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PANEL DISCUSSION OF THE PLANNING DIRECTORS

LURF and ABC, BIA, HDC, NAIOP Hawaii
Ilikai Hotel, August 18, 2004, 8:30 a.m. - 12:30 p.m.

Written Questions Submitted to Planning Directors (rev. 9/28/04)

Questions to Any and All Directors

1. Both admit falling behind on *infrastructure*, but what are their Counties doing about it?

   Eric Crispin: Honolulu has spent over $900 million on sewer improvements alone over the past 10 years. The majority of it over the past six years, and most recently we've been averaging $150 million/year on major projects such as Sand Island, Honouliuli and Kailua. On road resurfacing, we're spending $40 million this year alone. Keep in mind many of the roads in poor condition (Pali Highway for example) belong to the State.

   Chris Yuen: We have a number of major projects we are trying to implement. We are asking the Burial Council to reconsider their decision that effectively blocked the Ali'i Parkway. We will join in Oceanside 1250's appeal of the *Hokuli`a* decision that stopped work on the Mamalahoa Bypass. Our Council approved a special bond float of $40 million for roads.

   Ian Costa: Kauai has recently adopted the General Plan. This GP is a little more detailed than normal, however was intended to establish projects and set priority guidelines for CIP spending. This GP will hopefully serve as a foundation for capital improvements by helping decision-makers focus on priority spending.

2. *Lack of infrastructure* is a recurring theme, particularly on the outer islands. Historically, government has provided much of the infrastructure, but over time the budget priorities seem to have shifted more to government employee pay and maintenance than to capital expenses. One solution used successfully has been a partnership of larger or multiple landowners partnering with government to build infrastructure by using the government's bonding authority in partnership with the landowners' assets to form an improvement district and build infrastructure. Do any

of the Counties have employees who are trained to put together Improvement Districts? Would the County Administrations encourage such Districts?

Eric Crispin: Yes, we'd encourage public/private partnerships.

Chris Yuen: We are currently doing an improvement district to upgrade the water system in an older residential area. We are interested in using Community Facilities Districts where there is a clear public benefit to the infrastructure.

Ian Costa: Short answer is yes. The long-range planner. Yes, we have recently made an attempt to establish such a district with the Kukuiula project on the south side. These districts would be called land-secured financing districts.

3. Question re: *Long-Range Planning*. What percent of staff resources is devoted to long-range planning? Is this enough? If not, how might the County Planning Departments get more resources for long-range planning?

   Eric Crispin: We're short on long-range planning, but we're critically short of plans checkers, engineers, architects and inspectors to process permits.

   Chris Yuen: Probably 10 percent of staff time or less is devoted to truly long-range planning. A considerably larger percentage of the Director and Deputy Director's time would fall in this category. It is not enough. More resources is an overall budgeting question. Because it is necessary to respond to permit applications, staff time tends to get shifted to the immediate needs.

   Ian Costa: 50 percent plus. This is enough for now because CIP spending on Kauai is small. However, in the future much more time will have to be spent. May have to use CIP monies to cover staff services for the planning phase of projects. This would however mean that Kauai County government would have to have staff funded by CIP.

4. *Permit Delays* – Hurting Business. What is the current / average review time? Why are projects with little or no impact with zoning department being delayed / not approved?

   Eric Crispin: Depends on the permit – some are issued the same day. Others have a nine-month process. Delays are because of lack of staff.

   Mike Foley: We have added staff to reduce permit processing delays. We are trying to eliminate or simplify permits, but many are required by State law.

   Chris Yuen: The Planning Department's review of building permits is pretty quick. We are currently behind about a month on subdivisions. Our Kona office is regularly working overtime to keep up. We are not deliberately delaying any reviews for purposes other than workload. The current building/development boom has created a backlog. We do the reviews that are required by current codes. We are looking for examples of things that we do not need to review. The County has a project to reform the Building Code to reduce the kinds of things that need building permits.

<u>Ian Costa:</u> Simple, small-scale projects like single-family residenes take about 6 to 8 weeks. Other more complicated projects can take up to 4 months. Permitting is a two-way street. Many times delays are attributed to faulty plans, other times, agencies don't have personnel strictly focused on permits, so permits may have to wait in line with other work.

