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STAKEHOLDER ADVISORY GROUP
Select Committee on Economic Assistance and Revitalization
Honolulu City Council

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December 30, 2020

The Honorable Ann Kobayashi
Chair, Honolulu City Council
Honolulu Hale, Room 202
530 South King St.
Honolulu, HI 96813

The Honorable Tommy Waters
Chair, Select Committee on Economic Assistance and Revitalization
Honolulu Hale, Room 202
530 South King St.
Honolulu, HI 96813

Dear Chairs Kobayashi and Waters:

In accordance with the directive of Resolution 20-138, as adopted by the Honolulu City Council on June 3, 2020, your Stakeholder Advisory Group is submitting to you and the City Council our fourth and final report outlining our members' findings per the Council's second directive in that resolution, which tasked this body to come up with "[r]ecommendations for City policies to support and promote a sustainable local economy, diversification, and revitalization."

Our report is organized in the following seven general areas of concern, with three appendices included at the end of the report to (a) provide reference to the federal guidelines of the Coronavirus Aid, Relief and Economic Security (CARES) Act; and (b) offer a more detailed outline of our suggestions in Nos. 3 and 4:

1. Increase O'ahu's affordable housing rental inventory 2
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With the sunset of the federal CARES Act on December 30, 2020 and a new City Council taking office on January 2, 2021, the work of your Advisory Group has thus concluded with the expiration of the present Council's term.

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1. INCREASE O‘AHU’S AFFORDABLE HOUSING RENTAL INVENTORY

- The City should clearly articulate its goals and expectations for the development of affordable housing at 60% AMI or below, where the need is particularly acute, and then work with developers in both the profit and non-profit sectors to attain its objectives.

Background

Earlier this year, analysts at the Economic Research Organization of the University of Hawai‘i (UHERO) estimated the impact of the COVID-19-induced economic downturn on renters in 2020. It established as its baseline a “COVID Rent Deficit,” that is, the amount of rent subsidy that would be required to return all unemployed renters to the rent burden they experienced before the economic shutdown**.**

The study found that the federally augmented unemployment payments (the Federal Pandemic Unemployment Compensation, FPUC), as part of the CARES Act, had served a very useful purpose in preventing everyone’s worst case economic scenarios from occurring. However, UHERO also warned that a significant number of households would likely experience unsustainable changes in their housing cost burdens throughout 2021.[1]

The UHERO study further noted that in the absence of additional support, at least 10,000 families on O‘ahu will find themselves in a perilous housing situation, above and beyond the normal strains of the City’s housing market. With or without Federal assistance, your Advisory Group urges the State and City to continue to find meaningful ways to continue supporting these households for the duration of the present public emergency, as both did with financial assistance for rent.

While it’s undeniable that Hawai‘i has a housing problem, what’s not being built is the type of housing most local residents can afford. The City’s own Department of Planning and Permitting reported in 2019 that the shortage of units for all area median income ranges was determined to be 8,930 for the fiscal year 2018, then 9,750 in 2019, an increase of 820 units, and that affordable housing units made up more than half of the shortage count.[2]

Further, between 2006 and 2018, an average of 55,000 people moved to Hawai‘i annually. In those years when in-migration exceeds outmigration, this increases demand. But even in more recent years, when the number of people leaving the islands exceeds the number moving in, this continued influx of new residents has exacerbated the problem of affordability, because so many people who make the decision to relocate to Hawai‘i tend to come from areas with better wages and lower

[1] Garboden, Philip and Picciotto, Isabel. “Estimating COVID-19 Induced Rental Housing Hardship in 2021.” (UHERO, June 2020). The report also noted that because the housing crisis existed in Hawai‘i well prior to the advent of the COVID pandemic, its baseline was not an estimate of what it would take to fund a robust housing safety net.

[2] “Annual Report on the Status of Land Use on O‘ahu,” p. 25 (Dept. of Planning and Permitting, City and County of Honolulu, Dec. 22, 2020). In April 2018, the City Council passed Ordinance 18-10, codified as Chapter 38, Revised Ordinances of Honolulu, which lowered the income limits for affordable rental and for-sale housing units to 80% and 120% of the area median income, respectively.

housing costs. With far greater financial resources at their personal disposal, newcomers are frequently outbidding current local residents in nearly all housing categories.[3]

Finally, while the subject of homelessness in the City and County of Honolulu wasn't nominally within your Advisory Group's purview per our directive as stated in City Council Resolution 20-138, nevertheless it was raised tangentially during our discussions on other matters due to its pervasiveness. We are encouraged by City efforts to alleviate the plight of the homeless with proactive initiatives, such as the opening and recent expansion of the Pūnāwai Rest Stop in 'Iwilei. Such efforts can and should be increased. Given the immediacy of need, a greater sense of urgency is required.

A resilient and revitalized economy requires stable and affordable housing for its residents and its workforce. Developing policies and strategies to deliver more affordable rental housing inventory will not only provide such stability for O'ahu residents but also reduces the individual and socio-economic costs associated with poverty and homelessness.[4]

Direction and Suggestions

Members of your Advisory Group offer the following for consideration by the incoming City Council and administration as a means to facilitate an increased availability of affordable rental housing for O'ahu residents:

(A) Review and update the definitions for affordable housing, particularly in the rental market, so that they are not rooted in market-based applications, e.g., how much a prospective tenant can possibly afford, but rather upon a region's area median income, which tends to be a much more reliable indicator of affordability for O'ahu residents. Further, officials in the City Dept. of Community Services have suggested that steps be taken to actively discourage discrimination by prospective landlords against renters approved for Section 8 assistance.

(B) Review existing inventory of underutilized City and State properties in urban Honolulu. Oftentimes, a project's approval and sources of funding will rest upon the issue of site control. In that regard, the repurposing of underutilized City properties as sites for affordable housing development enjoys a distinct immediate advantage over proposed projects on private property. The City has leverage, and as an example, it can offer site control to a development entity on condition that a majority of apartment or condominium units be reserved for tenants at 60-80 AMI

[3] SMS Research. "Hawai'i Housing Planning Study," Dept. of Business, Economic Development and Tourism, Dec. 2019. 15% of all housing purchases in the City and County of Honolulu, 37.5% in Maui County, and 40% in Hawai'i County and Kaua'i County are being made by non-residents from outside the State, including many investors. Further, there is a large cost differential between purchases by local residents and out-of-state buyers, with the latter paying nearly 50% more. This perhaps explains why Hawai'i has not experienced any significant downturn in the local real estate market, and why that market's tides tend to flow against local residents.

[4] Schisler, Cole. "Not Helping the Homeless Costs Money in the Long Run" (Vancouver Island Daily, Aug., 5, 2020). A 2017 study conducted in Vancouver, B.C. determined that average annual costs for a homeless individual living in that city reached $53,144, and that homeless people living with mental illness can generate significantly higher annual costs approaching $75,000, with the bulk of these costs being absorbed by taxpayers. The City might consider commissioning a similar study to likewise establish similar baseline numbers for O'ahu, and then use its findings as an incentivizing basis for public action.

or below for no less than a period of 50 years. Further, the City can perhaps allow a developer in select circumstances to stretch out development costs over a period of time, rather than account for them upfront prior to breaking ground.

(C) Explore the expanding inventory of underutilized office space in urban Honolulu, in consideration of potential conversion to residential use. If the trend that emerged during the COVID-19 crisis remains consistent through 2021, in which large offices normally populated by significant numbers of employees went dark as businesses closed and / or employees worked from home, Honolulu's post-pandemic environment may be littered with numerous office vacancies. Your Advisory Group recommends that the City Council work with property owners who desire to convert their assets from commercial to residential.

(D) Consider alternative means of funding and building affordable housing units, such as a non-profit development corporation. For example, nonprofits can avail themselves of project funding through the federal New Markets Tax Credits program, which can fund approximately 30% of a project's costs (and up to 39% in select circumstances), provided that at least 20% of said property's income is subsequently derived from commercial and retail sales. This could create opportunities for development of affordable rental apartments in large land areas presently occupied by big box retailers such as Home Depot, Loews, Best Buy and Costco in ʻIwilei, which could construct towers of rental apartments above their stores in close proximity to the City's planned rail transit line.

(E) Incorporate community health care as a vital component of affordable rental projects. The availability of quality health care in the same building can be particularly beneficial to residents of senior-oriented housing facilities. Further, medical rent is the highest rent cohort per square foot at $35, a factor which can certainly help offset costs. As councilmembers contemplate prospective development of affordable rentals for Oʻahu's kupuna, they might consider a requirement that the developer incorporate medical drainage in project planning to accommodate the placement of outpatient medical facilities, such as federally qualified health centers (FQHCs, aka community health centers).

