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City and County of Honolulu Affordable Housing Program and Plan

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MAYOR'S MESSAGE 48
HSH

Submitted by the Managing Director
Committee on Housing, Sustainability and Health | March 1, 2023

City and County of Honolulu
Affordable Housing (AH) Program and Plan

- 1997 Department of Housing and Community Development
- 2011 Section 6-106. Office of Housing

  (Executive: Oversee, coordinate and direct. . .)
- 2021 Office of Housing (Executive and Secretary)
  - Principally focused on Homelessness
  - Recruited Anton Krucky
    - Collaborated with homeless service providers to establish C.O.R.E. program
    - Expanded continuum of care and options for homeless
    - Concept of AH as a “book with many chapters”

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- 2021Two new chapters early in 2021
  - Establish the City's Private Activity Bond (PAB) Program
  - With Honolulu City Council, incentivize Bill 7 small lot projects via Bill 1
  - PAB Program
    - Section 142(d) Internal Revenue Code, City elected in December 2020 to retain its municipal PAB allocation (with no PAB program in 20+ years)
      - As an active "conduit" issuer of tax-exempt multifamily housing bonds, no pledge of City credit against repayment of the bonds
      - City's 2020 PAB Volume Cap (~$120,000,000 - Expires 12/31/2023)
      - Low rate financing for the development or rehabilitation of AH rentals
      - 20% units for tenants with incomes 50% or less AMI or 40% with 60% or less AMI
    - DPP Multi-Family Rental Housing (MFRH) Program
    - Title 20, Chapter 27, MFRH Administrative Rules (DPP Website – Housing)

- 2021 PAB Program (cont'd)
  - City program coordinated with Hawaii Housing Finance and Development Corporation (HHFDC) for consolidated application/selection criteria
  - Recruited Craig Hirai for his experience/expertise
  - Working with HHFDC on Memorandum for coordinated implementation of City/State PAB with other State/Federal funding programs administered by HHFDC (Low-Income Housing Tax Credit [LIHTC], Rental Housing Revolving Fund [RHRF], etc.)
    - Current City projects need HHFDC funding – important we work together
  - December 2022 – Two City PAB awards (~550 AH Units):
    - $105M – Maintain and Rehabilitate City AH inventory - Chinatown
    - $30M – Maintain and Rehabilitate City AH inventory – Waipahu
  - Conduit issuer process does include Council approval of Bond Resolution

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- 2021 Bill 1 – Government Assistance Program for Bill 7
  - First bill of this administration (2021)
  - Provides an economic incentive to compliant Bill 7 projects after issuance of a Certificate of Occupancy
    - Privately financed
    - Privately designed, permitted and constructed
  - Bill 7 projects – small lots, smaller builds subject to Bill 7 design guidelines
    - Pipeline of over 40 Bill 7 projects
    - Governor Green has proposed a state-match to the City's Bill 1

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- 2021 Bloomberg Harvard Cities Leadership Initiative
  - Competitive 1-year program (Mayor, MD and Chief Resilience Officer)
  - 40 Mayors/Senior Leadership around the world
    - Wicked Problem Solving – Intransient, Complex, Ever-changing
    - Understand the Problem
    - Innovate, Cross-Sector Collaboration, Safe Space, Risk-Taking
    - “Execution-as-Learning” – Moving beyond Plans that Haven’t Worked
- 2021 Formed City’s AH Working Group (AHWG)
  - All City Departments/Agencies involved in AH
  - Co-chaired by Mayor/MD
    - Subgroups meet on specific properties/programs
  - AHWG drives execution of the City’s AH program

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1. PAB Program
2. City AH Tax-Exempt GO Bonds
3. City State and Local Federal Recovery Funds (FRF)
4. Charter Section 6-106 AH Funds
5. Development Agreements
6. Department of Community Services Housing Programs
7. Department of Planning and Permitting AH Programs
8. Regional Infrastructure Planning
9. On-going AH Projects
10. Better alignment with State programs

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1. PAB Program

- City established its Tax-Exempt Multi-Family Housing Bond Conduit program in 2021
- More information is available to Council on this program
- Total 2020 Allocated Volume Cap (Use or Lose): **$120M**

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2. City AH Tax-Exempt GO Bonds

- **Planning and Design (P&D)** **$10M**

- City-Owned Properties
  - Kunia Box Car Lot (Unilateral Agreement: Park-n-Ride/Child Care Facility) – Conceptual Renderings – 200 Units
  - Harbor Arms (Pearl City) – 30 Units
  - Waiawa - TOD Development - Site assessment/Massing Study
  - Dee Lite Bakery – TOD Redevelopment
  - 820 Iwilei

- Condemnations–in-Process
  - 1615 Ala Wai (Waikiki) – Possession 8/22 – Deposited Appraised Valuation $3.044M (Senior Affordable Housing) – 40-60 Units
  - 1421 Pensacola – RPT Assessed Valuation: $1.125M

