

Affordable **L**ocally **O**wned **H**omes for **A**ll

ALOHA Homes Study

Presentation to the Transit Oriented
Development Council, June 18th

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Project Team

SPEAKING TODAY:

- Abbey Seitz (Community Planner)
- Kenna Stormogipson (Policy and Data Analyst, Hawai'i Budget and Policy Center)
- Steven Miao, (Research Assistant, Hawai'i Budget and Policy Center)
- Jacob Heberle (Summer Intern, Hawai'i Appleseed)
- Charles Long (Developer and author of "Finance for Real Estate Development)
- Williamson Chang, JD (Legal Analyst, UHM William S. Richardson School of Law)
- Arjuna Heim (Fall Intern, Hawai'i Appleseed)

AVAILABLE FOR QUESTIONS:

- Dave Freudenberger (Public Finance Consultant, Goodwin Consulting Group)
- Dennis Silva (Planner, Hawai'i Planning LLC)
- Jessica Sato (Freelance Designer)

Presentation Agenda

1. Study Methodology
and Singapore's Model
2. Financial Feasibility
and Maintaining Affordability
3. Evaluating Other Program Elements
4. Benefits, Next Steps, and Conclusions

Study Methodology

- Review Existing Research
- **2** Case Studies
- **40** Interviews
 - Developers
 - Housing agencies
 - Community organizations
- **4** Focus Groups



Singapore's Housing Model

Over 90% of Singaporeans own a home

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- State-financed
- 99-year leases
- New unit restrictions
 - Resident-status
 - Income
 - Strict Ethnic Quotas
- Cheap labor
 - Low construction costs
\$125 to 150 per sq ft
- Strong State government
 - Builds adequate supply

State Housing Supply and Re-Sale Price



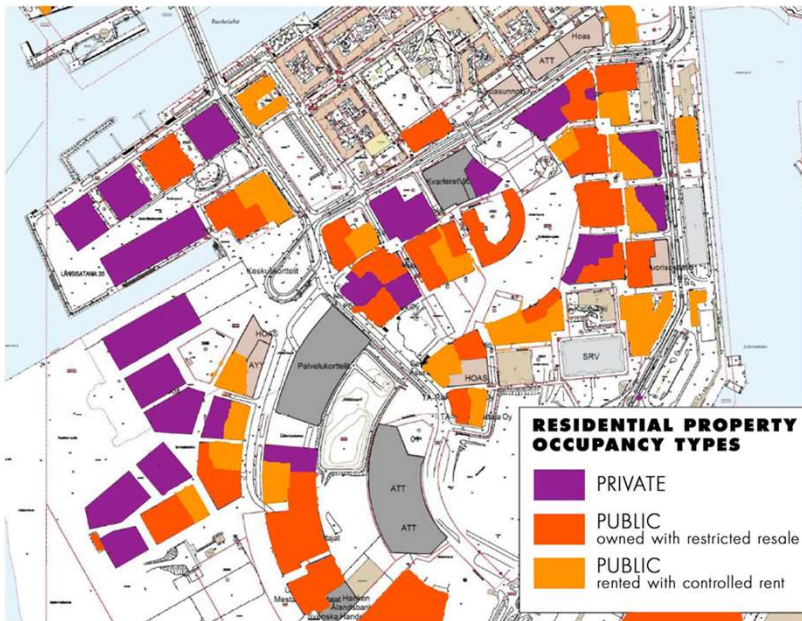
Singapore Obstacles for Hawai'i

CONSTRUCTION
COST

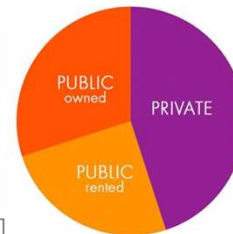
GOVERNMENT
AUTHORITY
versus
CITIZEN
PARTICIPATION