(F) Explore and consider opportunities to offset or lower costs of affordable housing development. Seek out developers who can qualify a project for Low-Income Housing Tax Credits (LIHTC) at 4% or 9%, or who are willing to incorporate photovoltaic or solar energy into the design. Further, to fund the building of neighborhood parks, schools, etc., consider increasing developer fees on market-priced and above market-priced housing, while forgoing the same for projects priced at below-market rates.[5]

(G) Encourage the State to provide sufficient funding for the Department of Hawaiian Home Lands (DHHL) to fulfill its mission and promise. While this is not a City issue per se, it should be noted that DHHL is the one agency in Hawaiʻi that has strong and enforceable requirements regarding who can own and occupy housing built on Hawaiian Home Lands. Currently, tens of

[5] Galante, Carol, et al., "Building Affordability by Building Affordably: Exploring the Benefits, Barriers and Breakthroughs Needed to Scale Offsite Multifamily Construction." (Turner Center for Housing Innovation, University of California at Berkeley, March 2017). As an example, approximately 20% of a housing unit's construction costs are associated with the construction and installation of its cabinetry.

thousands of Native Hawaiians are on a homestead waiting list, who are likely competing in the mainstream market for affordable housing. A major initiative on the State's part to reduce that backlog, particularly on O'ahu, could alleviate consumer pressure on the local rental market.

* * *

2. RE-IMAGINE THE TRAVEL AND HOSPITALITY INDUSTRY AS MORE DIVERSE IN ITS VISITOR PORTFOLIO, LESS RELIANT UPON MASS MARKET TOURISM, AND MORE RESPECTFUL OF LOCAL RESIDENTS AND CULTURE

- The City should encourage the Hawai'i Tourism Authority and the private sector to develop a sustainable and diversified travel and hospitality industry, and to further manage the growth and impacts of tourism in a manner that respects the Hawaiian culture, addresses concerns of local residents and offers our visitors a high-quality experience.

Despite the recent severe downturn in the number of visitors to Hawai'i due to the coronavirus pandemic, your Advisory Group believes our travel and hospitality industry to be an important, integral and ultimately resilient segment of our State and local economies. Since the controlled reopening of that industry began this fall, visitor arrival numbers have since rebounded to about 60% of pre-pandemic figures, which is somewhat impressive given State-imposed stipulations.

Your Advisory Group spent several meetings discussing the potential benefits and consequences of re-opening tourism on O'ahu during a deadly pandemic. At one point, we had actually proposed in our first interim report on July 29 that the State establish an entry control point to screen all incoming passenger traffic arriving from the mainland United States and overseas at Daniel K. Inouye International Airport in Honolulu, prior to allowing them to enter Hawai'i.

Further, we would note the findings of a recent OmniTrak survey regarding tourism, which found that 67% of O'ahu residents agreed with the statement that "the island is being run for tourists at the expense of local people." [6] On that topic, City Councilmembers have surely heard from their own constituents on any number of tourism-related controversies, from the proliferation and regulation of O'ahu's short-term vacation rental market, to increased problems with traffic, parking and tourist-related robberies / thefts occurring in the island's residential communities from Waialua on the north shore to Waimānalo on the southeastern windward coast.

The pandemic has also heightened residents' fears about potential threats posed to local health and safety by re-opening the islands to tourists. Further, there are some 55,000 employees in the travel and hospitality industry on O'ahu whose own justifiable concerns for their health, safety and economic future also need to be addressed by City and State officials.

So, while tourism does comprise a vital component of Hawai'i's travel and hospitality industry, many O'ahu residents nevertheless perceive that industry's emphasis on mass market tourism as having an outsized influence in public policymaking. They are concerned that its continued growth is having a deleterious effect on their quality of life. And they expect serious consideration to be given to ideas for real diversification of the local economy, in meaningful ways that alleviate our present overdependence on this one particular industry.

[6] Honolulu Star-Advertiser, "Residents' sentiment toward tourism has worsened" (December 21, 2020)

In that regard, the City could perhaps offer to host and facilitate an island-wide or statewide summit of stakeholders in government, the industry and its labor force, and community organizations to discuss and address these pressing issues in a thoughtful and forthright manner, so that achievable solutions might be developed and proposed which benefit the greater O‘ahu community at large.

One solution could be to encourage further diversification of the travel and hospitality industry itself, perhaps with a more robust effort at marketing Honolulu’s geographic locale to serve as a hub for representatives of the trans-Pacific corporate, governmental and related communities, and place where executives and officials can meet and conduct business, as a means to enhance the industry’s own revenue stream and mitigate its current over-reliance on vacation travelers.

(One possible benefit for local residents is that business travelers and conference attendees tend to be focused on their immediate tasks at hand, and are thus less inclined to stay at vacation rentals or roam O‘ahu’s residential neighborhoods.)

The industry might further highlight Honolulu’s success at hosting numerous major conferences and forums in the past, and promote O‘ahu as a logical and important hub for annual gatherings – particularly for nations along the Pacific Rim which do business with the U.S. – for international banking and governmental forums such as APEC, the Asian Development Bank and other import-export banks, and similar organizations and trade councils.

* * *

3. IMPLEMENT THE O‘AHU RESILIENCE STRATEGY, WHICH WAS ADOPTED IN 2019, TO THE EXTENT POSSIBLE

- In proactive anticipation of climate change and sea level rise, the City Council should prioritize and implement the 44 separate action items outlined in the O‘ahu Resilience Plan.

Background

Over the better part of a year, the City’s Office of Climate Change, Sustainability and Resiliency surveyed thousands of island residents and worked with nearly 90 community representatives, leaders and subject-matter experts to develop prospective community-based solutions that address economic inequity, combat the effects of climate change and better position our island socio-economically for growth and prosperity in the 21st century. Eventually, 44 well-defined and achievable action items were offered, which ultimately comprise “OLA: O‘ahu Resilience Strategy” (ORS).

First published by the City on May 31, 2019 and subsequently adopted unanimously by the City Council on Sept. 19, 2019 in Resolution 19-233, the ORS serves as a guiding document for City public policy. Both the concerns expressed in this document and its proposed solutions speak directly to the economic and social challenges presently facing City policymakers and O‘ahu residents.

In short, the ORS offers concrete, actionable and achievable solutions, in part by informally defining resilience as where the economy and the environment meet. Concurrently with the

COVID pandemic and the recent economic downturn, climate change and the related impacts of storms, heat and rising oceans are most pressing long-term economic issues presently facing the City. Climate change presents a public health problem with serious impacts, which include increased rates of respiratory and cardiovascular disease among our populace, injuries and premature deaths related to extreme weather events, significant changes or disruptions in food distribution, and the facilitation of the spread of infectious diseases.

Your Advisory Group commends the City Council for having already taken initial steps to implement several of the aforementioned 44 action items, including the regulation of vacation rentals in the City and County of Honolulu (Bill 89, which is now Sec. 19-08, Revised Ordinances of Honolulu 1990). We now urge councilmembers to prioritize the ORS action items in terms of importance and immediacy, and act upon them accordingly.

Direction and Suggestions

The Caldwell administration has identified the following areas of immediate concern where the City Council might focus its attention on developing solutions that will protect and enhance economic activity in line with the long-term goals and objectives of the O‘ahu Resilience Strategy. A more detailed discussion of each proposal can be found in Appendix I, attached to this report:

(A) Implement and enact a vacancy fee to reduce the incidence of empty homes and increase the affordable housing supply (ORS Action No. 1, pp. 30-31): O‘ahu’s long-term vacancy rate of 5.3% and available vacancy rate of 3.4%. [7] A proposed 1% vacancy fee, as applied to the assessed value of any residential properties that are left empty for more than six months of any given tax year, would ostensibly both encourage the return of empty or under-utilized properties to active use as long-term rental stock for O‘ahu residents, and could provide approximately $60 million annually in dedicated funding to support the City’s development of affordable housing units.[8] (**NOTE:** The proposed vacancy tax differs markedly from the present Category A Property Tax for residential properties that are not owner-occupied, which is 1.05% over $1,000,000 in assessed value.)

(B) Develop alternative affordable housing options for O‘ahu residents (ORS Action No. 3, pp. 34-35): The ORS offers that alternative affordable housing options need not necessarily follow the traditional housing unit model, and urges creativity in the City’s consideration of those options.

(C) Expand housing and energy transformation by accelerating the permitting process (ORS Action No. 6, pp. 40-41): For many years the average staff vacancy in Department of Planning and Permitting (DPP) hovered around 20%, creating significant difficulties in application processes. Your Advisory Group is aware of the myriad of reasons for this situation, and urges the City Council and administration to work diligently on development of a long-term solution

[7] “OLA: O‘ahu Resilience Strategy,” p. 30 (City and County of Honolulu, May 2019)

[8] Barsch, Adam, et al. “Housing in Honolulu: analyzing the Prospect of Taxing Empty Homes” (Luskin School of Public Affairs, University of California at Los Angeles, June 2020). The report drew on qualitative and quantitative methodologies in order to determine that a 1% vacancy tax would indeed return empty units to the market. Further, the UCLA researchers offered recommendations on how to structure such a tax and also estimated the amount of revenue a vacancy tax would generate.

whereby DPP has sufficient capacity to protect public safety, efficiently process applications, and approve permits in a timely and equitable manner.

