management and accountability. Implementing this requirement is a necessary step toward solving the housing affordability crisis and improving the rental market for the entire community.

While a rent stabilization program with licensed realtor management offers immediate and tangible benefits, it is not a complete solution to Maui's housing crisis. Amending A-1 and A-2 zoning laws remains a critical step in addressing the underlying supply constraints that exacerbate housing issues. A comprehensive strategy, incorporating both rent stabilization with licensed realtor oversight and zoning law changes, will be the most effective path forward for creating a stable and sustainable housing market in Maui.

Maui's challenges are distinct and should not be directly compared to those of other cities or counties around the world. These comparisons often serve as a rationale for delaying action, allowing critical issues to persist and leading to the misallocation of taxpayer resources on solutions that may not be effective. It's important to recognize that many of the problems we face today were not present 25 years ago, a time when policymakers emphasized regulated and measured development.

However, there are jurisdictions where similar approaches have successfully combined rent stabilization with requirements for professional management of rental properties;

1. San Francisco, California:

San Francisco has established rent control laws that limit the annual rent increases landlords can impose. Additionally, landlords are often required to engage licensed property managers for their rental properties, particularly when managing multiple units. This ensures compliance with local regulations and improves tenant relations.

2. New York City, New York:

New York City features a rent stabilization program that caps rent increases for qualifying units. While the use of licensed real estate professionals is not universally mandated, many landlords opt to employ them to navigate the complexities of rent regulations and maintain effective tenant relationships.

3. Los Angeles, California:

The Rent Stabilization Ordinance in Los Angeles limits rent increases and provides essential protections for tenants residing in numerous rental units. The city actively encourages landlords to utilize licensed property managers, which facilitates compliance with housing regulations and maintenance standards.

4. Portland, Oregon:

Portland has enacted rent stabilization policies that limit rent increases and protect tenants from displacement. While professional property management is not a formal requirement, there is a strong advocacy for its use to ensure that rental units meet necessary safety and habitability standards.

The integration of rent stabilization with professional property management yields several notable benefits:

Stability for Tenants: These approaches contribute to increased housing stability for tenants, allowing them to remain in their homes over longer periods.

Professional Standards: Engaging licensed professionals typically enhances the quality of property management, leading to more effective resolution of maintenance issues.

Compliance with Laws: The requirement for professional management helps ensure that landlords adhere to local housing regulations, thereby reducing disputes and reinforcing tenant rights.

A rent stabilization program combined with professional management of long-term rentals can potentially help stabilize Maui's housing market. Rent stabilization would directly address the issue of rising rental costs, offering tenants protection from sudden price increases. Meanwhile, requiring licensed professionals to manage rentals ensures higher standards of property management, tenant screening, and legal compliance, fostering accountability and improving overall rental conditions.

Professional property management, even without the implementation of rent stabilization, can significantly impact the rental market in Maui by enhancing the quality of housing and ensuring compliance with regulations.

In summary, while rent stabilization can provide immediate relief to tenants, the implementation of professional property management practices can have a far-reaching positive impact on the rental market. It enhances the quality of housing, protects tenant rights, and ensures accountability, ultimately fostering a more stable and sustainable rental environment in Maui.

Stan Franco

Location:

Submitted At: 4:55pm 09-19-24

I believe we need rent stabilization now because of the unaffordable rents which are being required by landlords. Three years ago, the Maui County Council established a plan to build 5000 homes. Where is the 5000 homes? When we build them, we may reconsider rent stabilization.



September 25, 2024

County Council of Maui
 Maui County
 Housing and Land Use Committee

Re: Testimony for Rent Stabilization Discussion

Dear Maui County Council Members,

I am writing to express my concerns on rent stabilization, which I am ***NOT*** in support. I am a real estate developer with experience in multi-family residential projects and have worked on many of Hawaii’s residential mixed-use master plans on Oahu, Hawaii Island, Maui, and Kauai. While rent stabilization sounds like a sensible choice, there are unintended consequences that will reduce housing supply of rentals if this becomes law in any shape or form.

1. **Rent stabilization reduces investment and thereby supply of rental housing.**
2. **Rent stabilization deters maintenance and improvements, pushing owners to sell because they cannot keep up with costs of operating a rental with controlled rents.**
3. **Hawaii already has a form of rent stabilization for many of its projects through the Maui County Office of Housing and Human Concerns and Hawaii Housing Finance and Development Corporation where they impose rent limits annually on projects.** Adding another layer would only confuse and negatively impact existing development agreements that the County and State has with many projects.

