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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.

Remarks of the Planning Directors

LURF Executive Director Dean Uchida announced that the topics of the panel discussion will be affordable housing, infrastructure, and smart growth.

Chris Yuen, County of Hawaii

There is little major development in East Hawaii. The plantations are gone and there is a huge overhang of "affordable" (undeveloped) house lots in Puna. In West Hawaii, by contrast, there are huge traffic problems. The main north-south highway is only two lanes wide. Archaeological finds continually delay projects so that they fall out of the funding cycle. For example, the *Hokuli`a* injunction stopped work on the bypass highway. A State affordable housing project (Villages of Lai`opua) has been held up in litigation, even with entitlements. Many people want him to "shut down" West Hawaii, but he's not going to do that.

Planning priorities include sensitive areas and the shoreline, more housing where people work (*e.g.*, Waikoloa Village), no SMA/shoreline rezoning. He doesn't use "smart growth" terminology, but aims to end up with shorter commutes, and get people closer to jobs. Most new housing being built on the Big Island is for upscale retirees, at $450,000 plus per unit. But Ocean View has 10,000 vacant lots but is 40 miles away from the jobs, by a highway that's almost impossible to upgrade.

The County will rely partially on exactions as a source of affordable housing. The problem with the current policy is that it allows an in-lieu payment of only $470/unit, which may go up to $15,000/unit if Council approves a new ordinance. He would like to revise the Subdivision Code to allow narrower, cheaper streets; and eliminate "plan approval" for residential structures in resort areas. The General Plan Revision is five years overdue but Council is unlikely to act before the election.

Concurrency – he expects to tie more approvals to the timing of infrastructure, especially for commercial uses. Currently, they are not applying a concurrency requirement to residential projects. New projects sold on the basis of "exclusivity" makes support for later phases that much harder (again, he gave Waikoloa as an example).

Question/Answer: Hawaii County is looking at affordable housing waivers, so as to attach reasonable conditions rather than "break the back of the system." Water hookups are a constraint. The only real option to meet the enormous need of the 80-120 percent and below median income market for affordable housing is for government to step up. New houses being built are *too big* – "affordable" housing should be kept unattractive to the upscale market, *e.g.*, by avoiding restrictive covenants.

The typical buy-back restriction has been 10 years, but there have been very few of those in the last 10 years. The problem is to avoid a windfall, yet allow buyers to realize the American dream of equity build-up. Another problem is not to "go to sleep" during the next plateau [of housing prices], but to be ready for the *next* cycle of price run-ups.

Regarding improvement districts, no one is trained to do that. His staff is able to spend only 10 percent of its time on long-range planning; they *have* to deal with the permit applications as they come in. The County was under a hiring freeze until Mayor Kim. He has a smaller staff with a larger and more populous island than Maui. It's very hard to recruit, especially engineers, given County pay scales.

Regarding impact fees, the community likes them because "someone else" pays. He agrees that site-specific costs should be charged to projects. We need to decide up-front what to subsidize [with impact fees], like housing. They have to deal with up-scale non-resident communities, yet need to keep the fees flat per unit. He would rather raise funds by using the real property tax system to get more from high-end projects. They did try to raise the fuel tax, but that failed. The Council did enact an increase in the weight tax.

Mike Foley, County of Maui

In common with the Big Island, there is opposition to projects because of traffic. Natural resources are overwhelmed by visitors. Housing is being built for the second-home retiree market, at an average of $665,000 per unit.

The County is falling behind on infrastructure. Water is maxed out in central Maui, yet they're still approving projects. But developers need to pay closer attention to where infrastructure exists. It's up to developers to propose projects where the County wants it, then it can be supported where it can be efficiently served.

On highway impacts of projects, the Dept. of Transportation has gone from uncooperative and late in its comments, to not at all. That is simply not acceptable. In road design, the Fire Dept. wants it wider and straighter, planners want it narrower and "windier" for pedestrians. The solution is to have connectivity.

On schools, the County wants to guide the Dept. of Education to the right locations, and has had some success with a developer-build approach. But there is a problem getting funding for teachers, equipment, supplies, etc.

There needs to be impact fees required for *all* new housing units, not just "fair share contributions" for projects over 50 units. In general, more funds are needed for beaches, parks, schools, etc.

Affordable housing is a critical need, but that doesn't mean you throw out other policies to fast-track it. The issues today are the same as 40 years ago. We have to be more careful about allowing housing in agricultural subdivisions. There is need to identify more land for affordable housing. If you don't have an affordable housing component to your project, it probably won't be reviewed. They haven't figured out how to control speculation or control out-of-state buyers.

Maui is just starting its General Plan update process, which may take three years. Developers say the biggest problem is "not knowing what we [the County] want." There will be lots of opportunity for input to the General Plan update.

The important agricultural lands (IAL) legislation didn't happen because large landowners didn't want it, they just want to sell the land for development. For agricultural subdivisions, you can't get a building permit without a farm plan, but that's the easy part. The Land Use Commission is pushing the County to be more strict. Lot owners "need to be growing something."