(D) Promote new agricultural models for economic and food security (ORS Action No. 10, pp. 48-49): Hawai‘i imports 85-90% of the food consumed by residents and visitors. According to DBEDT, a reduction of that percentage by just ten points would redirect about $313 million per year back to local businesses. Your Advisory Group explored and discussed the feasibility of urban farming and diversified agriculture as one means of encouraging food self-sufficiency and security, with both the primary intent of increasing domestic production and a secondary intent toward the export of product for revenue.[9] It is imperative that we reduce food imports through a recommitment to sustainable and diversified agriculture, and the further safeguarding of O‘ahu’s most productive agricultural lands.

(E) Increase flood insurance affordability for O‘ahu residents (ORS Action No. 13, pp. 56-57): Given the increasing intensity and frequency of major flood events on O‘ahu, flood insurance is more important than ever to reduce financial risk to residents and businesses alike. Reducing the vulnerability of our communities to flooding helps protect lives and property, allows local economies to rebound more quickly after a disaster, and safeguards our neighborhoods. The memorable flood events in east Honolulu and windward O’ahu back in December 1987 and more recently April 2018 serve as potent reminders of the risk we face.

(F) Protect beaches and public safety with revised shoreline management rules (ORS Action No. 29, pp. 90-91): Increasing rates of sea-level rise and erosion threaten the complete loss of sandy beaches on O‘ahu within this century. Given that 24% of the island’s sandy beaches have been lost to hardening and 55% of all beaches have significantly narrowed since 1975,[10] the City should probably re-examine its existing coastal zone management (CZM) policy, and perhaps consider the creation of a shoreline management commission that’s modeled on the Waterfront Commission of Port Chester, NY.

(G) Create a City-Community Liaison to leverage non-profit and volunteer assets (ORS Action No. 44, pp. 122-123): Increasing resilience challenges will require coordinated effort between government, businesses, non-profit organizations, and active volunteers and neighborhoods across the island. The establishment of a Community Liaison within the Office of the Managing Director would serve as a primary point of contact at the City for non-profit organizations and volunteers to offer services and navigate City agencies and processes.

While the following four suggestions are not specifically prioritized by the Caldwell administration for prompt action, some members of your Advisory Group offer them to the

[9] In that regard, your Advisory Group entertained a rather ambitious proposal from Dr. Tusi Avegalio Papali‘i, Director of the Pacific Business Center Program at UH-Mānoa’s Shildler College of Business Administration, to establish a breadfruit industry in Hawai‘i. While it’s obviously a work in progress, we would urge the City to give it serious consideration once it’s finalized. Further, many urban communities have repurposed vacant properties, hillsides and even underutilized warehouses toward agricultural pursuits, to great success. The City should likewise consider the efficacy, feasibility and potential of urban farming.

[10] Summers, Alisha and Fletcher, Charles H., et al. “Failure to Protect Beaches from Rising Sea Level” (School of Ocean and Earth Science and Technology, University of Hawai‘i at Mānoa, Nov. 2018)

incoming City Council and administration as closely-related issues addressed by the Oʻahu Resilience Strategy:

(H) Return illegal vacation rental units to the local housing inventory (ORS Action No. 2, pp. 32-33). Bill 89 was a good first step. The next step is to give the Dept. of Planning and Permitting the resources necessary to rigorously enforce the law. Further, because an estimated 52% of vacation rental units are owned by non-residents from outside Hawaii, the City should consider further efforts to discourage outside investors from converting houses in residential neighborhoods into vacation rentals, No doubt, East Honolulu, Kailua and Haleʻiwa are great places to visit. But these are not resort areas, nor were they ever intended as such. Perhaps the City can better protect these places by using and strengthening our zoning ordinances to preclude "resort creep" in Oʻahu's residential communities and eliminate illegal vacation rentals.

(I) Assist apartment owner associations in an effort to bring aging condominium towers up to current fire protection, electrical and plumbing codes (ORS Action No. 11, pp. 52-53). The tragic July 2017 fire at the Marco Polo condominium tower on Kapiolani Blvd., which killed four residents, injured 13 others and damaged or destroyed over 200 of the tower's 568 apartment units, raised public awareness to the inherent public hazard posed by the more than 300 high-rise towers in Honolulu built prior to 1971, which were never outfitted with otherwise-mandatory sprinkler systems because they were exempted by law nearly 50 years ago. Again, the City might consider incentivizing these necessary conversions with property tax credits, or assist residents by adding the cost to their property tax bill and then allowing them to amortize it over a 20-year period.[11]

(I) Manage the runoff from rivers and streams, which damages local water quality and Oʻahu's offshore reefs. Nonpoint source pollution is the term of choice for polluted runoff, in which water picks up an array of contaminants as it flows downstream, downhill, etc., toward the ocean. These contaminants include oil and sediment from roadways, soil and agricultural chemicals from farmland, and nutrients and toxic materials from urban and suburban areas. The U.S. Environmental Protection Agency (EPA) has identified nonpoint source pollution as the single largest cause of the deterioration of our State's water quality.[12] While water quality management is nominally a State responsibility, the City can do its part through more rigorous enforcement of applicable statue and ordinances, and requiring the same of developers as a condition of permits or site control.

(J) Provide tax incentives for all cesspool conversions, especially to low-income owners. Further, the City Council might consider incentivizing these necessary conversions for those residents who cannot pay the remaining balances after tax credits by allowing them to add it to their annual property tax bill and then amortizing it over a 20-year period. This will effectively mitigate a prospective environmental hazard, and creating additional opportunities for enterprising

[11] Honolulu Star-Advertiser, "Fire sprinkler cost was deemed prohibitive" (July 20, 2017). While the Marco Polo Apartments tower was the first condominium tower built under Honolulu's Comprehensive Zoning Code, that code did not mandate the installation of fire sprinklers in high-rise residential complexes until 1975. In 2005, the estimated per-unit cost to install a fire sprinkler system in the Marco Polo was $4,305. The building's owner association declined to act after residents complained that the cost was prohibitive.

[12] Zimpfer, Jeff and Toaspern, Megan. "Nonpoint Source Water Pollution" (Sea Grant Program, School of Ocean and Earth Science and Technology, University of Hawaiʻi at Mānoa, Sept. 2018)

small businesses to invest in heavy equipment with the added confidence of having long-term projects on the horizon.

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4. INCREASE AND UPGRADE O‘AHU’S BROADBAND CAPACITY

- The necessity of working from home and distance learning during the COVID-19 pandemic has highlighted potentially serious shortcomings in O‘ahu’s broadband capacity, which must be acknowledged and addressed as an integral part of the City’s municipal infrastructure.

Background

Your Advisory Group notes that federal funding will be most definitely needed to secure the replacement of two of the three undersea cables which connect O‘ahu to the west coast, both of which were laid decades ago and are effectively near the end of their lifespans. The third undersea cable is presently the subject of legal proceedings in U.S. bankruptcy court. Considering that information, it’s rather sobering to consider that these three cables pretty much constitute the sum total of Hawai‘i’s internet lifeline, of which two are likely approaching the effective end of their life spans.[13]

Given our growing economic interdependence with the internet for daily activities and commerce, any prolonged disruption of internet service prompted by a mid-Pacific cable failure would be extraordinarily problematic to say the very least. Therefore, resolution of this connectivity issue should be a very high priority for both the City and the State. If the City and County of Honolulu desires to be a player in the emerging global e-markets, then we need to both have and maintain a robust and reliable connection to the rest of the online world.[14]

For good and ill, the United States has rapidly evolved into an e-society over the past quarter century. As a City and State, we should therefore do everything we can to ensure that Hawaiian Airlines’ corporate headquarters doesn’t eventually follow the lead of its own IT center and relocate elsewhere, for lack of an adequate local infrastructure to support the growth of its operations. Your Advisory Group strongly recommends making the significant public investments necessary to support the requirements of a 21st century economy.

In May 2013, the Hawai‘i Dept. of Commerce and Consumer Affairs released its Broadband Capacity Building Project Plan, which among other things pledged to map unserved and underserved areas of each island as part of an ambitious plan to wire the entire State with broadband capacity. Because the future of broadband technology on O‘ahu is dependent upon expansion of a high-capacity fiber-optic network, your Advisory Group recommends that the City explore the possibility of a public-private partnership with either or both of O‘ahu’s primary providers, Spectrum and Hawaiian Telcom, to ensure that efforts to enhance our broadband capacity encompasses the entire island.

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[13] Honolulu Civil Beat, “Hawaii’s internet relies on increasingly untenable undersea cables” (June 1, 2020)

[14] Phoenix Business Journal, “Hawaiian Airlines hiring for new Valley IT Center” (May 19, 2019). Our State’s then-largest private employer opened its new IT center in Phoenix, AZ , rather than in its primary hub of Honolulu. Concerns over the long-term stability of O‘ahu’s bandwidth and connections may be one reason why.

