



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:

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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.

HLU Committee

From: Mark Clemente <mclemente@hrcc-hawaii.com>
Sent: Wednesday, September 25, 2024 3:16 PM
To: HLU Committee
Subject: Re: 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,

I sent it yesterday and got the auto response. Please see attached.

Mahalo for your help!

Mark

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From: HLU Committee <HLU.Committee@mauicounty.us>
Sent: Wednesday, September 25, 2024 2:57 PM
To: Mark Clemente <mclemente@hrcc-hawaii.com>
Cc: HLU Committee <HLU.Committee@mauicounty.us>
Subject: RE: 09-25-2024 HLU Testimony - Rent Stabilization (HLU-3(20))

Aloha Mr. Clemente,

The eComment link is disabled once the meeting adjourns. Our standard practice when processing an eComments report with all testimonies is to process within 1-2 business days after a Committee meeting and upload it to the website (www.mauicounty.us). To view processed eComments reports and other documents relating to the item, select the specific meeting, click on meeting details, then select the specific item (file#).

Please feel free to send in your written testimony to this email: HLU.committee@mauicounty.us, and we will process it accordingly.

Mahalo,
HLU Committee Staff

From: Mark Clemente <mclemente@hrcc-hawaii.com>
Sent: Wednesday, September 25, 2024 2:38 PM
To: HLU Committee <HLU.Committee@mauicounty.us>
Subject: RE: 09-25-2024 HLU Testimony - Rent Stabilization (HLU-3(20))

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Aloha,

The ecomment link was not available when I checked.

Mahalo,
Mark

Mark Anthony Clemente
Government Relations

HAWAII REGIONAL COUNCIL OF CARPENTERS

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Email: mclemente@hrcc-hawaii.com

From: HLU Committee <HLU.Committee@mauicounty.us>

Sent: Wednesday, September 25, 2024 9:22 AM

To: Mark Clemente <mclemente@hrcc-hawaii.com>

Subject: Automatic reply: 09-25-2024 HLU Testimony - Rent Stabilization (HLU-3(20))

Submittal of testimony for the **09/25/2024, 9:00 a.m. HLU** meeting

If you are submitting testimony for the **09/25/2024, 9:00 a.m.** Housing and Land Use Committee (HLU) meeting, please do not submit written testimony here.

Instead please submit testimony at <https://mauicounty.legistar.com/Calendar.aspx>, go to the **09/25/2024 9:00 a.m.** meeting, and click on the link entitled eComment (which will open another page), then click on a specific committee item number, scroll down until you see the eComment box. When you're done, click on box entitled **Submit Comment**.

For general instructions on how to use eComment, please click on <http://mauicounty.us/ecomment>

If you have any questions, please contact HLU Committee staff at this email address.

Mahalo,
HLU Committee Staff