5. What assistance does the County provide to developers who want to build "*affordable housing*" to make it economically viable to do so? I.e., streamline permit process; reduce requirements for site infrastructure; tax incentives; etc. Are you working with OHA for use of land for affordable housing?

<u>Eric Crispin:</u> The 201-G process has numerous incentives for developers to build affordable housing, from permit streamlining to relaxed zoning and parking requirements. We're working with DHHL to build affordable housing.

<u>Mike Foley:</u> For affordable housing projects, Maui County now streamlines review, waives some fees, splits infrastructure costs, etc. We are working with DHHL on numerous Maui projects.

<u>Chris Yuen:</u> We currently have a proposal before the Council that would include a density bonus for affordable housing. We will be presenting a reform of the Subdivision Code that will reduce road standards. We have approved a number of PUD's that have lesser standards. We are working with DHHL. I do not know if we have any OHA projects pending.

<u>Ian Costa:</u> We work with the developer and try to streamline permitting. We also encourage developers to obtain County Council exemptions, *e.g.*, Act 15. So far, we haven't been approached by OHA.

6. How is *affordable housing* defined by County? Who is the target market?

<u>Eric Crispin:</u> Generally speaking, 120 percent of median or below.

<u>Chris Yuen:</u> The target market is to produce units for families earning 140 percent of median or less. Median for a family of four in Hawaii County is $50,500, so 140 percent of median is $70,700. At a 6.25% mortgage interest rate, this 140 percent of median family can afford a home costing about $285,000. While the greatest need is in the lower income groups, we are hoping that we can encourage and require the private developer to do more at the upper end of this affordable range. To help the lower end will require direct and indirect government subsidies.

Ian Costa: Don't know. The target market is usually from the 60 percent to 140 percent.

7. Wouldn't extended buy-back and shared appreciation periods on *affordable housing* effectively remove these units from the available housing inventory by precluding owners from using equity to move up?

   Eric Crispin: As discussed, this is a delicate balance between protection and disincentive, depending on whose point of view one takes.

   Mike Foley: The buyers of affordable houses need to build up a limited amount of equity so they can eventually buy their next house.

   Chris Yuen: Not really, the unit is still there and if the person moves, they are moving to another unit. By not controlling the price of the unit, it will move up to market price and not be affordable to the next purchaser. You are correct, though, that buy-back and shared appreciation reduce the ability of the first purchaser to move. One basic concept is that if the purchaser is getting a unit for much less than market, due to a governmental program, the purchaser should not get a windfall from that, but should be able to benefit from the normal appreciation on his or her own equity. To use round numbers, if the purchaser gets a house worth $400,000 on the open market for $300,000 because of a zoning requirement or subsidy, and in 10 years the house is worth 50 percent more because of appreciation in the general market ($600,000), I do not have a problem with the purchaser getting 50 percent appreciation on his $300,000 — which would be $150,000 in profit -- but I do think that the remaining appreciation should either be recaptured and put back into affordable housing, or the unit sold again for less than market.

   Ian Costa: Yes. But that is the understanding that the buyer has when purchasing affordable housing. But, the "flip side" to that is that the open market will force the owner to sell at the best price that the market is willing to pay which is just as dangerous. After the owner sells at market price, will the owner be able to find something comparable?

8. Has County considered an *absentee resident tax*?

   Eric Crispin: Honolulu has not, to my knowledge.

   Mike Foley: May be we can raise taxes on houses not occupied full time or for houses worth over $2 or $3 million. We recently had a house sold for $13.7 million CASH!

   Chris Yuen: I am not sure exactly what this question means, but Hawaii County has a considerably lower "homeowner's rate" and special exemptions for owner/occupants, so to this extent some residents pay lower taxes than non-residents. But see answer to next question.

Ian Costa: Not that we know of. But it is worth looking into.

9. Roads / schools etc. are required for development of houses for people who buy who have not paid State taxes and contributed to this cost of improvement. Thus those workers who cannot afford these homes pay the taxes for infrastructure. Should there be a *tax for out-of-state buyers*?