Further, because Governor David Ige has stated that broadband capacity is one of his administration's top areas of focus, and has further announced and implemented several initiatives to move forward on this front, it is essential for the City to develop and sustain a working relationship with DBEDT, which is the State's lead agency in these efforts, to coordinate activities and avail itself of State assistance and programs as a means to leverage federal dollars to the extent necessary.

We emphasize this particular aspect because there are two particular private foundation sources of broadband funding, the Bill and Melinda Gates Foundation and Microsoft Philanthropies, which do underwrite broadband and IT initiatives but also require the State to be the lead applicant. Your Advisory Group suggests that City officials request State counterparts in DBEDT and the State Dept. of Education (DOE) to apply for these funds on the City's behalf.

As we noted in an earlier report, all too often in the past Hawai‘i has left considerable amounts of potential federal funding on the table. Pursuit of these funds could allow the State and City to realize their mutual ambitions of developing a world-class broadband network across the islands. Otherwise, those funds will go to other states that are more aggressive in their own approaches.

Direction and Suggestions

(A) Enhance City lobbying and relationship-building efforts with federal agencies

When assessing projects for possible funding, federal agencies tend to rely upon their officials in the community or state where the applicant resides. It is therefore imperative that the City officials establish and maintain working relationships with local federal officials in Honolulu, because they are essentially Washington's eyes and ears on O‘ahu. It is also worth noting that USDA is the designated lead agency for all federal efforts aimed at enhancing economic development and alleviating poverty in the country's rural communities, while the U.S. Dept. of Housing and Urban Development (HUD) is that agency's counterpart for urban communities.

Further, as this election season's political volatility demonstrated, those who currently hold appointed positions at federal agencies such as USDA will not be there one month from now. That's why it's important to build and maintain the City's relationships with those federal officials who work here in Hawai‘i because as career civil servants, they tend to remain in place regardless of who's in power back in Washington.

Additionally, there are several programs within the Federal Emergency Management Agency (FEMA) and the U.S. Department of Homeland Security, which might provide the City with grants for the purpose of increasing broadband capacity, provided that those funds are used for the purpose of enhancing public safety. In that regard, the City must be creative in designing its network, and emphasize the necessity of broadband as an essential component in coordinating local police, fire and civil defense responses to security and safety concerns as they arise.

While regional offices for the U.S. Dept. of Commerce and HUD are located here in Honolulu, the USDA programs listed in this preliminary assessment provided are administered by that department's Rural Development Division, which has its main office and administrative staff in Hilo. Your Advisory Group recommends that City officials establish initial contact with the USDA Director of Community Programs, who monitors all USDA grant programs for the Hawaiian

Islands and Pacific Region. This is the person who can be most helpful in City grant efforts targeting rural O‘ahu, and who can answer questions about various programs and providing leads about potential additional funding that is not necessarily listed in the Federal Register.

The Hawai‘i congressional delegation can provide some significant assistance, particularly in submitting letters of recommendation and support to federal agencies for City projects and initiatives. However, given both the relative junior status of our Democratic members within the congressional hierarchy and recent dysfunction on Capitol Hill, it is probably wise for City officials to keep their expectations of the delegation’s influence over funding matters at a reasonable level. However, congressional assistance will be most definitely needed to ensure the replacement of two of the three aforementioned undersea cables which connect O‘ahu to the west coast. That’s primarily of federal fiscal concern as an interstate matter, especially given the significant military presence on our island.

We also consider it imperative that the City and State coordinate to the extent possible their mutually beneficial efforts to build broadband capacity, particularly on projects involving DBEDT and DOE. As we noted prior, there is significant federal funding available which would be of benefit to City residents, but for which only the State can apply. And by identifying areas of mutual concern and common ground, and then developing and maintaining a working partnership with their State counterparts, City officials can help ensure that their own efforts won’t be duplicative at cross purposes with State initiatives, and that mutual application of public resources can have maximum effect when and where it’s most appropriate and effective.

(B) Prospective Federal Funding Sources for Broadband Capacity Building

Because your Advisory Group considers broadband capacity a matter of utmost importance and urgency, we are including in this report an overview of federal agencies where the City can seek funding support for broadband capacity development initiatives, which is found in Appendix II.

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5. PARTNER WITH THE UNIVERSITY OF HAWAI‘I SYSTEM AND OTHER ACADEMIC RESEARCH INSTITUTIONS WHEREVER AND WHENEVER POSSIBLE TO ENHANCE THE CITY’S POLICY DEVELOPMENT CAPACITY

- During the first few decades following the achievement of statehood in 1959, the University of Hawai‘i at Mānoa played an integral role in State and City planning and policy development. As the City seeks to rebuild and revitalize its economy in the wake of the pandemic, it’s time to once again tap that valuable resource to assist in the development of practical solutions.

In its first interim report, your Advisory Committee recommended that the City partner with the University of Hawai’i Community Colleges to retool and retrain O‘ahu residents to develop their skills and knowledge to be prepared for available jobs and to earn certificates valued by employers, especially for occupations which often have vacancies and in growing industries.

We’re happy to report that the Caldwell administration embraced the idea, and that the resultant program has been a resounding success. In fact, demand was such that the program’s website crashed on its first day. The program’s services target those residents who are unemployed or underemployed because they have lost hours and employment due to COVID-19 impacts. The

City provided an option to residents, and many of them took the initiative to seek training and professional certification in other fields.

We urge the City to continue this partnership and to further consider other prospects for collaborative efforts through the following suggested initiatives:

- Identify appropriate policy centers at UH-Mānoa and UH-West Oʻahu, e.g., UHERO, Public Policy Center, College of Tropical Agriculture, college extension programs, etc., that may be willing to assist relevant City agencies in the review of procedures and processes, collection of program data and issuance of quarterly progress reports on agreed-upon metrics directly related City initiatives and effort.
- Identify all relevant programs, e.g., economics, business administration, tourism, agriculture, health and human services, at all campuses whose faculty would be willing to assist City initiative through participation in Council or administration advisory committees.
- Identify those departments at UH-Mānoa, UH-West Oʻahu, Chaminade University and Hawaiʻi Pacific University with relevant graduate programs in which master's and doctorate students may be willing to assist City agencies in ongoing data collection and research, and consider incentivizing such requests with stipends or extra credit.
- Identify at all campuses programs, courses, and course assignments open to student-driven statistical surveys and polls to assist policy makers in understanding public knowledge, attitudes, and behavior
- Identify elements of all four-year and two-year campuses that could participate in a partnership to better educate and inform the greater Oʻahu community on important issues, such as infectious diseases protocols to prevent the spread of disease, and to serve as potential safety net service hubs and vaccination delivery sites.

* * *

6. IMPROVE THE EFFICIENCY, DELIVERY AND SUSTAINABILITY OF EXISTING CITY SERVICES AND PROCESSES

- As the threat posed by the COVID pandemic begins to wane with the corresponding arrival of the vaccine, the City should focus on improving its performance of already existing functions and services, and defer for the time being any new undertakings not otherwise deemed essential.

Coronavirus Relief Efforts: Review

With the passage of the CARES Act in March 2020, Congress established the Coronavirus Relief Fund (henceforth, the "Fund") with an appropriation of $150 billion, to be used to make payments for specified uses to States and certain local governments with populations of 500,000 or more; the District of Columbia and U.S. Territories (consisting of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands); and Tribal governments. (Please see Appendix III for CARES Act guidelines.)

With the population of the City and County of Honolulu being well in excess of 500,000 residents, there was directly appropriated to the City $387,176,021 from the Fund, which was entire separate

from the $1.6 billion that was appropriated from the Fund to the State of Hawai‘i. The State was responsible for distributing comparable shares of CARES Act funding to the Counties of Kaua‘i, Maui and Hawai‘i.

This provision of federal aid presented City officials with the daunting task of creating from scratch a timely system of fund allocation that effectively addressed at once the City’s own COVID-related requirements, the pressing needs of the small business community and O‘ahu households, and the additional federal mandate this $387+ million be not just allocated but expended in its entirety by December 30 of this year.

In the first weeks following Mayor Kirk Caldwell’s first emergency declaration in March 2020, City officials began quickly setting up their emergency funding system. Allocations were prioritized in the following nine categories: COVID-19 Testing, Small Business Assistance, Food Programs, Housing Support Assistance, Economic Support, Telework and Telehealth Capacity, Public Health and Safety, Personal Protective Equipment and Administrative Expenses.[15]

The City’s proactive responses in the early months of the COVID relief effort eventually became more effective after what was the bureaucratic equivalent of a shakedown cruise. Program guidelines were designed to primarily benefit those with up to $15,000 in savings and an average median income of 100%. Further, about 45% of the funding went to support O‘ahu’s small business community, enabling proprietors to maintain their operations and payrolls to the extent possible.