Helsinki, Finland and Vienna, Austria- more similar

JÄTKÄSSARI, HELSINKI, FINLAND

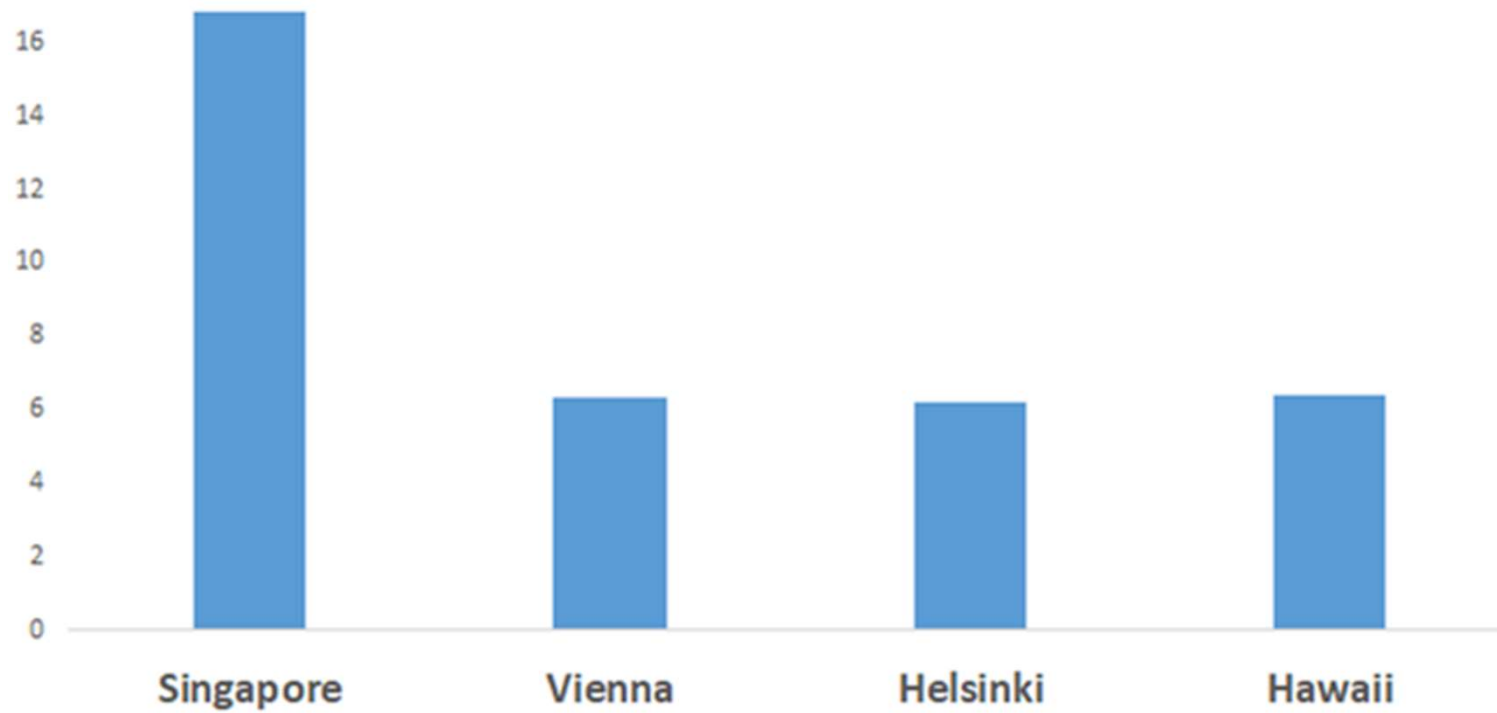


PUBLIC VERSUS PRIVATE AFFORDABLE HOUSING



- Citizen engagement (NIMBY)
- Strong labor unions
- High costs of construction
 - Helsinki \$325-\$400/sq ft
 - Vienna \$250-\$300/sq ft

Land Use Constraint: Train Stations per Million Since 2000

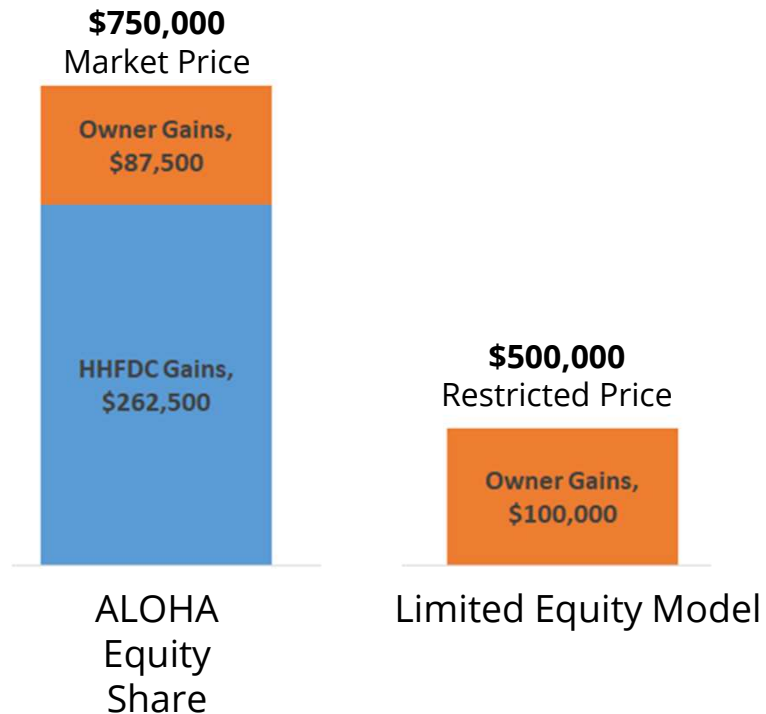


Maintaining Affordability is Key

Restrict Re-Sale Price, Keep Affordable for Next Owner

- **Case Study: Kaka'ako**
7,300 for-sale homes from 2008–2019
 - Initially **26%** were affordable: **1,850** priced below-market
 - Today **9% (637)** are still affordable, by 2025 it will be **3%**
- **Difficult to replace affordable homes**
Once a home is sold on the market, it is rarely replaced

