Affordable Locally Owned Homes for All

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

- 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

Over 90% of Singaporeans own a home

PHOTO CREDIT: CHRIS HOARE VIA CREATIVE COMMONS
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

- 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

- Singapore: 16
- Vienna: 6
- Helsinki: 6
- Hawaii: 6
**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

$750,000
Market Price

$500,000
Restricted Price

Owner Gains, $100,000

ALOHA Equity Share

Limited Equity Model

Owner Gains, $87,500

HHFDC Gains, $262,500

$500,000
Restricted Price

Owner Gains, $87,500
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)

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

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

Recommendation
140% AMI
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

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

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

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

Below 80% AMI needs further assistance
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