Your Advisory Group appreciates the fact that administration officials, who have heretofore utilized and even preferred a decentralized approach in the delivery of social services, were receptive to suggestion and critique, which enabled them to identify bugs in the system and enact course corrections fairly quickly. Aloha United Way initiated the COVID-19 Rent and Utilities Assistance (CRUA), program with City funding, which was then followed by the City and County of Honolulu’s Household Hardship Relief Fund (HHRF), which took over the provision of targeted financial assistance to O’ahu residents when CRUA funds were expended.

Administration officials are to be commended for engaging your Advisory Group directly, providing us with regular updates that kept us apprised of ongoing public relief efforts, and responding to our recommendation regarding the address of need in each members respective Council districts. As a result, the City was able to assist such non-profit organizations as Waianae Coast Comprehensive Health Center, Boys and Girls Club of Honolulu and Catholic Charities Hawai‘i in a timely manner, and to the greater overall benefit of affected O‘ahu communities.

That said, we noted in our first interim report last July that utilizing a decentralized approach for the delivery of social services and financial aid during an emergency situation runs a fair to significant risk of a disjointed or dislocated response, at the very moment we need to rise to the occasion. It can lead to logjams, backlogs and problematic delays, such as what happened to the

[15] Regarding the last category, the City’s administrative expenses for CARES Act funding as of this report has been limited to about 2.7% of the $387+ million federal allocation, which your Advisory Group would offer is actually a very efficient rate of return. Those City officials in charge of administering and allocating the federal CARES Act-related aid should be commended for that achievement.

State Dept. of Labor and Industrial Relation's unemployment office when it was inundated with over 200,000 claims.

Again, when people's lives and livelihoods are on the line, institutional inertia can very quickly become problematic if efforts are not immediately undertaken to expedite the process. The lessons of history make clear that fortune tends to favor the bold and innovative in times of crisis much like the present. That's why we encouraged City officials to proceed with a greater sense of urgency in their distribution of CARES Act relief, and to further streamline processes to the extent possible in order to facilitate that effort.

But while we had recommended in our first interim report that the City utilize a HUB approach to the prompt distribution of public relief, with affiliated satellite facilities established by nonprofit organizations at key access points throughout Oahu, City officials responded by setting up the Office of Economic Revitalization, which appeared to have added an additional layer of bureaucracy to the process rather than become a "one stop shop" to provide emergency relief to applicants in a timely, coordinated and efficient manner, as your Advisory Group had envisioned. We urge the incoming City Council and administration to revisit that earlier recommendation.

As of this writing, it is apparent to some members of your Advisory Group that a third major tranche of federal stimulus funding of some $3-plus trillion will likely be required to alleviate the fiscal stress on state and municipal governments and avoid the breakdown and reduction of vital services to citizens and residents. We are confident that the upcoming 112th United States Congress and the incoming Biden administration will rise to the occasion and approve this third package of federal stimulus by the spring of 2021 and further, that the agreement in Washington – just as it did in the CARES Act of March 2020 – will also include significant financial aid for our states and major cities. It will fall to new Mayor Rick Blangiardi and the incoming City Council to be ready to receive and disburse that infusion of aid.

Implementation of Coronavirus Relief Efforts: Further Suggestions

(A) Leave the present CARES Act funding system in place for now. With the expectation of significant addition federal stimulus funding for the spring of 2021, your Advisory Group would advise incoming Mayor Blangiardi and his administration to retain the present system for now, so that it can be ramped up when needed as additional federal funding is approved, and further updated as may be necessary to meet any additional or amended requirements which may be included in the accompanying federal legislation.

To be sure, that system had its shortcomings, as most such efforts undertaken in haste do, but for the most part it worked well in fulfilling its mission. As of this writing, 100% of the $387+ million has been allocated and over 80% has been expended. Further, the current second stimulus package contains language postponing the Dec. 30, 2020 sunset date, which will allow the City to expend the amount in its entirety, as was Congress' intention.

(B) The City's default assumptions should be results-oriented, rather than process-focused. To improve the budget and fiscal services rules regarding non-profit partners to allow for funding advances, we further suggest that the City take steps to streamline the application process for financial aid with one application form to be used by all providers subcontracted by the city,

eliminate redundancy and duplication wherever and to the extent possible (as had been recommended last July), and ensure an appropriate administrative fee is allowed to ensure that non-profits can effectively deliver financial support to residents in a timely manner.

(C) Don't let the system itself undermine the objective. We further urge the City to also examine its budget and fiscal services system and retool it as necessary, to avoid those situations in which it took a few months for applicant requests for aid to garner agency approval. In some cases, particularly with small business relief, time expired and requests were not acted upon, even though other agencies moved quickly to implement similar programs.

(D) The City Council should assert its oversight authority. Your Advisory Group urges the City Council to participate as an equal over the allocation and disbursement of future federal stimulus funding, not for the purpose of micromanaging the program and process but rather to assist the administration as a partner in the effort, and perhaps further facilitate the distribution of public aid as may be needed in the councilmembers' respective districts.

(E) Emergency response requires a team effort. The City Council has an important role to play. Because councilmembers tend to know their own districts better than most other agency-level officials, their input and contributions to that effort are both important and necessary. We would therefore advise councilmembers to participate personally in the deliberations of any future citizen advisory panel such as ours, and not just rely on periodic reporting from that body. Further, the Council should clearly define its expectations regarding any data or information its members may need, and not necessarily leave it to an advisory panel to divine that intent on the Council's behalf.

Other Suggestions (Non-COVID)

Members of your Advisory Group also offer the following suggestions to support and promote a revitalized, diverse and sustainable economy:

(F) Neighborhood and home security have long been major concerns for local residents and understandably, it has become particularly acute during the extended periods of COVID-related closures and lockdowns. There have been several successful pilot projects utilizing City law enforcement and private security as walking patrols in the City's Waikiki and Chinatown districts. The City should further utilize such projects on a permanent basis, and enlist the participation and cooperation of businesses, private security firms and the Honolulu Police Department.

(G) Conduct periodic procedural reviews reviews and performance audits of organizational safeguards and measures in City departments and agencies, as a means to promote increased efficiency, foster institutional integrity, address service delivery logjams, improve the morale and conditions of the City workforce and provide a more prompt and efficient operation for the public.

(H) Strengthen the independence, autonomy and efficiency of the City's appointed citizen advisory panels such as the Police Commission and Fire Commission in their oversight duties of City services and processes. The City's Real Estate Appeals Board currently has what's been estimated to be a two year-plus backlog on citizen appeals of property tax assessments, which deprives O'ahu's homeowners and real property owners of the timely application of due process.

(I) Conduct a periodic review of City property tax policy to ensure that important public goals are supported through tax incentives and credits, and that the laws on the books are both workable and practical. For instance, should owners of historic properties really be allowed substantial residential tax credits if those properties are used primarily for commercial purposes?

(J) Always be prepared to seize an opportunity when one presents itself. For example, recent domestic political unrest in Hong Kong has unnerved some of the financial institutions based there, which may eventually lead executives to seek relocation of operations to a more stable environment. Further, coupled with the crippling domestic shortages of personal protective equipment during the COVID pandemic, the specter of potential political instability in China has further fueled the pressure on American corporations to return pharmaceutical and medical manufacturing to the United States from that country. There is no reason why this Honolulu can't eventually become a substantial player in these markets, particularly given our locale and time zone. But to accomplish that, we have to first make an effort to achieve our desires, and then not self-sabotage those dreams and aspirations by dwelling incessantly on our perceived shortcomings.

* * *

7. CLOSING THOUGHTS: CONSIDER THE POSSIBILITIES

- The City Council's convening of its Stakeholder Advisory Group successfully demonstrated the value of soliciting substantive community input to help identify and address immediate problems arising from a statewide emergency. The City should take this concept of citizen engagement and apply it in other areas of concern.

As a very eventful 2020 comes to a welcome and merciful close, members of your Advisory Group wish to share our parting thoughts with both the outgoing and incoming City Councils and administrations regarding the mutual experience we shared with City officials during one of the most critical and challenging periods in our state's and nation's history.

As members of a citizen advisory body convened by the Honolulu City Council during a period of active public emergency, we truly appreciate the faith which you, our respective councilmembers, have placed in each of us, and we thank you for having offered us this opportunity to serve our City during these extraordinary times. We hope that the suggestions provided in this report will be of some assistance to the incoming City Council and Mayor Blangiardi as they chart our City's course over the next few years.

We have done our very best to represent our community and the public interest. On many occasions during our honest and frank but otherwise friendly discussions, we learned that our own unique and individual perceptions of the public's interest on a given issue didn't always and necessarily align. But we worked genially through our differences and arrived at the points of consensus we since conveyed through our reports to the Council.