ALOHA homes model vs Maintaining Affordability



PURCHASE 2bd Home 2021: \$400,000

ALOHA Homes Bill

- 25% Owner \$87,500
- 75% HHFDC \$262,500

Best Practice: Inflation pricing (CPI)

- Owner gets \$100,000 (1.5% CPI)
- \$500,000 re-sale price

Limited Equity Benefits

- Keeps home affordable
- Owner builds more equity

Financial **Feasibility**

Affordable Housing Created in Four Ways

- **State Land Contribution** (5-10% savings)
- **Off-Site Infrastructure** (5-15% savings)
Part of larger area plan—GET or CFD
- **Streamlined Entitlement** (5% savings)
Programmatic EIS/EA waiver
- **Financing Access** (5-6% savings)
Taxable mortgage revenue bonds or partnership with local banks

Affordable at Moderate Income (80–120%AMI)

HOME TYPE	AVG MARKET PRICE (2019)	PRODUCTION COST of HOME	SQUARE FOOTAGE	Production Cost compared Market	Income level
1bd / 1ba 600 sq/ft	\$395,000	\$300,000	600	24%	\$60,000 + 1 person
2bd / 2ba 830 sq/ft	\$569,000	\$405,000	830	30%	\$80,000+ 2-3 ppl
3bd / 2ba 1,000 sq/ft	\$744,000	\$500,000	1,000	33%	\$97,000+ 3-5 ppl

Evaluating Other Program Elements

Off-Site Infrastructure Financing

Part of Larger
Area Plan

Best Practice

- Off-site infrastructure not included in housing cost: Helsinki, Vienna, Singapore

Public Should Fund

- Community Facilities District (property assessments): Most common and progressive
- GET/Sales Tax: Less common, more regressive
- Federal Dollars?

Owner- Occupancy Enforcement

People Managed
Preferred over
High-Tech

Focus Group Finding

- High-tech (fingerprint, eye scan) disfavored. Concerns:
 - Privacy
 - Flexibility for guests
 - Maintenance

Recommendation

- Stewardship Specialists
 - Land Trust model
 - More benefits / similar costs (\$50 per month, per home)

**Preferences and
Set-Asides** for
Special Groups:
elderly, houseless
etc.

Focus Group Findings

- Greater support for set-asides, rather than preferences

No Income Limits

Almost All Programs Have Income Limits

Recommendation
140% AMI

Best Practices

- All US Cities have income limits ranging from 80–150% AMI
- Even Singapore has limits for newly-constructed affordable homes

Appropriate AMI Level

- Can afford a mortgage
- Include households with public sector workers:
Two teachers (\$65,000) = 130% AMI

Future Tenant Involvement

Focus Group Finding

- Overwhelming **94% support** for sweat equity and planning of the future project

Best Practice

- Helsinki and Vienna

Local Example

- Pu'uhonua O Wai'anae:
Land, design, building

Benefits of Leasehold Housing

“I would move from
my neighborhood for
a program like this!”

Focus Group Finding

- Participants were very interested in this housing model

Main Benefits

- **Stability**
Predictable payments, no forced move
- **Financial Gain**
Much better investment than renting
- **Inheritance**
Ability to pass onto children

State Lands Long-lease Controversy

- Need for consultation, collaboration Native Hawaiian groups
- 99 yr lease less controversial on after-acquired lands

Benefits, Next Steps,
and
Conclusions

Who Benefits?

- **Middle-income who can't afford to buy into the private market. (80-140% AMI)**

Current demand for 5,000 households

- Middle-step between renting and ownership.
 - Wealth Building
 - Stable- no landlord

Who's Left Out?

Below 80% AMI
needs further
assistance

- Lower AMI ranges:
80% and below
- Over half of housing need is for
80% AMI and below.

Next Steps

1. Stewardship support

Third party management
e.g. Na Hale O Maui Land Trust

2. Financing Options - Mortgage Revenue Bonds

3. Pilot Project - Suitable State Lands

Conclusions

1. **Focus Groups** demonstrated that there *is* demand for affordable leasehold ownership.
2. Affordability without use of general fund revenue.
3. Elements of proposal have potential to fulfill an **important housing need. 80%-140% AMI**