Maui County has over the decades continued to increase regulations on housing making it virtually ILLEGAL to develop multi-family rentals. All these projects must use 201H, a deregulation mechanism, to entitle for this use. Below is a table showing major regulations Maui has enacted, housing produced, and the housing deficit – a correlation appears showing more regulation has only constricted the supply of housing. ***Rent stabilization is one of the most restrictive forms of regulation along with inclusionary zoning and will not only slow the creation of housing, but we will LOSE rental units if this is enacted.***

What follows is a table showing regulations enacted on Maui County over the years and the corresponding low number of units created and housing deficit growing. The number of created units is miniscule to the size of the demand which grows year after year.

Timeline	Regulation	Impact	Housing Supply Created	Housing Deficit/ Demand
2006: Inclusionary Zoning (2.96 Residential Workforce Housing Policy)	Developers required to set aside 50% of new units for affordable housing.	Increased costs discouraged development.	1,000 units	demand exceeded 3,000 units
2011: “Show Me the Water” Bill	Required long-term water supply before project approval.	Delays in developments, especially Upcountry.	200 units	4,000 units
2015: 2.96 Workforce Housing Ordinance Revisions	Reduced affordable housing requirements for developers from 50% to 25%	Some easing of burden, but costs and land availability continued to hinder projects.	500 units	5,000 units

2017: Short-Term Rental Cap	Limited short-term rental permits in residential zones.	Continued loss of long-term rentals.	300 units	6,500 units
2020-2021: COVID-19 Impact and Construction Delays and Emergency Proclamation	Pandemic-related delays in building permits and inspections. Capped rents and created an eviction moratorium which induced renters to squat in units and not pay rent. Landlords could not pay for increasing expenses for a few years and had to sell.	Significant slowdown in housing construction and the loss of long-term rental units to the fee simple market.	150 units	7,000 units
2021: FEMA Rentals After Lahaina Fire	FEMA rented large portions of the local housing stock by providing 2X-3X the rent, driving up rent prices island wide.	FEMA drove up rents and long-term renters were pressured to leave their rentals due to landlords illegally evicting and pressuring tenants to leave for higher rent paying tenants or FEMA rents.	50 units	8,000 units
2022: Environmental and Zoning Constraints	Stricter protection of agricultural and conservation lands.	Developers struggled to find suitable land for housing projects.	100 units	9,000 units

Sources are provided as an attachment at the back of this cover letter

I have also provided examples of Rent Control/Stabilization in other municipalities and states and their unintended consequences:

- a) San Francisco, California
 - a. **Regulation:** Rent control since 1979, capping rent increases on units built before 1979.
 - b. **Impact:** 15% reduction in rental supply due to condo conversions. Unregulated rents increased by 7%.
 - c. *Reference: Stanford University (2019)*
- b) New York City, New York
 - a. **Regulation:** Expanded rent stabilization in 2019.
 - b. **Impact:** Loss of 43% of rent-stabilized units (1981-2019); 39% of rent-controlled units occupied by households earning over \$100,000.
 - c. *Reference: Manhattan Institute (2020)*
- c) St. Paul, Minnesota
 - a. **Regulation:** Capped rent increases at 3% (2021), with no exemptions for new construction.
 - b. **Impact:** 80% drop in new housing permits; 3,000 units canceled or delayed.
 - c. *Reference: Federal Reserve Bank of Minneapolis (2022)*



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- d) Santa Monica, California
 - a. **Regulation:** Rent control since 1979 for units built before 1978.
 - b. **Impact:** 20% reduction in rental units due to conversions and market exits.
 - c. *Reference: UCLA Ziman Center for Real Estate (2019)*

- e) Portland, Oregon
 - a. **Regulation:** Statewide rent control (2019), capping rent increases at 7% plus inflation.
 - b. **Impact:** 37% drop in new housing permits.
 - c. *Reference: Oregon Office of Economic Analysis (2020)*

A rental housing unit on Maui can cost about \$500,000 to \$700,000 per unit. Maui would need roughly \$5B to produce enough units to meet the overall housing demand. The County nor the State has these funds to build this housing, the private sector is needed to infuse investment into projects to build these units. **If rent stabilization is enacted in any form, housing investment will not be attracted to investing in Maui.**

The Solution: The Maui County Council must do the hard work of entitling and upzoning land for housing and streamline the entitlement and permitting process. There is no way out of this crisis other than to build units to solve this problem. And unfortunately, it will take several years to provide the right economic conditions for this to at least make some effective result. The sooner we start the better off Maui's people will be. The data clearly shows that regulating through demand side policy like rent stabilization, inclusionary zoning, and stricter entitlement procedures only chokes supply. More supply side policies like densification, incentives, and loosening of current restrictions will increase supply and thereby lower rents.