We believe that we made a difference, and respectfully suggest that in the future as other events and situation materialize, the incoming City Council chair and mayor once again avail themselves of the ideas, experience and expertise of Oahu citizens, particularly as a means to develop meaningful community consensus for prospective plans of action. That said, we would caution that the lines of communication it works both ways.

We'd like to thank Managing Director-designate Michael Formby and Deacon Modesto Cordero of the Roman Catholic Diocese of Honolulu for their counsel and insight as members of your Advisory Group. We appreciate the important contributions they made to our efforts and like our other members, they made a difference. Also, we wish to thank Ken Farm for his participation in our discussions, whose ground-level perspective as chair of Kalihi-Palama Neighborhood Board No. 15 provided us with key insight into how COVID has affected our local communities, which then helped us as a group assess the effectiveness of the City's response via the CARES Act.

Further, we benefited from an administration that was generally open to both suggestion and critique. We offer our sincere Mahalo to departing Mayor Kirk Caldwell for allowing City Resilience Officer Josh Stanbro to participate in our meetings, and also making available to us upon request Community Services Director Pam Witty-Oakland, DCS Deputy Director Rebecca Soon and Economic Revitalization Director Amy Asselbaye, who briefed our members on the City's various CARES Act programs and answered our questions. The teamwork and camaraderie displayed by everyone during these critical and stressful times was extraordinary, and citizens and residents of the City and County of Honolulu should be proud of their leadership.

On that note, we offer our final observation as your Advisory Group. During an October meeting with Dr. Patrick Sullivan, CEO of Oceanit Laboratories, LLC, he shared with us his vision of Honolulu as a major production locale for the pharmaceutical industry. However, he also lamented what he and others perceived to be the lack of confidence shown by our political leadership in our State's capacity to undertake comprehensive and complex initiatives, even though Hawai'i's own socio-economic history strongly suggests otherwise. To create a more robust, diverse and viable knowledge-based economy both for ourselves and those who follow, we urge local government officials to reaffirm in both word and deed their own faith in our own people and businesses.

And so, while Hawai'i awaits the availability of a COVID vaccine and the allocation of additional fiscal assistance from the Federal government, we once again strongly urge our State and county governments to re-invest in the knowledge, skills and resilience of our own residents, rather than depend upon outside expertise and funding to undertake that calculated risk on government's behalf. After all, our islands are so much more than the sum total of our real estate portfolio. With proper resources and opportunity, our best and brightest can compete with anyone, anytime and anywhere. Give the people of Hawai'i 's a chance to shine, and the possibilities are boundless.

Aloha, mahalo nui loa a mālama pono,

DONALD KOELPER, Member and City Council Liaison, on behalf of your Advisory Group

ED D'ASCOLI, Member

ERIKA LACRO, Member

IVAN LUI-KWAN, Member

KEVIN RATHBUN, Member

LEE STACK, Member

ANNA STONE, Member

JOSH STANBRO, Member and Caldwell Administration Liaison

APPENDIX I: IMMEDIATE PRIORITIES OF THE O‘AHU RESILIENCE STRATEGY

The Caldwell administration has identified the following areas of immediate concern where the City Council might focus its attention on developing solutions that will protect and enhance economic activity in line with the long-term goals and objectives of the O‘ahu Resilience Strategy:

(A) Implement and enact a vacancy fee to reduce the incidence of empty homes and increase the affordable housing supply (ORS Action No. 1): O‘ahu’s long-term vacancy rate of 5.3 percent and available vacancy rate of 3.4 percent are among the highest in the nation. Given O‘ahu’s exceptionally high housing costs, housing units that sit empty for most of the year only add to the City’s housing supply shortage and high rents. As of June 2019, the Honolulu’s median rents for two- and three-bedroom units in Honolulu were the highest in the nation at $1,528 and $2,408, respectively. For the 46% of O‘ahu households that are struggling to afford even basic needs, such housing costs are problematic to ruinous.

Further, outside investment in Hawai‘i real estate, much of it in high-end second home and vacation homes, has more than doubled over the past dozen years to over $6 billion, contributing to a long-term vacancy rate of 5.3%, again the highest in the nation. While outside investment does drive topline economic growth, for O‘ahu’s permanent residents – especially those of low to moderate incomes – such benefits have been increasingly subject to the law of diminishing returns. For the City itself, consistently vacant units impose a direct cost burden that inevitably underwrites the building of new additional infrastructure for other housing development, in order to account for the under-utilized properties.

Per the analysis offered in the O‘ahu Resilience Strategy (p. 30), a 1% vacancy fee, as applied to the assessed value of any residential properties that are left empty for more than six months of any given tax year, would both encourage the return of empty or under-utilized properties to active use as long-term rental stock for O‘ahu residents, and provide approximately $60 million annually in dedicated fund to support the development of affordable housing units throughout O‘ahu.

(B) Develop alternative affordable housing options for O‘ahu residents (ORS Action No. 3): This issue has already been discussed at length in Section 1 of this report, and need not be further belabored here. That said, the ORS also offers that such alternative affordable housing options need not follow the traditional housing unit model. ORS Action No. 3 urges creativity in the City’s consideration of options, which include:

- Expanding Honolulu’s land use policy to allow for more shared housing and cooperative models in TOD zones;
- Developing shared living residences for seniors in TOD zones that would provide affordable housing with community centers connected to rail stations and other services;
- Further encouraging the building of Accessory Dwelling Units (ADUs) by undertaking a marketing campaign, improving the ADU permitting process, and removing financial impediments to ADU construction;
- Supporting the building of a pilot pocket community, which could have multiple dwelling units with central shared dining and bathroom facilities; and
- Supporting additional culturally appropriate housing models, such as *kauhale*, a traditional Native Hawaiian model in which clustered development allows for more housing and shared communal areas for cooking, eating, and washing.

(C) Expand Housing and Energy Transformation by Accelerating the Permitting Process (ORS Action No. 6): For many years the average staff vacancy in Department of Planning and Permitting (DPP) hovered around 20 percent, creating significant difficulties in application processes. There are a myriad of

reasons for this situation. Your Advisory Group suggests that the City Council and the administration work diligently on development of a long-term solution, whereby DPP has sufficient capacity to protect public safety, efficiently process applications, and approve permits in a timely and equitable manner, through investment in personnel, software upgrades, and resources for third party reviews of applications and plans.

(D) Promote new agricultural models for economic and food security (ORS Action No. 10): Hawai‘i imports 85-90% of the food its residents and visitors consume. According to DBEDT, reducing that percentage by just ten points would redirect about $313 million per year back to local businesses. Such a reduction can be achieved through a recommitment to sustainable and diversified agriculture, and the protection of O‘ahu’s most productive agricultural lands. The ORS offers the following recommendations:

- Engage an “O‘ahu Food Policy Council”, made up of local food policy and farming leaders, to guide and advise the City on best practices to ignite a more robust local food and urban farming industry in Honolulu – and then, most importantly, follow through on their suggestions and proposals.
- Implement City-related elements of DBEDT’s Increased Food Security and Food Self-Sufficiency Strategy.
- Create an “Urban Farming Roadmap” and partner with nonprofits to pilot projects to support struggling farmers and showcase container farming in the urban-core to test potential to scale more broadly on island.
- Create clear, strategic collaboration between the City and accelerator/incubator groups working in the local food space to encourage mentorship, adoption of technology, and find new pathways to investment for local food entrepreneurs.

(E) Increase Flood Insurance Affordability for O‘ahu Residents (ORS Action No. 13): The science of climate change is indisputable. Given the increasing intensity and frequency of major flood events on O‘ahu, flood insurance is more important than ever to reduce financial risk to residents and businesses alike. Reducing the vulnerability of our communities to flooding will help protect lives and property, allow local economies to rebound more quickly after a disaster, and safeguard our neighborhoods. It’s worth noting that a “100 year” flood has a 26% chance of happening during the lifespan of a typical 30-year mortgage. The memorable flood events in east Honolulu and windward O’ahu back in December 1987, and more recently in April 2018, serve as potent reminders of the risk we face.

The National Flood Insurance Program (NFIP) helps protect property and structures with federally-subsidized insurance rates for property owners, tenants and companies. Per the Homeowner Flood Insurance Affordability Act of 2014 passed by Congress, the Federal Emergency Management Agency (FEMA) engaged the broader policy community, including academia and other government agencies, to develop an affordability framework, which was published in April 2018.

One of FEMA’s recommendations was to further encourage communities to participate in the Community Rating System (CRS), a voluntary incentive program first implemented by NFIP in 1990 that recognizes and encourages community floodplain management practices which exceed the NFIP’s minimum requirements. In CRS communities, flood insurance premium rates are discounted to reflect the reduced flood risk resulting from the community’s efforts to reduce and avoid flood damage to insurable property, strengthen and support the insurance aspects of NFIP, and foster comprehensive floodplain management.