   Eric Crispin: Sounds like discrimination to me, but I could be wrong. The issue is not whether the buyers are from out-of-state or not, the issue is whether they're owner-occupants or not, no matter where they reside. In fact, one could argue that out-of-state owners are less of a burden on infrastructure - they pay the same taxes yet don't use the schools, water, sewer, etc., so we need to be careful not to over-simplify it.

   Mike Foley: See answer to # 8.

   Chris Yuen: I suspect that it is unconstitutional to levy a tax that is higher on an out-of-state buyer than an in-state buyer.

   Ian Costa: Yes. Definitely worth looking into.

10. With the increased emphasis on *impact fees*, what assurances can be provided that the fees will actually be used in the near future to provide the infrastructure?

    Eric Crispin: It's a legislative issue. The law either allows raiding of the special fee fund or it doesn't.

    Chris Yuen: Such fees should be coupled with plans to spend them. Hawaii County, for a number of reasons, has collected only about $2 million in impact fees in 10 years, so it has not been enough to make a real dent.

    Ian Costa: Earmarking the funds through special accounts.

11. *Impact fees* as suggested by various community groups and government agencies will have an inverse effect on the price of a home as developers must pass this cost on to buyers. How does the County propose to deal with this increase in the price of a home as a result of impact fees?

    Eric Crispin: That issue calls for a lengthy discussion with economists. Certain impact fees have a clear nexus to development: it costs real money to bring water and sewer to a project. Others are more "gray".

    Chris Yuen: Who ends up paying depends upon the whether the market will absorb higher costs, or whether the developer may have to absorb part or all in reduced profits. Although this depends on the market conditions, in most cases you are probably correct that this gets passed on to the ultimate consumer. We are considering waiving or reducing such fees for affordable projects.

Ian Costa: It's a long process that will not happen overnight. But, the goal is to make CIP spending more coordinated through long-range planning.

12. What efforts, specific plans, or incentives are being made to encourage the development of *adult care or assisted living facilities* to address the growing concern of our aging population?

Eric Crispin: Again, 201-G provides for incentives for low-income senior housing. Additionally, Honolulu's LUO has incentives for senior housing.

Chris Yuen: We did rezone an area for an assisted living facility in Kona, and we are doing a further increment of a public elderly housing project. Administratively we have interpreted Zoning Code so that some senior-friendly amenities, like a cafeteria, would be allowed in multi-family zones without further approvals.

Ian Costa: Our zoning code can be amended to simplify the permitting process for these uses.

Questions to Chris Yuen, Hawaii County

1. Confirm new zoning changes will be tied to the highway improvements, a *moratorium* so to speak?

   At the moment we are applying this to new commercial projects served by Phase II of the Queen Kaahumanu Highway, because of the critical role of this highway and the fact that Phase II is not funded. This does not necessarily create a moratorium; we are recommending approval of one project on condition that it build a major link in the parallel road system we are trying to develop.

2. You mentioned the housing crisis, failure of infrastructure construction, and concurrency. *Concurrency conditions* would exacerbate the housing crisis given the delays in infrastructure construction. How do you reconcile these conflicting issues?

   For this reason we are not applying concurrency to residential projects, but we want a policy that produces a meaningful number of affordable units.

3. Is there a restriction on the resale of these *affordable homes*? I.e., can't sell within five years; must be first and only home.

   Eligibility will be to first-time homebuyers. If we cannot find qualified buyers after a set time, then restrictions loosen. We have resale restrictions, but they take different forms.

4. Please address County of Hawaii Department of Public Works opposition to *street trees* in right-of-way.

   I can't say too much because it is not my Department. Their concerns are based primarily on maintenance. We have approved arrangements where the private association will be responsible for the maintenance.

Questions to Mike Foley, Maui County

1. Is Maui County embracing *Smart Growth* principles? If so, are zoning and subdivision ordinances and policies being revised to allow smart growth?

   Yes, Maui County embraces Smart Growth. Ordinances will be changed, and in the meantime we apply smart conditions of approval to development projects.

2. How can growth continue to be approved if critical resources (water) are not going to be available? Is that putting quality of life for existing residents at risk? Santa Barbara had growth *moratorium* until new water supply was brought in.