In Seattle, Amazon created a huge need for housing driving up rents 5-8% annually. Since 2020, developers have produced over 20,000 units annually and rents have fallen year over year. It is a concrete example of supply being the foundational economic requirement to lower rents and meet a basic need for housing. No other policy will change this fact with a greater impact and the longer we delay the hard work of creating the right conditions for housing to be produced, the more our community suffers – the more we fall behind as our deficit grows.

Thank you for your time and consideration of these facts. I have included additional source details on where this information has been cited to further provide you with any economic details you may need.

Warmest Regards,

A handwritten signature in black ink that reads "Linda Schatz".

Linda Schatz
Principal

1) Timeline of Key Maui County Regulations Impacting Current Affordable Housing Inventory

- a. **2006:** Inclusionary Zoning (Residential Workforce Housing Policy)
 - i. **Regulation:** Developers required to set aside 25%-50% of new units for affordable housing.
 - ii. **Impact:** Increased costs discouraged development.
 - iii. Affordable Housing Supply (2006-2015): Limited affordable housing growth—1,000 units built, while demand exceeded 3,000 units.
 - iv. *Reference: Grassroot Institute of Hawaii (2019)*
 - v. *Reference for Affordable Housing Growth vs Need: Maui County Housing Study and Hawaii Community Foundation*

- b. **2011:** “Show Me the Water” Bill
 - i. **Regulation:** Required long-term water supply before project approval.
 - ii. **Impact:** Delays in developments, especially Upcountry.
 - iii. Affordable Housing Supply (2011-2015): Development slowed; 200 units built as demand climbed over 4,000 units.
 - iv. *Reference: Maui County Council archives (2011) and The Maui News*

- c. **2015:** Workforce Housing Ordinance Revisions
 - i. **Regulation:** Reduced affordable housing requirements for developers.
 - ii. **Impact:** Some easing of burden, but costs and land availability continued to hinder projects.
 - iii. Affordable Housing Supply (2015-2017): Slight increase; 500 new units developed, while demand approached 5,000 units.
 - iv. *Reference: Maui County Department of Housing and Human Concerns (2015)*

- d. **2017:** Short-Term Rental Cap
 - i. **Regulation:** Limited short-term rental permits in residential zones.
 - ii. **Impact:** Continued loss of long-term rentals.
 - iii. Affordable Housing Supply (2017-2020): Housing supply stagnated; 300 units built, but demand exceeded 6,500 units.
 - iv. *Reference: Hawaii Appleseed Center for Law and Economic Justice (2018)*

- e. **2020-2021:** COVID-19 Impact and Construction Delays
 - i. **Regulation:** Pandemic-related delays in building permits and inspections.
 - ii. **Impact:** Significant slowdown in housing construction.
 - iii. Affordable Housing Supply (2020-2021): Only 150 units built during the pandemic, with demand surpassing 7,000 units.
 - iv. *Reference: Hawaii Construction Industry Association (2021)*

- f. **2021:** FEMA Rentals After Lahaina Fire
 - i. **Market Distortion:** FEMA rented large portions of the local housing stock.
 - ii. **Impact:** Long-term rentals were further reduced, driving up rents.
 - iii. Affordable Housing Supply (2021-2022): Minimal growth; 50 units added, while demand continued to rise to 8,000 units.
 - iv. *Reference: The Maui News and Honolulu Civil Beat (2021-2022)*

- g. **2022:** Environmental and Zoning Constraints
 - i. **Regulation:** Stricter protection of agricultural and conservation lands.
 - ii. **Impact:** Developers struggled to find suitable land for housing projects.
 - iii. Affordable Housing Supply (2022): Housing development nearly halted; 100 units built against a demand of 9,000 units.
 - iv. *Reference: The Maui News and Maui Island Plan (2022).*

HLU Committee

From: Mark Clemente <mclemente@hrcc-hawaii.com>
Sent: Wednesday, September 25, 2024 9:22 AM
To: HLU Committee
Subject: 09-25-2024 HLU Testimony - Rent Stabilization (HLU-3(20))
Attachments: 09-25-2024 - Housing and Land Use - RENT STABILIZATION HLU-3 20.pdf

You don't often get email from mclemente@hrcc-hawaii.com. [Learn why this is important](#)

Aloha,

Please see attached testimony to be part of the record for agenda item Rent Stabilization (HLU-3(20)) for tomorrow's Housing and Land Use Committee hearing scheduled for Wednesday, September 25, 2024 at 9:00am.