To reduce NFIP flood insurance premiums for O‘ahu residents by a minimum of 5% over the next two years by applying to and maintaining standing in the CRS, your Advisory Group suggests that the City adopt the ORS recommendations by undertaking the following actions:

- Develop a Cooperative Technical Partnership with FEMA that can help provide resources to the City to develop a CRS program and enhance flood resources;
- Engage a consultant to prepare and submit a CRS application in the next application round;
- Earn certification that the City has exceeded the minimum NFIP requirements and qualifies for the CRS;
- Designate or hire a dedicated CRS Coordinator position in the Department of Planning and Permitting in the FY21 Budget;
- Annually certify the City's compliance with CRS standards via the Coordinator; and
- Look for opportunities to expand programs that improve the City's CRS rank which in turn gains greater flood insurance discounts and flood risk resilience for O'ahu residents.

(F) Protect Beaches and Public Safety with Revised Shoreline Management Rules (ORS Action No. 29): Increasing rates of sea-level rise and erosion threaten the complete loss of sandy beaches on O'ahu within this century. When shorelines are artificially hardened with seawalls to protect coastal land from erosion, waves are prevented from accessing the sand locked behind the wall, natural beach replenishment becomes restricted, and beaches eventually narrow and disappear, Beaches can only continue to survive if given room to move and breathe.

Projections for future sea-level rise have grown more severe and place-based shoreline erosion modeling provides more accurate information for protecting shorelines. In light of these improvements, revisions to City regulations, including, but not limited to – Chapter 21A, Flood Hazard Areas; Chapter 23, Shoreline Setbacks; and Chapter 25, Special Management Area – are necessary and critical. Your Advisory Group urges the City Council to commence this effort as soon as possible.

Your Advisory Group also recommends that the City consider the creation of a shoreline management commission, modeled on the Waterfront Commission of Port Chester, NY, which would review building permit applications for consistency with Chapters 21, 23 and 25, Revised Ordinances of Honolulu and Chapter 205A, Hawai'i Revised Statutes.

At present, the State and the City already require completion of an environment impact statement (EIS) for all major permits within Special Management Areas (SMAs). Minor permits are at present exempt from environmental review. Your Advisory Group urges both the State and the City to require:

- Both the EIS process and the environmental assessment (EA) process to consider risk of sea-level rise and climate change-related flooding, and include mitigation steps to be undertaken.
- Require that henceforth, all SMA minor permits include an environmental assessment.
- Require property condition disclosure statements in SMAs to include potential risk from sea-level rise and climate change-related flooding.

Further, it should be recalled that much of the damage from the April 2018 flood in east Honolulu occurred when Wailupe Stream in 'Aina Haina overflowed its banks into residents' backyards and homes, your Advisory Group urges the City to give serious consideration to expanding the definition of Special Management Areas to include flood-prone streams and those areas which may be prone to risk of high-tide flooding at least 6 times a year by the year 2040. (See "Sea Level Rise Guidance," Honolulu Climate Change Commission, 2018). This would include adding the following definitions:

- "Streambed" to include the highest documented upper reaches of stream waters during heavy rain events.
- "Streambed area" to mean all the land area between the streambed and the streambed setback line.

- "Streambed setback line" to mean the line which runs inland from and parallel to the certified streambed at the horizontal plane.

Your Advisory Group also urges the City to serious reconsider the overall negative impact of its existing coastal zone management (CZM) policy. Since it was first enacted and implemented in 1977, the Hawai'i Coastal Zone Management Program (HCZMP) in conjunction with existing C&C zoning ordinances and policy has generally failed to achieve its stated goals. In particular, your Advisory Group notes has actually facilitated accelerated erosion of O'ahu beaches at a rather alarming rate:

- 20% of beach length has been lost in the past 44 years.
- 24% of O'ahu sandy beaches lost to hardening.
- 55% of our island's beaches have significantly narrowed.

Finally, your Advisory Group recommends limiting the number of exemptions which effectively limit the scope of the SMA and SMA-related ordinances (Chapter 25), Such exemptions presently include, among others, single-family residences of less than 7,500 square feet, repair and maintenance of roads and highways, interior alterations of existing structures, and structural improvements to existing family residences including additional dwelling units. We also urge the City Council to consider the following:

- Repeal hardship variances which continue to allow seawall construction;
- Prohibit expansion of single-family homes within the SMA;
- Require a comprehensive assessment of shoreline stability prior to approval of building permits with the SMA; and
- Prohibit expansion of non-conforming structures.

(G) Create a City-Community Liaison to Leverage Non-Profit and Volunteer Assets (ORS Action No. 44): Increasing resilience challenges will require coordinated effort between government, businesses, non-profit organizations, and active volunteers and neighborhoods across the island. While the City currently provide a range of grant programs in support of the nonprofit sector and often hires the services of nonprofits, there are still many challenges with this partnership.

Your Advisory Group, which has considerable experience in this particular area, urges the City Council to authorize a new Office of Community Liaison within the Office of the Managing Director to help foster collaborative success and reduce redundancy and expenses, break down institutional barriers, reach across City departments and agencies to ensure efficiency and identify shared needs as well as successful models, and coordinate consistent responses and documents/requirements for community partners.

The Community Liaison would serve as a primary point of contact at the City for non-profit organizations and volunteers to offer services, navigate City departments and processes, address liability issues, access City resources, and submit ideas for the improvement and efficiency of City operations that leverage community partnerships.

APPENDIX II: PROSPECTIVE FEDERAL FUNDING FOR BROADBAND CAPACITY BUILDING

There are no public foundations presently willing to consider grant proposals for broadband funding from county-level governments in Hawai‘i. However, two U.S. Dept. of Agriculture (USDA) programs, the **Community Connect Grant Program** and the **Rural Broadband Access Loan and Loan Guarantees Program**, are both presently soliciting proposals to fund broadband initiatives in rural communities. If the City already has plans in place to introduce or enhance broadband capacity in select areas, and is ready to apply, these two programs are likely sources of federal funding. We've mentioned the loan program because we believe it to be in the best interests of the City to keep all options on the table in order to successfully complete this initiative. Federal loan and loan guarantee programs such as those offered by USDA often carry very low interest rates with no points.

The City's next three best opportunities for broadband capacity funding are found in three programs administered by the National Telecommunications and Information Administration (NTIA), which is part of the U.S. Dept of Commerce. These three programs were created as part of President Barack Obama's economic revitalization efforts in the wake of the 2008-09 economic downturn. The Obama administration made the buildout of the country's broadband capacity and the improvement of its digital literacy rates a national priority. There is no reason to believe the incoming Biden administration won't do the same.

The most promising of funding sources is NTIA's **Broadband Technology and Opportunities Program (BTOP)**, a $4 billion grant program funded by the American Recovery and Reinvestment Act of 2009 to help bridge the technological divide; create jobs; and improve education, health care, and public safety in communities across the country. Successful BTOP projects across the country are deploying broadband infrastructure, enhancing and expanding public computer centers, and encouraging the sustainable adoption of broadband service.

Funds awarded under the **State and Local Implementation Grant Program (SLIGP)** can be used to facilitate the planning and design of its broadband network, particularly as it relates to public safety. Given our islands' status as the most geographically isolated inhabited area on earth, the City should have little or no problem making the case that increased broadband capacity is an essential component of its civil defense planning.

The **First Responder Network Authority (FirstNet)** was created under the Middle-Class Tax Relief and Job Creation Act of 2012 Network Authority (FirstNet), an independent authority within NTIA charged with taking "all actions necessary" to build, deploy, and operate the network, in consultation with Federal, state, tribal, and local public policy entities. Grants awarded by FirstNet are used by state and local agencies to enhance their wireless networks in the interest of promoting and coordinating public safety efforts.

This list below is by no means the complete inventory of federal resources and further, as the incoming Biden administration seeks to prime the pump in support of an awakening U.S. economy, the City should be on the lookout for more forthcoming funding opportunities in infrastructure revitalization and support.

(a) U.S. Department of Agriculture
Rural Development Division

- **Community Facilities Direct Loan and Grant Program** provides affordable funding to develop essential community facilities in rural areas. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area, and does not include private, commercial or business undertakings.

- **Distance Learning and Telemedicine Grant Program** helps rural communities use the unique capabilities of telecommunications to connect to each other and to the world, overcoming the effects of remoteness and low population density. For example, this program can link teachers and medical service providers in one area to students and patients in another.
- **Broadband Initiatives Program (BIP)** awards grants, loans, and loan/grant combinations for the purpose of facilitating broadband deployment in rural communities.
- **Community Connect Grant Program** helps fund broadband deployment into rural communities where it is not yet economically viable for private sector providers to deliver service. The Rural Utilities Service (RUS) frequently host webinars focused on the Community Connect Grant Program.
- **Rural Broadband Access Loan and Loan Guarantees Program (Broadband Program)** furnishes loans and loan guarantees to provide funds for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide service at the broadband lending speed in eligible rural areas.
- **Telecommunications Infrastructure Loans and Loan Guarantees Program** provides financing for the construction, maintenance, improvement and expansion of telephone service and broadband in rural areas.
- **U.S. Rural Infrastructure Opportunity Fund** through which private entities can invest in job-creating rural infrastructure projects across the country. An initial $10 billion has been committed to the fund with greater investment expected to follow. Target investments will include hospitals, schools and other educational facilities, rural water and wastewater systems, energy projects, broadband expansion, local and regional food systems, and other rural infrastructure. While USDA may help identify projects, projects need not be vetted by USDA to secure a loan. The fund was launched in July 2014 and is currently accepting applications. Project funding inquiries may be submitted at any time as the program is designed to operate as a sustainable investment platform.