2. City AH Tax-Exempt GO Bonds (Cont'd)

- **Rehabilitation and Maintenance** **$20M**
  - Ena Road (Phases 1 and 2) – 33 Units
  - Kauhale Haleiwa (cesspool elimination/DOH compliant system)
  - Kuakini low-to-moderate income apartments
- **Property Acquisitions (Purchase) - Due Diligence**
  - Property 1 - Iwilei - TOD Development **$45M - $55M**
  - Property 2 - Ewa Beach **$40M - $50M**
- **Pre-Offer Assessments**
  - Property 1 – Waikiki (Leasehold/Fee) **$12M - $15M**
  - Property 2 – Kaka'ako **$20M**

3. City State and Local Federal Recovery Funds (FRF)

- **Acquisition**
  - Waikiki Vista (100+ units) **$37.75M**
  - DCS Solicitation (2023) Ordinance 22-14 Appendix A, Item 37 **$20M**

4. Charter Section 6-106 AH Funds

- **DCS Solicitations**
  - June 2022 – Group A - Construction
    - Hui Kauhale – Halewiliko (Aiea) 140 Units **$6M**
    - Hawaii Assisted Housing, Inc. – Halawa View II (Aiea) 320 Units **$5M**
    - Hawaii Assisted Housing, Inc. – Hocking Hale (Honolulu) 40 Units **$3.9M**

4. Charter Section 6-106 AH Funds (Cont'd)

- **DCS Solicitations**
  - June 2022 – Group B – Land Acquisitions
    - Hawaii Assisted Housing, Inc. – Waialua Mill Camp (Waialua) 268 Units **$3.6M**
    - AHED Foundation – Kailua Lofts (Kailua) **$4.8M**
  - 2023 DCS Solicitation **$11M**
    - Plus $20M SLFRF – Appendix A (Prior Slide – FRF)
    - Plus $9.5M HOME-ARP (pending Council approval)

5. Development Agreements

- **Public-Private Partnerships**

  - Halewaiolu – the Michaels Organization – 155 Units
  - Halewiliko Highlands (Aiea Sugar Mill) – EAH Housing – 139 Units
  - Kapolei Parkway (Kapolei Lots 6 & 7)- The Kobayashi Group – 401 Units
    (Deregistration from Land Court)
  - Varona Village Savio/Habitat– 140 Units (Removal of Preconditions – Boundary Determination)
  - West Loch Affordable Rental Housing – Stanford Carr – 127 Units

6. Department of Community Services

- **Housing First Vouchers**
  - Housing First Increment I (115 vouchers) - $2,400,000 GF
  - Housing First Increment II (100 vouchers) - $2,320,000 GF
  - Housing First Increment III (100 vouchers) - $1,000,000 GF (case management only)
  - $1,400,000 HOME (rent)
  - Housing First Increment IV - $1,250,000
    - Kumuwai (20 project based vouchers)
    - Hale Maluhia (20 project based vouchers)
    - Hawaii Health and Harm Reduction Center (10 tenant based vouchers)
    - Hale Kipa (10 tenant based vouchers)
    - Kama'oku Kauhale/US Vets (36 mini homes - rent only)

7. Department of Planning and Permitting AH Programs

- **City 201H AH Program**
- **Bill 7/Bill 1 Incentive Program**
  - Six Bill 7 projects have been permitted
  - Approximately 40 are in the pipeline
  - One Bill 7 project has received COO and the Bill 1 incentive
  - DPP working with builders on clarification of design guidelines
  - Bill 7/Bill 1 extensions
- **Prioritization/Facilitation of AH Projects**
- **AH Task Force**

8. Regional Infrastructure Planning

9. On-going AH Projects

- **Hawaii Resource Center**
  - 27 Units
  - Mezzanine (Offices)
  - Commercial Kitchen
- **West Loch Modular**
  - 57 Units
  - Fully managed and rented
- **Mohala Mai**
  - 30 Units
  - Women's Prisoner Project

10. Better Alignment with State AH Programs

- **Governor Green Emergency Proclamation**

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Issues, Concerns and On-going Challenges

- PABs, prioritizing City allocation with HHFDC larger role in funding layers
  - Should the City consider a Housing Revolving Fund to help fund City projects
  - Timing of developments (example, Kapolei Lots 6 &7, future City AH developments)
- City's 201H policy
  - Different than the State's 201H policy – pros/cons, unintended consequences
  - Inclusionary zoning policy – AMI qualification, costs we cannot control (Reserves, CAM)
- Management/Oversight of restricted rentals and AH fee purchases
- Alternative funding mechanisms
  - Tax Increment Financing – value capture
  - Community Facilities Districts – independent taxing district
- Limitations on AH development – tax exempt bonds
  - TOD development – Iwilei example (activate the community, park-n-ride, service providers, etc.)

Issues, Concerns and On-going Challenges (Cont’d)

- Exhaustive Inventory of AH on O'ahu
  - Contract with UHERO
- Regulatory Burden on the Cost of AH
  - Contract with UHERO (in partnership with Hawaii Community Foundation)

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Thank you

Appreciate the collaborative work with Council on behalf of our constituents.

Systemic change in the City's AH role.