Mahalo,

Mark Anthony



Mark Anthony Clemente
Government Relations

HAWAII REGIONAL COUNCIL OF CARPENTERS

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HAWAII REGIONAL COUNCIL OF CARPENTERS

September 25, 2024

Maui County Council
Committee On Housing and Land Use
Councilmember Tasha Kama, Chair
Councilmember Tom Cook, Vice Chair

Rent Stabilization (HLU-3(20))

Chair Kama, Vice Chair Cook, and Members of the Committee:

The Hawaii Regional Council of Carpenters would like to offer their comments regarding rent stabilization.

In Maui, the demand for affordable housing is estimated at 14,000 units by 2025, with a majority of households earning less than 80% AMI. Currently, the supply is at 3,000 units built, with less than 25% deemed affordable—the deficit is expected to reach 8,000 units by 2025. At an average cost of \$600,000 per unit, it would cost the county about \$4.8 billion to develop all needed affordable housing units without private sector participation.

Furthermore, the combination of stringent regulations, high development costs, and market distortions like FEMA rentals and rent control have worsened the affordable housing crisis, leaving a growing gap between demand and supply.

The average cost of developing affordable housing in Hawaii is significantly higher than the national average. Nationally, the cost to build a single affordable housing unit ranges from \$150,000 to \$250,000. In Hawaii, this cost is \$500,000 to \$700,000 per unit due to high land prices, labor shortages, and shipping costs for construction materials. Even within Hawaii, Maui faces additional challenges such as limited land availability and higher infrastructure costs, pushing unit development closer to the \$700,000 mark.

Maui County's efforts in helping to relieve financial strain on locals through rent stabilization policies will have unintended consequences as seen in several cities that have implemented these policies:

STATE HEADQUARTERS & BUSINESS OFFICES

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HILO OFFICE: 525 Kilauea Avenue, Room 205, Hilo, Hawaii 96720-3050 • Ph. (808) 935-8575 Fax (808) 935-8576
KONA OFFICE: 75-126 Lunapule Road, Kailua-Kona, Hawaii 96740-2106 • Ph. (808) 329-7355 Fax (808) 326-9376
MAUI OFFICE: 330 Hookahi Street, Wailuku, Maui 96793-1449 • Ph. (808) 242-6891 Fax (808) 242-5961
KAUAI OFFICE: Kuhio Medical Ctr Bldg., 3-3295 Kuhio Hwy, Suite 201, Lihue, Kauai 96766-1040 • Ph. (808) 245-8511 Fax (808) 245-8911

1. San Francisco, California

According to a study by Stanford University (2019), San Francisco's rent control policies since 1979 capped rent increases on units built before 1979, and this resulted in a 15% reduction in rental supply due to condo conversions, while unregulated rents increased by 7%.

2. Santa Monica, California

The same impact was seen in Santa Monica, California where rent control was in place since 1979 for units built before 1978, resulting in a 20% reduction in rental units due to conversions and market exits. (*UCLA Ziman Center for Real Estate, 2019*).

3. New York City, New York

More recently, New York City expanded rent stabilization in 2019 which led to a loss of 43% of rent-stabilized units and a loss of 39% of rent-controlled units occupied by households earning over \$100,000 (*Manhattan Institute, 2020*).

4. St. Paul, Minnesota

In 2021, St. Paul, Minnesota capped rent increases at 3%, with no exemptions for new construction leading to an 80% drop in new housing permits and 3,000 units canceled or delayed. (*Federal Reserve Bank of Minneapolis, 2022*).

5. Portland, Oregon

In 2019, statewide rent control was implemented in Oregon and capped rent increases at 7% plus inflation. The impact of this policy was a 37% drop in new housing permits. (*Oregon Office of Economic Analysis, 2020*).

Instead of implementing policies like rent stabilization/control which have unintended negative consequences, we should focus on these strategies that are proven to increase housing supply and affordability:

- 1. Streamlining the Permitting Process:** Reducing regulatory delays and accelerating the permitting process for affordable housing projects would help bring more units to market quickly and at a lower cost.
- 2. Incentivizing Private Sector Investment:** Offering tax credits, density bonuses, and subsidies to developers who build affordable units can encourage private sector involvement and reduce the financial risk of these projects.
- 3. Public-Private Partnerships:** Collaborating with private developers to share costs and risks can ensure that affordable housing projects are financially viable while meeting community needs.

Mahalo for your consideration.