(b) U.S. Dept. of Commerce

National Telecommunications and Information Administration
Broadband USA (Community Connectivity Initiative)

- **First Responder Network Authority (FirstNet)** was created under The Middle-Class Tax Relief and Job Creation Act of 2012 Network Authority (FirstNet), an independent authority within NTIA charged with taking "all actions necessary" to build, deploy, and operate the network, in consultation with Federal, state, tribal, and local public policy entities. The Act provides $7 billion in funding towards deployment of this network, as well as $135 million for a new State and Local Implementation Grant Program administered by NTIA to support State, regional, tribal and local jurisdictions' efforts to plan and work with FirstNet to ensure the network meets their wireless public safety communications needs.
- **State and Local Implementation Grant Program (SLIGP)** was created under the Middle-Class Tax Relief and Job Creation Act of 2012 (Act). SLIGP is designed to provide resources to assist regional, state, local and tribal government entities as they plan for the nationwide public safety broadband network (PSBN) being developed by the First Responder Network Authority (FirstNet). NTIA awarded $116.5 million in grants to 54 U.S. states and territories. This funding provides recipients with the resources to work with stakeholders throughout the state or territory to identify needs, gaps, and priorities for public safety wireless broadband. This work will also help recipients prepare for consultation with FirstNet.

- **Broadband Technology and Opportunities Program (BTOP)** is an approximately $4 billion grant program administered by NTIA to help bridge the technological divide; create jobs; and improve education, health care, and public safety in communities across the country. Funded by the American Recovery and Reinvestment Act of 2009, BTOP projects are deploying broadband Internet infrastructure, enhancing and expanding public computer centers, and encouraging the sustainable adoption of broadband service.

(c) U.S. Dept. of Commerce
Economic Development Administration

- **Economic Development Facilities and Public Works Program** provides funding for construction of infrastructure in areas that are not attractive to private investment. Most funding is for water and sewer infrastructure, but some has been designated for communications projects, including expansion of broadband capacity.

(d) U.S. Dept. of Commerce
Federal Communications Commission

- **HealthConnect Fund (HCF)** provides support for broadband connectivity to eligible health care providers (HCPs) and encourages the formation of state and regional broadband networks. Under the HCF Program, eligible HCPs can apply as individual HCPs or as part of a consortium. Individual HCPs and consortium applicants will be able to receive a 65 percent discount on all eligible services and equipment. Consortium applicants will also be able to receive this discount on HCP-constructed and -owned network facilities.

- **Universal Service High-Cost Program** provides funding to eligible telecommunications carriers to help pay for telecommunications services in high-cost, rural, and insular areas so that prices charged to customers are reasonably comparable across all regions of the nation. Incumbent local exchange carriers (ILECs) can be a combination of either rural or non-rural companies, and "price cap" or "rate-of-return" companies. Applying for these categories determine the type of High-Cost Program support for which an ILEC is eligible. A competitive eligible telecommunications carrier (CETC) receives High-Cost support based on the status of the ILEC in whose service area the CETC operates. Wireline and wireless telephone companies seeking to participate in any of the High-Cost Program support components must be designated as eligible telecommunications carriers (ETCs) and meet ongoing requirements for each component.

(e) U.S. Dept. of Homeland Security
Federal Emergency Management Agency

- **Emergency Operations Center (EOC) Grant Program** is intended to improve emergency management and preparedness capabilities by supporting flexible, sustainable, secure, and interoperable EOCs with a focus on addressing identified deficiencies and needs. This program provides funding for construction or renovation of a State, local, or tribal government's principal EOC.

- **Emergency Management Performance Grant (EMPG)** assists State and local governments in enhancing and sustaining their all-hazards emergency management capabilities.

- **Interoperable Emergency Communications Grant Program (IECGP)** provides funding to State, local and tribal entities for governance, planning, training and exercise funding to States, territories, and local and tribal governments to carry out initiatives to improve interoperable emergency communications, including communications in collective response to natural disasters, acts of terrorism, and other man-made disasters.

- **Citizen Corps Program (CCP)** bring community and government leaders together to coordinate the involvement of community members and organizations in emergency preparedness, planning, mitigation, response, and recovery.
- **Community Oriented Policing Services (COPS) Technology Grant Program** provides funding for the continued development of technologies and automated systems to assist state, local, and tribal law enforcement agencies in investigating, responding to, and preventing crime.

(f) U.S. Dept. of Housing and Urban Development
Office of Economic Resilience

- **ConnectHome Program** is a new initiative with communities, the private sector, and federal government to expand high speed broadband to more families across the country. The pilot program is launching in twenty-seven cities and one tribal nation and will initially reach over 275,000 low-income households – and nearly 200,000 children – with the support they need to access the Internet at home. Internet Service Providers, nonprofits and the private sector will offer broadband access, technical training, digital literacy programs, and devices for residents in assisted housing units.

(g) U.S. Dept. of Education
Institute of Museum and Library Services

- **Library Services and Technology Act Grants to States, Native American Tribes, and Organizations That Primarily Serve and Represent Native Hawaiians** provides funds for a wide range of library services including installation of fiber and wireless networks that provide access to library resources and services.

APPENDIX III: FEDERAL CARES ACT GUIDELINES FOR STATE, LOCAL AND TRIBAL GOVERNMENTS

Overview

The CARES Act established the Coronavirus Relief Fund (henceforth, the "Fund") and appropriated $150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to States and certain local governments with populations of 500,000 or more; the District of Columbia and U.S. Territories (consisting of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands); and Tribal governments.

Per the CARES Act, Congress appropriated $387,000,000 to the City and County of Honolulu from the Fund.

The CARES Act provides that payments from the Fund may only be used to cover costs that:

- Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);
- Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
- Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. (*See* Section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act.)

The guidance that follows sets forth the Department of the Treasury's interpretation of these limitations on the permissible use of Fund payments.

Necessary expenditures incurred due to the public health emergency

The requirement that expenditures be incurred "due to" the public health emergency means that expenditures must be used for actions taken to respond to the public health emergency. These may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures.

Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments.

The statute also specifies that expenditures using Fund payments must be "necessary." The Department of the Treasury understands this term broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.

Costs not accounted for in the budget most recently approved as of March 27, 2020

The CARES Act also requires that payments be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. A cost meets this requirement if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget *or* (b) the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.

The "most recently approved" budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health

emergency. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Costs incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

A cost is "incurred" when the responsible unit of government has expended funds to cover the cost.

Nonexclusive examples of eligible expenditures

Eligible expenditures include, but are not limited to, payment for:

1. Medical expenses such as:
    - COVID-19-related expenses of public hospitals, clinics, and similar facilities.
    - Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs.
    - Costs of providing COVID-19 testing, including serological testing.
    - Emergency medical response expenses, including emergency medical transportation, related to COVID-19.
    - Expenses for establishing and operating public telemedicine capabilities for COVID-19 related treatment.

2. Public health expenses such as:
    - Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19.
    - Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency.
    - Expenses for disinfection of public areas and other facilities, *e.g.*, nursing homes, in response to the COVID-19 public health emergency.
    - Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
    - Expenses for public safety measures undertaken in response to COVID-19.
    - Expenses for quarantining individuals.

3. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
    - Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
    - Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.
    - Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
    - Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.

- COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.
- Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.

5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as:

- Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.
- Expenditures related to a State, territorial, local, or Tribal government payroll support program.
- Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Nonexclusive examples of ineligible expenditures

The following is a list of examples of costs that would *not* be eligible expenditures of payments from the Fund:

- Expenses for the State share of Medicaid.
- Damages covered by insurance.
- Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.
- Reimbursement to donors for donated items or services.
- Workforce bonuses other than hazard pay or overtime.
- Severance pay.
- Legal settlements.

NOTE: Pursuant to section 5001(b) of the CARES Act, payments from the Fund may not be expended for an elective abortion or on research in which a human embryo is destroyed, discarded, or knowingly subjected to risk of injury or death. The prohibition on payment for abortions does not apply to an abortion if the pregnancy is the result of an act of rape or incest; or in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed. Furthermore, no government which receives payments from the Fund may discriminate against a health care entity on the basis that the entity does not provide, pay for, provide coverage of, or refer for abortions.