<u>Question/Answer:</u> He feels the best way Maui County can help affordable housing is by streamlining the permitting process. Waiving costs just shifts the burden. There is also a need to integrate housing types and income levels, to avoid eating up all the land with large-lot low-density units. They negotiate buy-back restrictions between 10 years and perpetuity, but Mayor Arakawa prefers the latter. Buy-back programs need to permit some degree of equity build-up, and there needs to be funds available to do the program.

Most new housing on Maui has been upscale. In affordable projects, there has been relatively more support for senior housing. For that group, he wants to see more smaller garden apartment units with less parking. Affordable housing should be directed away from attractive amenity locations like the shoreline. But ultimately Hawaii is in an international market, and thousands of units of any kind can be sold at elevated prices.

Mike has a major issue with landowners who think they own the water. But the County is way behind on infrastructure and will continue to ask developers for help. Maui also has no experience with improvement districts, but he has worked with tax increment financing in California, which only gets "blank stares" on Maui.

Staff-wise, he has too many people processing permits, not enough doing long-range planning. He's hamstrung by civil service and pay restrictions, and cannot recruit out-of-state, yet the Council has let him add 16 new positions over the last two years. His department has tried to get rid of minutiae, but has to fulfill State and County statutory requirements to process things like historic preservation reviews and SMA minor permits – he can't figure out how to get rid of the latter.

He shares the concern over the gap between the "haves" and the "have nots" (impact fees don't really get to that). Maui is trying to diversify its economy, but the shifts are from one low-wage sector to another, compounded by remote locations, high costs, and lack of parking [for multiple vehicle families], the impacts of which are greatest on lower income residents.

Eric Crispin, City and County of Honolulu

His department is overworked, understaffed, and overwhelmed with permit applications now, after coming out of the doldrums of the 1990's.

"Smart growth" principles have been around for a long time. He would expect more support for growth, but instead is seeing a lot of no-growth sentiment. Some City issues include inappropriate uses of the shoreline (*e.g.*, for highways, industrial); single-use zoning; subdivisions with cul-de-sacs and no connectivity; sprawl of "pods" without a "second city" focus; building for cars, not people; low design expectations for affordable housing; and increased emphasis on walled-in "security."

"Smart growth" principles include a mix of land uses; compact building design; a variety of housing choices; walkable neighborhoods; a strong sense of place; development of existing communities; a range of transportation options (*e.g.*, connector/collector roads); and stakeholder participation in decision-making.

The Dept. of Planning and Permitting consults special area and functional plans before granting permit approvals, which are tied to availability of CIP. The General Plan "keeps the country country" by preserving incentives for agriculture. "Sustainable communities" are to be developed within urban growth boundaries.

Kapolei has evolved away from the vision of a compact walkable community to one where you have to drive to the drive-in. By contrast, Fairview Village, Oregon, includes new major streets, a variety of housing, mixed uses, preservation of open space, and natural drainage. The Primary Urban Center Development Plan will preserve view planes, a sense of place, and walkable neighborhoods. He would like to consolidate neighborhood business parking.

As for affordable housing, the City *used to* have a housing program. They built 1,540 units during 1993-1997 under HRS chapter 201-E, and 608 units between 1998-2004 under chapter 201-G.

Question/Answer: Government has the ability to finance infrastructure at lower costs. The City and County of Honolulu has had some experience with improvement districts on a small scale, such as for sidewalks one block at a time. He acknowledged that Gentry

Homes (Tosh Hosoda) has been advocating improvement districts. His department, being understaffed, has cannibalized its planners to process permits – that's where the most critical shortage is.

Regarding impact fees, one has to distinguish site-specific fees from more regional fees, where the nexus is more arguable. The Dept. of Transportation tries to attach enhancement fees to projects affecting highway intersections. The Dept. of Education would like to attach its "fair share contributions" to any discretionary permit.

He is also concerned about the housing/income "gap" problem, along with the decreasing "safety net" and increase in the homeless population. For senior housing, the Land Use Ordinance provides for single room occupancy and aging in place. Honolulu uses cash-in-lieu contributions (based on 30 percent of units) to support affordable housing, but it doesn't buy much.

Ian Costa, County of Kauai

One of the issues on Kauai is to consider relocation of roads near the shoreline. They are continuing to use existing schools; private schools have helped [the capacity problem]. Housing is cyclical; lately they've seen an influx of absentee owners taking away housing from the working population. The displacement of local residents by large numbers of visitors is becoming more noticeable.

They are looking at a greater mix of housing types. The County has an informal policy of requiring 15 percent affordable units, but they are looking at increasing that to 25-30 percent. The biggest need is gap housing. Developers have focused on the 100-140 percent [of median income] group.

Services are spread out on Kauai, and it's harder to cluster new development near existing facilities. There is need to develop more tax incentives, and need to upgrade their environmental impact assessment fees which are now only $500. They need more partnerships with the State and developers.

Question/Answer: Kauai County also has no one familiar with improvement district financing, but he recognizes they need to look at it. Kauai has recovered from Hurricane Iniki. Kauai Island Utility Cooperative (KIUC) was formed to acquire the power generation capability of the former Lihue Mill. His staff has been stable for the last 10 years, and now planning is getting more emphasis. He is looking at some reorganization to get more public works expertise into his department. The County is just beginning to get into senior housing.