   Politicians hate moratoriums, so we require infrastructure expansions by developers and try to convince the State and our County Council to fund critical infrastructure.

3. *DOT's responsibility* to respond with comments are for approval to develop additional housing, correct? Does DOT have a plan to improve highways to accommodate traffic (one-way highway to West Maui)? Isn't there a statewide DOT improvement plan? Are you trying to make the Governor look bad?

   Yes, DOT should respond to our questions re needed highway improvements. No, the State has no plan (yet) for two additional lanes from Lahaina to Maalaea. State DOT is being unresponsive; THAT makes the Governor "look bad".

4. Regarding *important agricultural lands* (IAL), your comment that IAL legislation did not pass because large landowners do not wish to designate because they want to sell their land is **not truthful** and contributes to the impasse rather than the resolution. It does sound like **you have not been listening** to landowner and farm industry concerns about agricultural infrastructure, volatility of commodity markets, lean economics. Granted, the planning issues of IAL are equally significant and urgent. But so long as we take a single facet view of the problem we will be at loggerheads. Wouldn't it be better to approach the issue like a rubric cube and recognize that we must solve or meaningfully address the multi-faceted issues?

   I **strongly stand by my statement** that large landowners on Maui oppose designation of Important Ag Land because they want to sell their land for development. That is particularly true of A & B and Wailuku Agribusiness. Ag land is being land banked with very low property taxes and low water rates.

Questions to Eric Crispin, City and County of Honolulu

1. How does the City and County of Honolulu propose to tackle its *lack of infrastructure*? A. Traffic – live/work only accounts for a small portion of a community. B. Sewer – pump stations, treatment facilities. C. Schools.

    A. The people of this city will have to come to agreement on some sort of mass transit. Monorail was shot down, so we tried light rail. Light rail was shot down, so we tried BRT. BRT continues to be chastised and given a bad name. We sell (buy) 60,000 new cars per year. That's 300,000 new cars every five years. More roads, wider roads, is not the answer.

    B. See #1 above. $900 million in sewer infrastructure in 10 years. In my book, that's not neglect, that's impressive.

    C. N/A – that's a State issue.

2. *Smart growth* principles are academic if infrastructure is not planned and built to support development and redevelopment. What about infrastructure? Sewers. Transit. Stormwater. Etc.

    See above.

3. *Smart growth* principles are the ideal. Don't you think living on an island requires principles other than those mentioned?

    Like what? Dumb growth principles? Or paving over our agricultural lands and creating back-to-back bedroom subdivisions from Pearl City to Haleiwa?

4. What will it take to get the City and County to allow *residential above retail / commercial* if it's not now allowed?

    In certain areas it is allowed - it's a matter of getting people to realize it (BMX zoned areas for example). For small neighborhoods, we plan to introduce a BMX-1 (low-density mixed use) zoning in the LUO, which would be appropriate for small neighborhood commercial areas.

5. In order to promote *transit-oriented development*, will the City commit to developers that it will provide transit services incorporated into plans on a timely and continued basis?

Yes - if we can be allowed to implement it (!). No - if we're not allowed to implement it (see comment re BRT above).

6. For the low-rise BMX-1 as applied to re-use of existing business buildings, how has DPP addressed required parking? Has DPP waived parking requirements if none presently exist?

   Yes. An example of that is in Chinatown, where we have waived the parking requirements in the historic core. We can do this because there are ample public parking garages. To do it in other areas we need to work with developers to do things like Kaneohe Ranch has done in Kailua with a centralized parking garage.

7. Campbell Industrial [Park] – any long term desire / plan to relocate or dismantle? Restore coastline? Any roadway relocations planned (setbacks from waterfront)?

   No, absolutely not. It's too late, but we're stuck with it. I only mentioned it so that we can avoid such future mistakes, and perhaps neighbor islands can take it to heart, if/ and to the extent it applies to them. No to the other two as well.

<u>Question to Ian Costa, Kauai County</u>

1. How has Kauai Electric recovered, and what has been the effect on the cost of development per unit?

   (No answer available.)